

***Banco do
Nordeste***



ACCOUNTING STATEMENTS

Banco do Nordeste and FNE

POSITION: 06.30.2007

**Banco do
Nordeste**



Accounting Statements

Banco do Nordeste

POSITION: 06.30.2007

(Convenience Translation into English from the Original Previously Issued in Portuguese)
BANCO DO NORDESTE DO BRASIL S.A

BALANCE SHEETS AS OF JUNE 30, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
CURRENT ASSETS	5.474.144	6.919.851
CASH AND CASH EQUIVALENTS	54.049	42.057
INTERBANK INVESTMENTS (NOTE 4)	1.982.828	1.116.195
Open market investments	1.817.252	1.070.795
Interbank deposits	165.576	45.400
SECURITIES AND DERIVATIVES (NOTE 5)	1.803.706	4.467.952
Own portfolio	1.784.592	4.459.326
Linked to guarantees	19.114	8.626
INTERBANK ACCOUNTS	183.890	134.651
Payments and receipts pending settlement	19.204	19.766
Restricted deposits:		
Deposits - Central Bank of Brazil	157.349	108.869
National Treasury - Rural loan	5.560	4.801
Interbank onlendings	522	250
Correspondents	1.255	965
LENDING OPERATIONS (note 6)	927.133	710.096
Public sector	42.598	15.892
Private sector	1.008.935	835.100
(Allowance for loan losses)	(124.400)	(140.896)
OTHER RECEIVABLES (note 7)	502.182	438.515
Receivables for guarantees honored	11	51
Foreign exchange portfolio	124.009	130.184
Income receivable	24.668	17.806
Trading account	7	2
Specific receivables	291	291
Other receivables	360.955	291.515
(Allowance for losses on other receivables)	(7.759)	(1.334)
OTHER ASSETS	20.356	10.385
Other	13.453	10.421
(Allowance for devaluation)	(5.971)	(5.236)
Prepaid expenses	12.874	5.200
LONG-TERM ASSETS	7.212.037	5.230.758
SECURITIES AND DERIVATIVES (NOTE 5)	4.327.831	2.307.725
Own portfolio	4.265.139	2.252.352
Linked to guarantees	62.692	55.373
INTERBANK ACCOUNTS	37.683	33.574
Restricted deposits:		
National Treasury - Rural loan	906	1.000
National Housing System (SFH)	27.765	21.741
Interbank onlendings	9.012	10.833
LENDING OPERATIONS (note 6)	2.596.021	2.671.954
Public sector	1.005.377	1.107.399
Private sector	1.739.294	1.743.656
(Allowance for loan losses)	(148.650)	(179.101)
OTHER RECEIVABLES (NOTE 7)	250.502	217.505
Receivables for guarantees honored	29	38
Other receivables	276.279	245.263
(Allowance for losses on other receivables)	(25.806)	(27.796)
PERMANENT ASSETS (note 8)	192.561	181.015
INVESTMENTS	951	574
Other investments	5.655	8.713
(Allowance for losses)	(4.704)	(8.139)
PROPERTY AND EQUIPMENT IN USE	185.851	174.039
Real estate	112.091	100.993
Real estate revaluation	111.628	111.629
Other	108.165	93.141
(Accumulated depreciation)	(146.033)	(131.724)
DEFERRED CHARGES	5.759	6.402
Organization and expansion costs	10.603	10.484
(Accumulated amortization)	(4.844)	(4.082)
TOTAL ASSETS	12.878.742	12.331.624

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese
BANCO DO NORDESTE DO BRASIL S.A.

BALANCE SHEETS AS OF JUNE 30, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
CURRENT LIABILITIES	3.913.132	4.253.172
DEPOSITS (note 9)	<u>1.598.143</u>	<u>1.314.359</u>
Demand deposits	74.959	53.703
Savings deposits	540.592	442.230
Interbank deposits	203.187	89.558
Time deposits	771.567	720.808
Other deposits	7.838	8.060
OPEN MARKET FUNDING	<u>215.889</u>	<u>159.461</u>
Third parties portfolio	215.889	159.461
INTERBANK ACCOUNTS	<u>13.427</u>	<u>16.973</u>
Receipts and payments pending settlement	13.427	16.973
INTERBRANCH ACCOUNTS	<u>3.977</u>	<u>22.916</u>
Third-party funds in transit	3.327	22.719
Internal transfers of funds	650	197
BORROWINGS (note 11)	<u>139.577</u>	<u>142.032</u>
Domestic borrowings - official institution	7.972	7.816
Foreign borrowings	131.605	134.216
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (note 12)	<u>383.529</u>	<u>455.994</u>
National Treasury	199	198
Banco do Brasil	-	3
BNDES (National Bank for Economic and Social Development)	237.200	259.407
CEF (Federal Savings and Loan Bank)	232	320
FINAME (National Equipment Financing Authority)	21.996	27.658
Other institutions	123.902	168.408
DERIVATIVES	<u>19.843</u>	<u>-</u>
Derivatives	19.843	-
FOREIGN ONLENDINGS (note 13)	<u>54.800</u>	<u>59.653</u>
Foreign onlendings	54.800	59.653
OTHER PAYABLES (note 14)	<u>1.483.947</u>	<u>2.081.784</u>
Collected taxes and other	15.725	14.653
Foreign exchange portfolio	2.736	3.708
Social and statutory	53.009	17.003
Tax and social security	105.947	80.207
Financial and development fund	1.015.688	1.650.375
Other	290.842	315.838
LONG-TERM LIABILITIES	<u>7.402.467</u>	<u>6.629.108</u>
DEPOSITS (note 9)	<u>1.259.760</u>	<u>1.089.720</u>
Demand deposits	54.211	65.220
Time deposits	1.205.549	1.024.500
BORROWINGS (note 11)	<u>83.541</u>	<u>87.379</u>
Domestic borrowings - official institution	83.541	87.379
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (note 12)	<u>795.123</u>	<u>838.081</u>
National Treasury	1.252	1.362
BNDES	421.716	539.399
CEF	199	421
FINAME	50.790	69.979
Other institutions	321.166	226.920
DERIVATIVES	<u>479</u>	<u>-</u>
Derivatives	479	-
FOREIGN ONLENDINGS (note 13)	<u>598.058</u>	<u>698.711</u>
Foreign onlendings	598.058	698.711
OTHER PAYABLES (note 14)	<u>4.665.506</u>	<u>3.915.217</u>
Tax and social security	414.229	383.739
Financial and development fund	2.945.390	2.414.654
Other	1.305.887	1.116.824
DEFERRED INCOME	<u>78</u>	<u>1.508</u>
DEFERRED INCOME	78	1.508
SHAREHOLDERS' EQUITY (note 15)	<u>1.563.065</u>	<u>1.447.836</u>
CAPITAL	<u>1.299.000</u>	<u>1.299.000</u>
Brazilian residents	1.298.967	1.298.947
Foreign residents	33	53
CAPITAL RESERVE	291	-
REVALUATION RESERVE	39.159	41.800
PROFIT RESERVES	98.103	11.964
ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES	94.881	57.934
RETAINED EARNINGS	31.631	37.138
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>12.878.742</u>	<u>12.331.624</u>

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
BANCO DO NORDESTE DO BRASIL S.A.

STATEMENTS OF INCOME
 FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
 (In thousands of Brazilian reais - R\$)

	<u>1st half 2007</u>	<u>1st half 2006</u>
INCOME FROM FINANCIAL INTERMEDIATION (note 16)	<u>715.422</u>	<u>878.565</u>
Lending operations	269.354	295.767
Securities transactions	445.768	568.763
Derivatives	(24.688)	847
Foreign exchange transactions	8.232	10.345
Compulsory investments	16.756	2.843
EXPENSES ON FINANCIAL INTERMEDIATION (note 17)	<u>(462.752)</u>	<u>(586.351)</u>
Funding operations	(121.734)	(145.390)
Borrowings and onlendings	(278.045)	(385.447)
Allowance for loan losses (note 6e)	(62.973)	(55.514)
GROSS PROFIT FROM FINANCIAL OPERATIONS	<u>252.670</u>	<u>292.214</u>
Other operating income (expenses) (note 18)	<u>(119.712)</u>	<u>(162.930)</u>
Income from services provided	334.691	333.137
Personnel expenses	(289.016)	(288.395)
Other administrative expenses	(212.113)	(193.123)
Tax expenses	(42.515)	(42.833)
Other operating income	279.142	264.515
Other operating expenses	(189.901)	(236.231)
INCOME FROM OPERATIONS	<u>132.958</u>	<u>129.284</u>
NONOPERATING INCOME	<u>278</u>	<u>4.131</u>
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING	<u>133.236</u>	<u>133.415</u>
INCOME AND SOCIAL CONTRIBUTION TAXES (note 19)	<u>(46.170)</u>	<u>(53.599)</u>
Provision for income tax	(23.058)	(20.186)
Provision for social contribution tax	(8.429)	(7.401)
Deferred taxes	(14.683)	(26.012)
PROFIT SHARING	<u>(10.590)</u>	<u>(3.385)</u>
NET INCOME FOR THE SIX-MONTH PERIOD	<u><u>76.476</u></u>	<u><u>76.431</u></u>
INTEREST ON CAPITAL	<u>(42.361)</u>	<u>-</u>
Number of shares (in millions)	<u>870.019</u>	<u>870.019</u>
Net income per thousand shares - R\$	<u><u>0,09</u></u>	<u><u>0,09</u></u>

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

EVENTS	PAID-UP CAPITAL		CAPITAL RESERVE	REVALUATION RESERVE	PROFIT RESERVES		ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
	CAPITAL	CAPITAL INCREASE	OTHER CAPITAL RESERVES	OWN ASSETS	LEGAL	STATUTORY			
BALANCES AS OF DECEMBER 31, 2005	1.277.000	-	-	43.282	8.090	22.052	30.371	-	1.380.795
PRIOR PERIODS ADJUSTMENT	-	-	-	-	-	-	-	(23.312)	(23.312)
ADJUSTMENT TO FAIR VALUE – SECURITIES AND DERIVATIVES	-	-	-	-	-	-	27.563	-	27.563
CAPITAL INCREASE:									
From reserves:									
- Transfer to capital increase	-	22.000	-	-	-	(22.000)	-	-	-
- Capital contribution	22.000	(22.000)	-	-	-	-	-	-	-
OTHER EVENTS:									
Revaluation of assets:									
Realization of reserve:									
Gross amount	-	-	-	(2.169)	-	-	-	2.034	(135)
Tax charges	-	-	-	687	-	-	-	(652)	35
NET INCOME FOR THE SIX-MONTH PERIOD								76.431	76.431
- Allocations:									
- Reserves	-	-	-	-	3.822	-	-	(3.822)	-
- Dividends	-	-	-	-	-	-	-	(13.541)	(13.541)
BALANCES AS OF JUNE 30, 2006	<u>1.299.000</u>	<u>-</u>	<u>-</u>	<u>41.800</u>	<u>11.912</u>	<u>52</u>	<u>57.934</u>	<u>37.138</u>	<u>1.447.836</u>
CHANGES FOR THE SIX-MONTH PERIOD	<u>22.000</u>	<u>-</u>	<u>-</u>	<u>(1.482)</u>	<u>3.822</u>	<u>(22.000)</u>	<u>27.563</u>	<u>37.138</u>	<u>67.041</u>
BALANCES AS OF DECEMBER 31, 2006	1.299.000	-	-	40.499	18.227	76.052	68.571	-	1.502.349
ADJUSTMENT TO FAIR VALUE – SECURITIES AND DERIVATIVES	-	-	-	-	-	-	26.310	-	26.310
OTHER EVENTS:									
- Updating of stock exchange memberships	-	-	291	-	-	-	-	-	291
- Revaluation of assets:									
- Realization of reserves:									
Gross amount	-	-	-	(2.030)	-	-	-	2.030	-
Tax charges	-	-	-	690	-	-	-	(690)	-
NET INCOME FOR THE SIX-MONTH PERIOD								76.476	76.476
- Allocations:									
- Reserves	-	-	-	-	3.824	-	-	(3.824)	-
INTEREST ON CAPITAL	-	-	-	-	-	-	-	(42.361)	(42.361)
BALANCES AS OF JUNE 30, 2007	<u>1.299.000</u>	<u>-</u>	<u>291</u>	<u>39.159</u>	<u>22.051</u>	<u>76.052</u>	<u>94.881</u>	<u>31.631</u>	<u>1.563.065</u>
CHANGES FOR THE SIX-MONTH PERIOD	<u>-</u>	<u>-</u>	<u>291</u>	<u>(1.340)</u>	<u>3.824</u>	<u>-</u>	<u>26.310</u>	<u>31.631</u>	<u>60.716</u>

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STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

	1st half 2007	1st half 2006
SOURCES OF FUNDS	1.356.309	1.095.094
NET INCOME	76.476	76.431
ADJUSTMENTS TO NET INCOME:	11.249	9.371
Depreciation and amortization	10.573	9.483
Allowance for devaluation on other assets	676	(112)
VARIATION IN DEFERRED INCOME	1	(387)
ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES	26.310	27.563
PRIOR PERIOD ADJUSTMENT	-	(23.312)
Capital reserve/updating of stock exchange memberships	291	-
REVALUATION RESERVE	-	(100)
FUNDS FROM THIRD PARTIES:		
INCREASE IN LIABILITIES:	587.977	240.928
Deposits	209.829	-
Interbank and interbranch accounts	14.363	30.319
Derivatives	16.116	-
Other payables	347.669	210.609
DECREASE IN ASSETS:	653.729	763.726
Securities	521.889	604.152
Lending operations	54.843	86.021
Other receivables	76.997	73.553
DISPOSAL OF PERMANENT ASSETS:	276	874
Assets not in use	252	591
Property and equipment in use	31	284
Investments	(7)	(1)
USES OF FUNDS	1.350.407	1.090.560
PROPOSED DIVIDENDS AND BONUSES	-	13.541
PROPOSED INTEREST ON CAPITAL	42.361	-
ADDITIONS:	20.009	19.722
Assets not in use	1.657	567
Property and equipment in use	18.014	19.134
Investments	338	21
DEFERRED CHARGES	1.061	1.576
INCREASE IN ASSETS:	1.039.599	488.681
Interbank investments	1.005.791	457.022
Interbank and interbranch accounts	25.006	26.773
Other assets	8.802	4.886
DECREASE IN LIABILITIES:	247.377	567.040
Deposits	-	109.172
Open market funding	8.116	207.042
Borrowings and onlendings	239.261	250.826
INCREASE IN CASH AND CASH EQUIVALENTS	5.902	4.534
REPRESENTED BY: Increase in cash and cash equivalents	5.902	4.534
Beginning of period	48.147	37.523
End of period	54.049	42.057

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
(Amounts in thousands of Brazilian reais - R\$)

1. THE BANK AND ITS CHARACTERISTICS

Banco do Nordeste do Brasil S.A. (the “Bank”) is a private legal entity operating as a public financial institution established by Federal Law N. 1,649 of July 19, 1952. The Bank was structured as a mixed economy, publicly-traded corporation and its mission is to promote the sustainable development of the Northeast of Brazil by providing financial resources and technical qualification support to enterprises in the Region.

In order to fulfill its mission, in addition to extending credits for the implementation of businesses, Banco do Nordeste, along with its customers, follows up on businesses implemented with technical and managerial visits and provision of additional funds if necessary.

Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks, except the mortgage loan portfolio.

As a development agency, Banco do Nordeste manages, among other development programs, FINOR (Northeast Investment Fund) and FNE (Northeast Constitutional Financing Fund).

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with Brazilian corporate law and standards established by the Central Bank of Brazil and Brazilian Securities Commission (CVM).

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

a) Results of Operations

Income and expenses are recorded on the accrual basis, as detailed below:

- a.1) Interest, charges and monetary or exchange variations on assets and liabilities are recorded on a pro rata daily basis;
- a.2) Provisions, including accrued vacation and 13th salary, are recorded monthly on an accrual basis;
- a.3) Assets are adjusted to market or realizable value, if applicable.

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b) Current and long-term assets

Assets and receivables are stated at realizable values, plus income earned and monetary and exchange variations, less unearned income or allowance, if applicable, considering the following:

- b.1) Lending operations are subject to usual market rates;
- b.2) The allowance for loan losses is recorded in accordance with National Monetary Council Resolution N. 2,682, of December 21, 1999;
- b.3) Securities are recorded at cost, plus brokerage and other fees, and are classified and accounted for as described below:
 - Trading securities - securities bought and held principally for the purpose of selling them in the short term and reported at fair value, with unrealized gains and losses included in income for the year;
 - 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 shareholders' equity;
 - Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at cost, plus income earned, included in income for the year;
 - 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. Trading securities are recorded in current assets, regardless of their maturities.

c) Permanent assets

Stated at acquisition cost, considering the following:

- c.1) Investments are net of allowance for losses;
- c.2) Real estate includes revaluation value;
- c.3) Property and equipment includes depreciation calculated under the straight-line method at the following annual rates: buildings - 4%; data processing systems and vehicles - 20%; tractor and moto - 25%; and other items - 10%;
- c.4) Deferred charges include amortization calculated under the straight-line method at the annual rate of 20%.

d) Current and long-term liabilities

- d.1) 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.

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d.2) Provisions for post-employment benefits are recorded in accordance with CVM Resolution N. 371 of December 13, 2000.

e) Income and Social Contribution Taxes, PASEP and COFINS (taxes on revenue)

Provisions are calculated at the tax rates below in accordance with prevailing legislation:

Income tax	15.00%
Surtax (income tax)	10.00%
Social contribution tax	9.00%
PASEP	0.65%
COFINS	4.00%

4. INTERBANK INVESTMENTS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Open market investments	<u>1,817,252</u>	<u>1,070,795</u>
Resale agreements pending settlement - own portfolio	1,601,363	911,334
Resale agreements pending settlement - third-party portfolio	215,889	159,461
b) Interbank deposits	<u>165,576</u>	<u>45,400</u>
TOTAL	<u>1,982,828</u>	<u>1,116,195</u>
CURRENT	1,982,828	1,116,195
LONG-TERM	-	-

5 SECURITIES AND DERIVATIVES

a) Securities

The monetarily adjusted cost (plus income earned) and the fair value of securities as of June 30, 2007 are as follows:

a.1) TRADING SECURITIES

<u>TYPE</u>	<u>06/30/2007</u>			<u>06/30/2006</u>		
	<u>COST</u>	<u>FAIR VALUE</u>	<u>MATURITY YEAR</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>MATURITY YEAR</u>
FIXED-INCOME SECURITIES	<u>680</u>	<u>679</u>		<u>66,745</u>	<u>66,915</u>	
Treasury bills	680	679	2008	600	599	2006 to 2008
Central Bank notes	-	-		53,479	53,711	2006
National Treasury notes	-	-		<u>12,666</u>	<u>12,605</u>	2006
TOTAL	<u>680</u>	<u>679</u>		<u>66,745</u>	<u>66,915</u>	

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In the first half of 2007, for the securities classified in the above category, a write-up of R\$ 0.31 (R\$ 3,879 as of 06/30/2006) was recorded.

a.2) AVAILABLE-FOR-SALE SECURITIES

TYPE	06/30/2007			
	COST	FAIR VALUE	ADJUSTMENT TO FAIR VALUE	MATURITY YEAR
FIXED-INCOME SECURITIES	<u>5,711,118</u>	<u>5,696,988</u>	<u>(14,130)</u>	
Treasury bills	5,691,349	5,695,648	4,299	2007 to 2011
Fixed-income securities - Other	1,722	1,224	(498)	2027
Government securities - Other	17,949	-	(17,949)	1993
Agricultural debt securities	98	116	18	2007 to 2015
INVESTMENT FUND SHARES	<u>1,046</u>	<u>-</u>	<u>(1,046)</u>	
Social development fund (FDS)	1,046	-	(1,046)	Without maturity
VARIABLE-INCOME SECURITIES	<u>144,159</u>	<u>303,354</u>	<u>159,195</u>	
Shares of publicly-traded companies	139,948	302,538	162,590	Without maturity
Other tax incentives - (FINOR)	4,211	816	(3,395)	Without maturity
LINKED TO GUARANTEES	<u>82,066</u>	<u>81,806</u>	<u>(260)</u>	
Treasury bills	81,611	81,806	195	2008 to 2009
Government securities - Other	<u>455</u>	<u>-</u>	<u>(455)</u>	1993
TOTAL	<u>5,938,389</u>	<u>6,082,148</u>	<u>143,759</u>	
Tax credit	-	-	188,244	
Provision for deferred income and social contribution taxes	<u>-</u>	<u>-</u>	<u>(237,122)</u>	
TOTAL ADJUSTMENT TO FAIR VALUE	<u>-</u>	<u>-</u>	<u>94,881</u>	

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TYPE	06/30/2006			
	COST	FAIR VALUE	ADJUSTMENT TO FAIR VALUE	MATURITY YEAR
FIXED-INCOME SECURITIES	<u>3,350,806</u>	<u>3,339,267</u>	<u>(11,539)</u>	
Treasury bills	3,202,017	3,208,391	6,374	2006 to 2011
Central Bank notes	93,890	94,030	140	2006
National Treasury notes	35,882	35,711	(171)	2006
Fixed-income securities - Other	1,689	967	(722)	2006 to 2027
Government securities – Other	17,196	-	(17,196)	2006
Agricultural debt securities	132	168	36	2006 to 2015
INVESTMENT FUND SHARES	<u>954</u>	<u>-</u>	<u>(954)</u>	
Social development fund	954	-	(954)	Without maturity
VARIABLE-INCOME SECURITIES	<u>144,159</u>	<u>244,608</u>	<u>100,449</u>	
Shares of publicly-traded companies	139,948	244,079	104,131	Without maturity
Other tax incentives – (FINOR)	4,211	529	(3,682)	Without maturity
LINKED TO GUARANTEES	<u>64,176</u>	<u>63,999</u>	<u>(177)</u>	
Treasury bills	63,740	63,999	259	2006 to 2009
Government securities – Other	<u>436</u>	<u>-</u>	<u>(436)</u>	2006
TOTAL	<u>3,560,095</u>	<u>3,647,874</u>	<u>87,779</u>	
Tax credit	-	-	181,126	
Provision for deferred income and social contribution taxes	<u>-</u>	<u>-</u>	<u>(210,971)</u>	
TOTAL ADJUSTMENT TO FAIR VALUE	<u>-</u>	<u>-</u>	<u>57,934</u>	

The caption “Government Securities - Other” refers to the asset NUCL910801, with maturity on August 31, 1993, not yet redeemed by the National Treasury.

a.3) HELD-TO-MATURITY SECURITIES

TYPE	06/30/2007			06/30/2006		
	COST	FAIR VALUE	MATURITY YEAR	COST	FAIR VALUE	MATURITY YEAR
FIXED-INCOME SECURITIES	<u>48,710</u>	<u>48,690</u>		<u>3,060,888</u>	<u>3,064,272</u>	
Treasury bills	40,392	40,372	2007 to 2008	3,057,029	3,060,413	2006 to 2008
Investment fund shares - Nordeste Empreendedor	7,987	7,987	2011	3,554	3,554	2006 to 2011
National Treasury notes (NTNP)	<u>331</u>	<u>331</u>	2012 to 2014	<u>305</u>	<u>305</u>	2012 to 2014
TOTAL	<u>48,710</u>	<u>48,690</u>		<u>3,060,888</u>	<u>3,064,272</u>	

a.4) In the first half, securities of the above categories were not reclassified and securities classified in the Held-to-maturity category were not sold.

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a.5) The following criteria were adopted to determine the fair value of securities:

- Fixed-income securities: average level of negative goodwill in the secondary market, as disclosed by ANDIMA (National Association of Financial Market Institutions);
- Variable-income securities: average quotation on the São Paulo Stock Exchange (BOVESPA).

b) Derivatives

Banco do Nordeste operates under a conservative investment policy focused on investing strictly under the conditions and rates established by the sources of the funds in order to avoid any mismatching among assets and liabilities in terms of maturities, interest rates and indices.

Banco do Nordeste employs a conservative portfolio management policy and limits its operations in the derivative market to swap transactions intended solely for hedging its asset and liability positions, when necessary.

Swap transactions are recorded in balance sheet and memorandum accounts, according to their nature, in accordance with prevailing law and accounting standards.

As of June 30, 2007, the Bank has swap transactions registered with CETIP (Clearinghouse for the Custody and Financial Settlement of Securities) and the notional value of these transactions is recorded in memorandum accounts (aggregate value) and the related book value is recorded under the captions "Differential Payable" and "Differential Receivable", as shown below:

<u>Asset position</u>	<u>Aggregate value</u>	<u>Differential receivable</u>
Foreign currency (dollar)	170,000	-
<u>Liability position</u>	<u>Aggregate value</u>	<u>Differential payable</u>
Interbank market (CDI - interbank certificate of deposit)	170,000	20,323
<u>Swap transaction risks</u>	<u>Amount</u>	
Positive fair value of swap	-	
Negative fair value of swap	391	
Credit risk of swap	12,536	
MARKET RISK HEDGE - ASSETS		159,220
HEDGED ITEMS - LIABILITIES		150,315
Swap agreements mature as follows:	<u>Differential receivable</u>	<u>Differential payable</u>
3 to 12 months	-	19,844
1 to 3 years	-	479
TOTAL	<u>-</u>	<u>20,323</u>

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The fair value of swap transactions is calculated using the rates disclosed by ANDIMA. The credit risk is determined using the correlation ratios and risk factors disclosed by the Central Bank of Brazil.

6. LOAN PORTFOLIO AND ALLOWANCE FOR LOAN LOSSES

a) Loan Portfolio

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
Advances to depositors	850	467
Loans	550,202	408,075
Discounted notes	46,636	34,167
Financing	459,351	480,141
Financing in foreign currency	5,965	13,624
Refinancing with federal government	501,981	492,540
Rural financing and agribusiness loans	1,685,084	1,637,908
Real estate financing (1)	185	166
Infrastructure and development financing	<u>545,950</u>	<u>634,959</u>
Subtotal	<u>3,796,204</u>	<u>3,702,047</u>
Guarantees honored	40	89
Income receivable from advances	3,233	3,451
Debtors for purchase of assets	5,237	3,687
Notes and credits receivable	11,274	1,810
Advances on foreign exchange contracts (2)	<u>129,263</u>	<u>128,128</u>
Subtotal of other captions with loan characteristics	<u>149,047</u>	<u>137,165</u>
TOTAL LOAN PORTFOLIO	<u>3,945,251</u>	<u>3,839,212</u>

(1) Refer to operations contracted before the discontinuance of real estate financing activities.

(2) Accounts classified as OTHER PAYABLES/Foreign Exchange Portfolio.

b) Breakdown by maturity

b.1) Normal (1)

<u>Business sector</u>	<u>From 0 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>Over 360 days</u>	<u>Total June 2007</u>	<u>Total June 2006</u>
Rural	72,635	63,143	42,737	1,395,815	1,574,330	1,540,377
Industrial	118,018	61,242	61,965	143,364	384,589	432,582
Government	9,882	10,415	7,620	1,020,014	1,047,931	1,123,057
Other services	78,302	97,651	50,021	70,892	296,866	282,213
Commercial	171,023	79,232	91,761	27,750	369,766	210,933
Financial	4	25	1	-	30	109
Housing	17	18	35	115	185	165
Individuals	<u>10,989</u>	<u>10,645</u>	<u>10,037</u>	<u>13,724</u>	<u>45,395</u>	<u>44,178</u>
T O T A L	<u>460,870</u>	<u>322,371</u>	<u>264,177</u>	<u>2,671,674</u>	<u>3,719,092</u>	<u>3,633,614</u>

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b.2) Past-due

Current						
<u>Business sector</u>	<u>From 0 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>Over 360 days</u>	<u>Total June 30, 2007</u>	<u>Total June 30, 2006</u>
Rural	220	643	552	54,030	55,445	32,081
Industrial	1,555	3,211	1,480	11,497	17,743	16,717
Government	-	-	-	-	-	74
Other services	2,145	1,621	2,350	7,773	13,889	6,736
Commercial	6,095	4,822	3,764	2,631	17,312	9,318
Financial	3	3	4	7	17	-
Individuals	<u>878</u>	<u>638</u>	<u>677</u>	<u>892</u>	<u>3,085</u>	<u>1,638</u>
T O T A L	<u>10,896</u>	<u>10,938</u>	<u>8,827</u>	<u>76,830</u>	<u>107,491</u>	<u>66,564</u>

Past-due						
<u>Business sector</u>	<u>From 0 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>Over 360 days</u>	<u>Total June 30, 2007</u>	<u>Total June 30, 2006</u>
Rural	2,384	1,375	6,548	50,906	61,213	67,009
Industrial	7,213	3,703	6,462	2,209	19,587	34,916
Government	-	-	-	-	-	152
Other services	3,376	10,579	1,270	108	15,333	14,071
Commercial	9,964	4,219	3,930	1,000	19,113	19,463
Financial	8	3	6	-	17	2
Individuals	<u>1,398</u>	<u>723</u>	<u>1,155</u>	<u>129</u>	<u>3,405</u>	<u>3,421</u>
T O T A L	<u>24,343</u>	<u>20,602</u>	<u>19,371</u>	<u>54,352</u>	<u>118,668</u>	<u>139,034</u>

c) Breakdown by risk level

<u>Risk level</u>	<u>06/30/2007</u>				<u>06/30/2006</u>			
	<u>Normal (1)</u>	<u>Past-due</u>	<u>Total portfolio</u>	<u>Allowance</u>	<u>Normal (1)</u>	<u>Past-due</u>	<u>Total portfolio</u>	<u>Allowance</u>
AA	2,410,696	-	2,410,696	-	2,432,391	-	2,432,391	-
A	557,049	-	557,049	2,785	423,937	-	423,937	2,120
B	388,405	10,278	398,683	3,987	327,234	9,876	337,110	3,371
C	85,414	13,338	98,752	2,963	94,124	8,216	102,340	3,070
D	119,935	43,856	163,791	16,379	161,035	19,382	180,417	18,042
E	26,968	20,268	47,236	14,171	36,533	23,198	59,731	17,920
F	14,016	27,732	41,748	20,874	16,185	19,306	35,491	17,745
G	10,872	11,209	22,081	15,457	13,751	7,622	21,373	14,961
H	<u>105,737</u>	<u>99,478</u>	<u>205,215</u>	<u>205,215</u>	<u>128,424</u>	<u>117,998</u>	<u>246,422</u>	<u>246,422</u>
TOTAL	<u>3,719,092</u>	<u>226,159</u>	<u>3,945,251</u>	<u>281,831</u>	<u>3,633,614</u>	<u>205,598</u>	<u>3,839,212</u>	<u>323,651</u>

(1) Past-due up to 14 days.

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d) Change in allowance for the period

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
Beginning balance	304,341	344,397
(+) Net allowance recognized in the period	63,759	47,763
(-) Write-off as loss in the period	<u>(86,269)</u>	<u>(68,509)</u>
(=) Allowance for loan losses	281,831	323,651
(+) Allowance for losses on other receivables without loan characteristics	<u>24,784</u>	<u>25,476</u>
(=) Allowance for loan losses balance	<u>306,615</u>	<u>349,127</u>

e) Allowance expense balance

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
(+) Expenses on allowance for loan losses	60,151	47,318
(+) Expenses on allowance for losses on other receivables	5,025	1,195
(-) Reversals of operating allowances	<u>(1,417)</u>	<u>(750)</u>
(=) Expense on allowance with loan characteristics	<u>63,759</u>	<u>47,763</u>
(+) Expense on allowance for losses on other receivables without loan characteristics	1,028	10,095
(-) Reversals of allowance for losses on other receivables without loan characteristics	<u>(1,814)</u>	<u>(2,344)</u>
(=) Expense balance on allowance for loan losses	<u>62,973</u>	<u>55,514</u>

f) In the first half, recoveries of receivables written off as loss were R\$ 87,787 (R\$ 66,242 as of June 30, 2006) and renegotiations of operations amounted to R\$ 136,035 (R\$ 104,803 as of June 30, 2006).

g) Law N. 11,322, of July 13, 2006, addresses the rescheduling of debts arising from rural credit operations contracted in the area under ADENE's (Northeast Development Agency) jurisdiction, granting rebates in the debit balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of said operations. Through December 28, 2007, the Bank should formalize the rescheduling of debts in which the borrower has, through September 28, 2007, fulfilled the new conditions established by such Law. As authorized by the Law, a portion of these operations was acquired by the FNE (Northeast Constitutional Financing Fund). The reschedulings formalized in the first half of 2007 had a positive effect on the Bank's income in the amount of R\$ 130,333, shown below:

Income earned	15,129
Recovery of operations written off from assets	55,382
Expenses on negative goodwill	(21,179)
Net effect of allowances	<u>81,001</u>
Total	<u>130,333</u>

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7. OTHER RECEIVABLES

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Receivables for Guarantees Honored	<u>40</u>	<u>89</u>
b) Foreign Exchange Portfolio	<u>124,009</u>	<u>130,184</u>
Foreign exchange purchased pending settlement	119,196	126,516
Rights to foreign exchange sold	1,745	360
Advances received in local currency	(165)	(143)
Income receivable from advances	3,233	3,451
c) Income Receivable	<u>24,668</u>	<u>17,806</u>
d) Trading Account	<u>7</u>	<u>2</u>
e) Specific Receivables/National Treasury – Extension of Payment of Rural Loans /Resolution N. 2,238	<u>291</u>	<u>291</u>
f) Other	<u>637,234</u>	<u>536,778</u>
Tax credits - temporary differences	40,380	74,679
Tax credits - securities and derivatives (Note 5.a.2)	188,244	181,126
Escrow deposits	236,000	139,747
Recoverable taxes and contributions	39,570	34,127
Tax incentive options	26,748	26,748
Refundable payments	6,992	8,578
Bonus receivable from FAT	47,709	33,538
Other	51,591	38,235
g) Allowance for Losses on Other Receivables	<u>(33,565)</u>	<u>(29,130)</u>
With loan characteristics	(8,781)	(3,654)
Without loan characteristics	<u>(24,784)</u>	<u>(25,476)</u>
TOTAL	<u>752,684</u>	<u>656,020</u>
CURRENT	502,182	438,515
LONG-TERM	250,502	217,505

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8. PERMANENT ASSETS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Investments	<u>951</u>	<u>574</u>
a.1) Other investments	<u>5,655</u>	<u>8,713</u>
Tax incentive investments	4,447	4,411
Shares	443	3,878
Works of art	765	424
a.2) Allowance for losses	<u>(4,704)</u>	<u>(8,139)</u>
Tax incentive investments	(4,411)	(4,411)
Shares	(293)	(3,728)
b) Property and equipment	<u>185,851</u>	<u>174,039</u>
b.1) Real estate	<u>112,091</u>	<u>100,993</u>
Land	6,051	5,896
Buildings	106,040	95,097
b.2) Real estate revaluations	<u>111,628</u>	<u>111,629</u>
Land - Revaluations	10,930	10,930
Buildings - Revaluations	100,698	100,699
b.3) Other	<u>108,165</u>	<u>93,141</u>
Installations, furniture and equipment in use	48,281	42,413
Data processing system	44,775	38,705
Security system	9,647	8,182
Other	5,462	3,841
b.4) Accumulated depreciation	<u>(146,033)</u>	<u>(131,724)</u>
Real estate	(114,171)	(103,706)
Other property and equipment in use	(31,862)	(28,018)
c) Deferred charges	<u>5,759</u>	<u>6,402</u>
c.1) Organization and expansion costs	<u>10,603</u>	<u>10,484</u>
Leasehold improvements	10,116	9,820
Software acquisition and development	487	661
Installation and adaptation of facilities	-	3
c.2) Accumulated amortization	<u>(4,844)</u>	<u>(4,082)</u>
Leasehold improvements	(4,520)	(3,691)
Software acquisition and development	(324)	(389)
Installation and adaptation of facilities	-	(2)
TOTAL	<u>192,561</u>	<u>181,015</u>

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9. DEPOSITS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Demand deposits	<u>129,170</u>	<u>118,923</u>
Deposits in foreign currency	63,160	74,896
Government deposits	35,257	18,530
Restricted deposits	15,392	12,500
Legal entities	8,220	8,355
Individuals	6,686	4,401
Other	455	241
b) Savings deposits	<u>540,592</u>	<u>442,230</u>
Free savings deposits - individuals	388,139	329,786
Free savings deposits - legal entities	152,253	112,404
From affiliates and institutions of the Financial System	200	40
c) Interbank deposits	<u>203,187</u>	<u>89,558</u>
d) Time deposits	<u>1,977,116</u>	<u>1,745,308</u>
Time deposits	1,073,112	796,513
Escrow deposits subject to monetary adjustment	31,232	25,300
Special deposits subject to monetary adjustment/FAT - Available funds (note 10.c)	<u>7,722</u>	<u>26,835</u>
Proger Urbano (credit facilities for urban investment purposes)	308	5,326
Proger Rural (credit facilities for rural investment purposes)	315	222
Pronaf (National Family Farming Strengthening Program)	396	4,017
Protrabalho (Employment and Life Qualify Improvement Program for Workers in the Northeast Region)	6,494	15,775
Estiagem (federal government program to provide benefits to farmers affected by drought in Northeastern Brazil)	209	1,495
Special deposits subject to monetary adjustment/FAT - Invested funds (note 10.c)	<u>517,749</u>	<u>687,347</u>
Proger Urbano	80,764	117,886
Proger Rural	16,389	7,218
Pronaf	31,452	79,951
Protrabalho	366,694	456,058
Estiagem	22,450	26,234
FINOR/Cash and cash equivalents and Reinvestments Law N. 8,167	347,220	209,313
Other	81	-
e) Other deposits - Investment deposits	<u>7,838</u>	<u>8,060</u>
TOTAL	<u>2,857,903</u>	<u>2,404,079</u>
CURRENT	1,598,143	1,314,359
LONG-TERM	1,259,760	1,089,720

10. LONG-TERM LIABILITIES

- With respect to domestic borrowings and onlendings, interest rates vary from 0 to 10.5% per year and maturities vary from 4 to 20 years with an average of 7 years. In accordance with legal and contractual requirements, monetary adjustment, when applicable, is calculated using the official indices disclosed by the Central Bank of Brazil.
- Financing from the BNDES (National Bank for Economic and Social Development) is on the order of R\$ 731,702 (R\$ 896,443 as of June 30, 2006), subject to TJLP (long-term interest rate) plus average spread of 1.0% per year and average maturity of 4 years.

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- c) Funds derived from the Fund for Workers' Assistance (FAT), recorded under "Special deposits subject to monetary adjustment", on the order of R\$ 525,471 (R\$ 714,182 as of June 30, 2006), are subject to SELIC (Central Bank overnight rate) while they are not used in lending operations, and to TJLP after they are released to the borrowers. Available funds bearing interest at SELIC are R\$ 7,722 (R\$ 26,835 as of June 30, 2006).

Pursuant to CODEFAT Resolution N. 439, of June 2, 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, relating to the new deposits made by FAT, when the funds are not released to the final borrowers.
- d) Regarding foreign financing, interest rates range from 4.16% to 6.0% per year, average maturity is 10 years and final maturity to the IDB is 2027. Pursuant to contractual requirements, exchange variation, if applicable, is calculated using the official rates disclosed by the Central Bank of Brazil.
- e) Onlending loans are made at least under the same conditions as for borrowings, in respect of interest charges and maturities, and are secured by collaterals, guarantees and sureties.
- f) Borrowings and Onlendings by Maturity:

<u>Specification</u>	<u>0 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>5 to 15 years</u>	<u>Over 15 years</u>	<u>Total June 2007</u>	<u>Total June 2006</u>
Domestic borrowings	7,972	-	20,440	19,588	43,513	-	91,513	95,195
Foreign borrowings	67,406	64,199	-	-	-	-	131,605	134,216
Domestic onlendings	204,093	179,436	204,686	213,819	218,412	158,206	1,178,652	1,294,075
Foreign onlendings	<u>5,500</u>	<u>49,301</u>	<u>101,324</u>	<u>102,328</u>	<u>379,821</u>	<u>14,584</u>	<u>652,858</u>	<u>758,364</u>
TOTAL	<u>284,971</u>	<u>292,936</u>	<u>326,450</u>	<u>335,735</u>	<u>641,746</u>	<u>172,790</u>	<u>2,054,628</u>	<u>2,281,850</u>

11. BORROWINGS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Domestic borrowings - official institutions/Refinancing	91,513	95,195
b) Foreign borrowings/ Borrowings in foreign currency	<u>131,605</u>	<u>134,216</u>
TOTAL	<u>223,118</u>	<u>229,411</u>
CURRENT	139,577	142,032
LONG-TERM	83,541	87,379

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12. DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) National Treasury	<u>1,451</u>	<u>1,560</u>
b) Banco do Brasil	<u>-</u>	<u>3</u>
c) BNDES (note 10.b)	<u>658,916</u>	<u>798,806</u>
POC (credit facility granted by the BNDES agents to shareholders of medium-sized and small companies to buy shares in capital)	323,620	444,461
Credit Facility for investment in agriculture	335,296	354,345
d) CEF (Federal Savings and Loan Bank) (note 10.b)	<u>431</u>	<u>741</u>
e) FINAME (National Equipment Financing Authority)	<u>72,786</u>	<u>97,637</u>
"Programa Automático" (program intended to fund the purchase of new machinery and equipment by companies based in Brazil)	59,730	82,543
Farm Program	12,907	14,688
Import	149	406
f) Other institutions	<u>445,068</u>	<u>395,328</u>
Pilot Support Project of Agrarian Reform	72,041	67,878
MEPF- Fundo de Terras e da Reforma Agrária-Banco da Terra	185,616	164,629
Banco da Terra-Fight against rural poverty	185,796	158,750
Other programs	<u>1,615</u>	<u>4,071</u>
TOTAL	<u>1,178,652</u>	<u>1,294,075</u>
CURRENT	383,529	455,994
LONG-TERM	795,123	838,081

13. FOREIGN ONLENDINGS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
d) IDB-Prodetur (Tourism Development Program with funds provided by the IDB) (note 10.d)	635,898	739,167
b) IDB - Other Programs (note 10.d)	15,685	17,544
c) Other programs	<u>1,275</u>	<u>1,653</u>
TOTAL	<u>652,858</u>	<u>758,364</u>
CURRENT	54,800	59,653
LONG-TERM	598,058	698,711

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14. OTHER PAYABLES

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Collected taxes and other	<u>15,725</u>	<u>14,653</u>
Funds from Proagro (program established to guarantee supplemental funds for farmers to pay their costs of farming and cattle raising)	4,094	4,250
Collected federal taxes	10,585	8,628
IOF (tax on financial transactions) payable	611	928
Other taxes	435	847
b) Foreign exchange portfolio	<u>2,736</u>	<u>3,708</u>
Foreign exchange purchased	130,200	131,422
Foreign exchange sold pending settlement	1,747	355
(Advances on foreign exchange contracts)	(129,263)	(128,128)
Other	52	59
c) Social and statutory	<u>53,009</u>	<u>17,003</u>
Dividends and bonuses payable	42,419	13,618
Profit sharing	10,590	3,385
d) Tax and social security	<u>520,176</u>	<u>463,946</u>
Reserve for tax contingencies (note 20)	207,159	193,271
Taxes payable	178,684	166,570
Tax	28,475	26,701
Provision for deferred income and social contribution taxes	251,664	226,933
Securities and derivatives (note 5.a.2)	237,122	210,971
Revaluation of buildings and land	14,542	15,962
Provision for income and social contribution taxes	32,177	21,749
Taxes and contributions payable	29,176	21,993
e) Financial and development funds	<u>3,961,078</u>	<u>4,065,029</u>
FNE (Northeast Constitutional Financing Fund)	3,931,263	4,036,926
Other	29,815	28,103
f) Other	<u>1,596,729</u>	<u>1,432,662</u>
Reserve for contingencies (note 20)	<u>702,620</u>	<u>632,033</u>
Labor	95,938	103,235
Civil	64,392	49,702
Other	198	119
FNE (note 25.c.2)	542,092	478,977
Accrued liabilities allowance	<u>856,755</u>	<u>768,063</u>
Employee benefits - CVM Resolution N. 371 (note 23.e)	763,795	670,632
Pension plan	618,727	563,716
Health care plan	145,068	106,916
Personnel expenses	45,163	60,949
Other	47,797	36,482
Other	<u>37,354</u>	<u>32,566</u>
TOTAL	<u>6,149,453</u>	<u>5,997,001</u>
CURRENT	1,483,947	2,081,784
LONG-TERM	4,665,506	3,915,217

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15. SHAREHOLDERS' EQUITY

a) Capital

Capital is R\$ 1,299,999 (R\$ 1,299,000 as of June 30, 2006), represented by 870,019,022,574 paid-up shares without par value, held as follows:

<u>Shareholders</u>	<u>Common shares</u>	<u>Preferred shares</u>	<u>% Voting capital</u>	<u>% Total capital</u>
Federal government	465,952,800,540	353,731,907,693	96.10	94.22
FND (National Development Fund)	14,737,043,790	23,732,649,036	3.04	4.42
BNDESPAR	443,553,432	4,854,054,822	0.09	0.61
Other (35,264 shareholders)	<u>3,714,357,582</u>	<u>2,852,655,679</u>	<u>0.77</u>	<u>0.75</u>
TOTAL	<u>484,847,755,344</u>	<u>385,171,267,230</u>	<u>100.00</u>	<u>100.00</u>

b) Revaluation Reserve

Refers to the revaluation of owned assets, recorded on February 26, 1993. The realization occurred this year, in the amount of R\$ 1,340 (R\$ 1,482 as of June 30, 2006), was transferred to "Retained earnings (accumulated deficit)".

c) Net Income - Allocations

1. Net income	76,476
2. Revaluation reserves transferred to "retained earnings (accumulated deficit)"	<u>1,340</u>
3. Adjusted net income	<u>77,816</u>
Legal reserve (item 1 times 5%)	3,824
Interest on capital (note 15.d)	42,361
Retained earnings (accumulated deficit)	31,631

d) Dividends/Interest on Capital

Under the Bank's bylaws, shareholders are entitled to minimum dividends of 25% of net income for the 1st half of the year, as an advance of the dividend for the year.

The Executive Board proposed and the Board of Directors approved, subject to approval at the General Shareholders' Meeting, the advance payment of interest on capital, attributed to dividends, calculated as follows:

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1. Net income for the first half of the year	76,476
2. Recorded legal reserve	(3,824)
3. Revaluation reserves transferred to "retained earnings (accumulated deficit)"	1,340
4. Profit sharing	10,590
5. Calculation basis of dividends/interest on capital	<u>84,582</u>
6. Interest on capital attributed to dividends (50.019%)	42,307
7. IRRF (withholding income tax) on interest on capital	54
8. Interest on capital payable to shareholders (item 6 + item 7)	42,361
- Interest on capital of R\$ 0.04662606274 per thousand common shares	22,606
- Interest on capital of R\$ 0.05128866899 per thousand preferred shares	19,755

For preferred shares, calculated dividends/interest on capital were 10% higher than those paid on common shares, as provided for in item I, article 17 of Law N. 6,404/76, reworded by Law N. 10,303/01, and in paragraph 2, article 6 of the Bank's Bylaws.

The employee profit sharing was added to the calculation basis of dividends/interest on capital, as established by article 2 of Resolution N. 10/1995 of the CCE (Council for Coordination and Control of State-Owned Companies).

16. INCOME FROM FINANCIAL INTERMEDIATION

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Lending operations	269,354	295,767
Interest and commissions	164,812	181,544
Monetary restatement	16,580	18,915
Foreign exchange variation	175	29,066
Recovery of receivables written off as loss	87,787	66,242
b) Securities transactions	445,768	568,763
Fixed-income securities	379,613	497,259
Other	65,904	89,848
Income, loss and adjustment	251	(18,344)
c) Derivatives	(24,688)	847
d) Foreign exchange transactions	8,232	10,345
Foreign exchange transactions	6,799	5,904
Foreign currency	34	317
Rate variations and differences	1,399	4,124
e) Compulsory investments	16,756	2,843
Interest and commissions	16,476	2,528
Monetary restatement	280	315
TOTAL	<u>715,422</u>	<u>878,565</u>

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17. EXPENSES ON FINANCIAL INTERMEDIATION

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Funding operations	(121,734)	(145,390)
Interest and commissions	(65,007)	(86,303)
Monetary restatement	(56,727)	(56,406)
Foreign exchange variation	-	(2,681)
b) Borrowings and onlendings	(278,045)	(385,447)
Interest and commissions	(43,113)	(58,246)
Monetary restatement	(5,240)	(10,371)
Monetary restatement of funds from the FNE	(229,685)	(281,444)
Foreign exchange variation	(7)	(35,386)
c) Allowance for loan losses (note 6.e)	(62,973)	(55,514)
Lending operations	(63,759)	(47,763)
Operations without loan characteristics	786	(7,751)
TOTAL	(462,752)	(586,351)

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18. OTHER OPERATING INCOME (EXPENSES)

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
a) Income from services provided	<u>334,691</u>	<u>333,137</u>
Investment funds management	3,134	2,610
Funds and programs management	266,588	281,792
Services provided	64,969	48,735
b) Personnel expenses	<u>(289,016)</u>	<u>(288,395)</u>
Salaries	(151,028)	(126,984)
Payroll charges	(54,892)	(50,057)
Pension plan - CVM Resolution N. 371 (note 23.g)	(33,892)	(62,560)
Health care plan - CVM Resolution N. 371 (note 23.g)	(18,136)	(24,288)
Benefits, training, fees and compensation of intern	(31,068)	(24,506)
c) Other administrative expenses	<u>(212,113)</u>	<u>(193,123)</u>
Data processing	(34,029)	(38,452)
Advertising and publicity	(9,717)	(10,949)
Outside services	(30,352)	(21,674)
Rentals, material and public utilities	(18,292)	(18,142)
Travels	(6,754)	(7,238)
Communications	(13,052)	(11,361)
Depreciation and amortization	(10,573)	(9,483)
Asset maintenance	(9,251)	(8,244)
Surveillance, security and transportation	(8,867)	(8,647)
Promotions, public relations and publications	(6,199)	(5,163)
Financial system services	(5,437)	(5,018)
Specialized technical services	(5,640)	(6,162)
Employers' contribution to Capef (Bank's employees' pension fund) and Camed (Bank's employees' health care fund) - retirees	(31,424)	(26,381)
Court, registry office and attorney fees	(3,728)	(8,075)
Other	(18,798)	(8,134)
d) Tax expenses	<u>(42,515)</u>	<u>(42,833)</u>
Cofins and PIS/PASEP (taxes on revenue)	(37,173)	(36,685)
ISS (service tax) and IPTU (municipal real estate tax)/Improvement contribution	(3,399)	(3,570)
Other	(1,943)	(2,578)
e) Other operating income	<u>279,142</u>	<u>264,515</u>
Financial commission on investment fund management	124,639	115,041
Negative foreign exchange variation on loans	108,152	121,632
Recovery of charges and expenses	4,889	3,071
Reversal of operating provisions	11,701	13,759
Interest and commissions	5,575	8,246
FNE-Recovery of amounts settled by the Bank	18,536	197
Other	5,650	2,569
f) Other operating expenses	<u>(189,901)</u>	<u>(236,231)</u>
Negative foreign exchange variation on loans	(77,277)	(94,527)
Tax contingencies	(10,432)	(19,212)
Risks of FNE operations	(67,028)	(89,319)
Labor	(7,776)	(4,651)
Civil	(12,643)	(5,379)
Other lawsuits	(154)	-
Other	<u>(14,591)</u>	<u>(23,143)</u>
TOTAL	<u>(119,712)</u>	<u>(162,930)</u>

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19. TAXES AND CONTRIBUTIONS PAYABLE

a) Income and social contribution taxes

The Bank is subject to taxation on deemed income and pays income and social contribution taxes on a monthly basis on an estimated basis. Income tax expense in the first half of 2007 was R\$ 33,851 and social contribution expense was R\$ 12,319, which are reconciled as shown below:

Specification	Income tax		Social contribution tax	
	06/30/2007	06/30/2006	06/30/2007	06/30/2006
Income before taxes on income	80,286	130,030	80,286	130,030
Permanent additions/deductions	8,212	(21,546)	8,226	(21,534)
Temporary additions/deductions	48,188	(15,556)	48,188	(15,556)
Taxable income before utilization of tax loss carryforwards	136,686	92,928	136,700	92,940
Utilization of tax loss carryforwards	(41,006)	(27,878)	(41,010)	(27,882)
Taxable income after utilization of tax loss carryforwards	95,680	65,050	95,690	65,058
Taxes due	23,401	20,543	8,429	7,401
Deductions (tax incentives)	(343)	(357)	-	-
Realization of tax credits from temporary differences	10,793	19,123	3,890	6,889
Amounts charged to expenses	33,851	39,309	12,319	14,290
% of expense in relation to income before taxes on income	42.16%	30.23%	15.34%	10.99%

b) Tax credits from temporary differences

Article 9 of Law N. 9,430 specifies the rules of deductibility of allowance for loan losses expenses from the income and social contribution tax calculation, which differ from the rules of National Monetary Council N. 2,682 of December 21, 1999. The portion of the provision recorded under the rules of the National Monetary Council that exceeds the limit determined in accordance with tax legislation is temporarily added to the income and social contribution tax basis. The temporarily nondeductible provision will decrease the taxes and contributions for the next years, when it falls into the concept of loss for tax purposes or when reversed.

In view of the temporary addition of the allowance for loan losses and according to Central Bank of Brazil Circular N. 3,171, of December 30, 2002, CVM Resolution N. 273, of August 20, 1998, and article 8 of Executive Act N. 2,158-35, of August 24, 2001, since 1996 the Bank has recorded an income and social contribution tax credit arising from said temporary differences. However, since January 2005, the Bank has not recorded new tax credits and has realized the balance recorded as of December 31, 2004.

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In accordance with Central Bank of Brazil Circular N. 3,023, of June 11, 2002, the Bank recorded tax credits on adjustments to fair value of available-for-sale securities. Tax credits are as follows:

<u>Specification</u>	<u>INCOME TAX</u>		<u>SOCIAL CONTRIBUTION TAX</u>	
	<u>Temporary differences</u>	<u>Securities</u>	<u>Temporary differences</u>	<u>Securities</u>
Beginning balance as of December 31, 2006	<u>40,481</u>	<u>132,894</u>	<u>14,582</u>	<u>47,842</u>
(+) Credit recognition	-	7,241	-	2,606
(-) Credit realization	<u>(10,793)</u>	<u>(1,720)</u>	<u>(3,890)</u>	<u>(619)</u>
Ending balance as of June 30, 2007	<u>29,688</u>	<u>138,415</u>	<u>10,692</u>	<u>49,829</u>

The balance of the provision for income and social contribution taxes, recorded under “Other Receivables - other”, is composed as follows:

<u>Specification</u>	<u>Income tax</u>		<u>Social contribution tax</u>	
	<u>06/30/2007</u>	<u>06/30/2006</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
1. Total temporary differences	2,099,514	1,989,422	2,099,514	1,989,422
2. Tax loss carryforwards	720,300	809,847	721,989	811,543
3. Calculation basis - “1” + “2”	2,819,814	2,799,269	2,821,503	2,800,965
4. Tax credits on tax loss carryforwards and temporary differences	704,953	699,817	253,935	252,087
5. Tax credit from adjustment to fair value of securities	138,415	133,181	49,829	47,945
6. Total tax credits	843,368	832,998	303,764	300,032
7. Recorded tax credit assets	168,103	188,089	60,521	67,716
8. Unrecorded tax credits - “6” - “7”	675,265	644,909	243,243	232,316

Deferred income and social contribution taxes will be realized as temporary differences from which they arise are reversed or become tax deductible. The estimate of realization shown below is duly supported by a technical study indicating expected future taxable income with consequent taxes payable, in accordance with article 6, sole paragraph, of Law N. 9,249/95.

The estimated realization of tax credits as of June 30, 2007 is as follows:

<u>Period</u>	<u>Realization of income tax credit</u>		<u>Realization of social contribution tax credit</u>		<u>Total</u>	
	<u>Book value</u>	<u>Present value</u>	<u>Book value</u>	<u>Present value</u>	<u>Book value</u>	<u>Present value</u>
2007	22,751	22,026	8,193	7,932	30,944	29,958
2008	<u>6,937</u>	<u>6,226</u>	<u>2,499</u>	<u>2,243</u>	<u>9,436</u>	<u>8,469</u>
TOTAL	<u>29,688</u>	<u>28,252</u>	<u>10,692</u>	<u>10,175</u>	<u>40,380</u>	<u>38,427</u>

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The tax credits from adjustments to fair value of securities determined at the present realizable value, pursuant to Central Bank of Brazil Circular N. 3,068/01, will be realized according to the maturities of the securities, as shown below:

Period	Realization of income tax credit		Realization of social contribution tax credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2007	134,054	134,054	48,259	48,259	182,313	182,313
2008	978	978	352	352	1,330	1,330
2009	2,102	2,102	756	756	2,858	2,858
2010	1	1	-	-	1	1
2011	5	5	2	2	7	7
2012 to 2014	1	1	1	1	2	2
2015 to 2017	1	1	-	-	1	1
2027 to 2029	<u>1,273</u>	<u>1,273</u>	<u>459</u>	<u>459</u>	<u>1,732</u>	<u>1,732</u>
TOTAL	<u>138,415</u>	<u>138,415</u>	<u>49,829</u>	<u>49,829</u>	<u>188,244</u>	<u>188,244</u>

20. RESERVE FOR CONTINGENCIES

- a) The Bank is a party to several administrative and judicial proceedings involving civil, tax and labor matters.
- b) The assessment of the contingency, degree of risk of new lawsuits and reassessment of already existing lawsuits are made by the Legal Department, case by case, and are classified according to the risk of loss as probable, possible or remote. Such classification is based on the analysis of the following factors: i) argumentation and statement of facts and cause of action by the adverse party; ii) argumentation and statement of facts and cause of action developed by the Bank; iii) final outcome of similar cases; iv) higher courts' previous decisions on cases under discussion; v) decisions on the proceeding (judgment, granting of injunction, temporary restraining order, writ of payment, writ of attachment, etc.)
- c) Contingencies classified as probable are accounted for and are represented by Civil Lawsuits (claiming compensation for pain and suffering and property damage, such as protest of notes, return of checks, and inclusion of information with 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, termination pay, retirement supplementation 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 and Regional Labor Offices).

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- d) The Bank recorded a reserve for the total estimated loss on lawsuits classified as probable losses, and reserves are not applicable to those assessed as possible and remote loss, as shown below:

<u>Specification</u>	<u>Base</u>	<u>Reserve</u>
RESERVE FOR TAX CONTINGENCIES (Note 14.d)	<u>375,103</u>	<u>207,159</u>
Taxes	<u>178,684</u>	<u>178,684</u>
Probable	25,965	25,965
Remote	152,719	152,719
Tax lawsuits	<u>349,138</u>	<u>28,475</u>
Probable	28,475	28,475
Possible	78,739	-
Remote	89,205	-
RESERVE FOR CONTINGENCIES (Note 14.f)		
Labor lawsuits	<u>143,702</u>	<u>95,938</u>
Probable	95,938	95,938
Possible	29,004	-
Remote	18,760	-
Civil lawsuits	<u>476,305</u>	<u>64,392</u>
Probable	64,392	64,392
Possible	112,146	-
Remote	299,767	-
Other lawsuits	<u>4,485</u>	<u>198</u>
Probable	198	198
Possible	3,009	-
Remote	1,278	-

- e) The reserve for tax contingencies, classified as remote, corresponds to the total amount of income and social contribution taxes offset, which was paid as a result of the understated inflation effects (“Summer Plan”).
- f) The following reserves are composed of:

<u>Specification</u>	<u>06/30/2007</u>
a) Taxes and contributions (Other payables - other)	
Beginning balance	171,888
Recognition	10,069
Reversal/Utilization/Write-off	<u>(3,273)</u>
Ending balance	<u>178,684</u>
b) Tax lawsuits (Other payables - other)	
Beginning balance	27,819
Recognition	774
Reversal/Utilization/Write-off	<u>(118)</u>
Ending balance	<u>28,475</u>
c) Labor lawsuits (Other payables - other)	
Beginning balance	94,348
Recognition	3,043
Reversal/Utilization/Write-off	<u>(1,453)</u>
Ending balance	<u>95,938</u>
d) Civil lawsuits (Other payables - other)	
Beginning balance	53,103
Recognition	13,195
Reversal/Utilization/Write-off	<u>(1,906)</u>
Ending balance	<u>64,392</u>
e) Other lawsuits (Other payables - other)	
Beginning balance	47
Recognition	154
Reversal/Utilization/Write-off	<u>(3)</u>
Ending balance	<u>198</u>
f) Vacation	
Beginning balance	21,212
Recognition	14,854
Reversal/Utilization/Write-off	<u>(12,588)</u>
Ending balance	<u>23,478</u>

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- g) The Bank has lawsuits handled by outside attorneys, most of which relates to loan collection actions, whose allowance is recorded in accordance with Resolution N. 2,682/99. When these lawsuits may generate contingencies for the Bank, they are assessed by the Legal Department as mentioned in item b above.
- h) The risk assumed by the Bank on FNE operations made beginning December 1, 1998 is calculated in the same manner as set forth in Resolution N. 2,682/99 (note 25.c).

21. EMPLOYEES' AND DIRECTORS' COMPENSATION

The monthly compensation paid by the Bank to its employees and directors are as follows (in R\$ 1.00):

<u>Gross compensation</u>	<u>Employees (1)</u>	<u>Directors (2)</u>
Maximum	13,754.31	16,223.86
Minimum	578.93	-
Average	3,410.15	-

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

(2) Includes R\$ 2,703.98, relating to the 20% premium on position compensation, set by the Ministry of Finance.

As of June 30, 2007, the Bank had 5,571 employees (4,758 as of June 30, 2006), an increase of 17.09% in the Bank's headcount in the period.

22. PROFIT SHARING

In the first half of 2007, R\$ 10,590 related to profit sharing for employees and directors was accrued, equivalent to 25% of dividends, according to CCE Resolution N. 10/1995.

23. EMPLOYEE BENEFITS

Pursuant to CVM Resolution N. 371, of December 13, 2000, following is information on the employee benefit policy and the accounting procedures adopted by the Bank for recording its obligations:

a) a) The Bank does not have:

- Severance pay benefits;
- Long-term benefits;
- Stock-based compensation.

b) Accounting Policy Adopted by the Bank for Recognition of Actuarial Gains and Losses

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The policy adopted for recognition of actuarial gains and losses is based on items 52 to 55 of the attachment to CVM Resolution N. 371, i.e., the Bank recognizes a portion of actuarial gains and losses in excess of the higher of: 10% of the present value of the actuarial defined benefit obligation and 10% of the fair value of the plan's assets.

c) Characteristics of the Pension Plan of the Bank's Employees

The Bank sponsors Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF), a pension entity that provides its associate employees and dependents with benefits that supplement government retirement benefits. Following is significant information on CAPEF:

c.1) Actuarial Method

CAPEF adopts the capitalization method in the actuarial calculation of reserves for retirement and pension benefits.

c.2) Benefits Plan

The plan adopted is the defined benefit pension plan that assures retirement benefits for length of contribution, age and disability to the plan participants and pension benefits to their dependents.

c.3) Past-due Obligations

None.

c.4) Contributions Due

On December 30, 2003, the Bank entered into an agreement with CAPEF concerning its share as sponsor in the payment of lawsuits in the amount of R\$ 183,695 (assumed debt). The agreement also included the recognition of contributions not paid to CAPEF in the period from July 1993 to February 1994, in the amount of R\$ 54,975, totaling a debt of R\$ 238,670. The debt assumed by the Bank was settled on December 29, 2006.

c.5) Actuarial Position

In June 2007, CAPEF reported an actuarial surplus of R\$ 184,453 (surplus of R\$ 197,859 as of June 30, 2006), according to the actuarial valuation performed by PROBUS Suporte Empresarial S/C Ltda.

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c.6) List of Contributions (Participants/Sponsor)

The ratio of participants' contributions to the Bank's contributions meets the parity set by Constitutional Amendment N. 20/98, with a contribution ratio of 1:1 as of June 30, 2007 (1:1 as of June 30, 2006).

d) Characteristics of the Health Care Plan

The Bank contributes to 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.

d.1) Past-due Obligations

None.

d.2) Contributions

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

e) Reconciliation of Assets and Liabilities Recognized in the Balance Sheet

The reconciliation of assets and liabilities is shown below, according to actuarial valuations conducted by PROBUS Suporte Empresarial S/C Ltda., based on information provided by CAPEF, CAMED and the Bank, pursuant to item 49 of the attachment to CVM Resolution N. 371:

<u>Specification</u>	<u>CAPEF</u>	<u>CAMED</u>
1. Present value of totally or partially funded actuarial obligations	2,457,032	358,720
2. Fair value of plan assets	1,768,494	11,083
3. Present value of unfunded actuarial obligations (item 1 less item 2)	688,538	347,637
a. Present value of recognized unfunded actuarial obligations	618,727	145,068
i. Current expenses	233,960	71,370
ii. Net actuarial losses	11,579	42,317
iii. Cost of past service	139,556	-
iv. Portion of actuarial liability as of 12/31/2001	233,632	31,381
b. Present value of unfunded actuarial obligations not recognized	69,811	202,569
i. Net actuarial losses	(22,923)	202,569
ii. Cost of past service	92,734	-
iii. Portion of actuarial liability as of 12/31/2001	-	-

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f) The change in net actuarial liability in the period is as follows:

<u>Specification</u>	<u>CAPEF</u>	<u>CAMED</u>
1. Net actuarial liability, at end of prior year	<u>737,056</u>	<u>309,244</u>
2. Change in unfunded actuarial liability in current year	<u>(48,518)</u>	<u>38,393</u>
a. Current expenses	20,644	13,084
b. Net actuarial losses (gains)	(69,162)	25,309
c. Cost of past service	<u>-</u>	<u>-</u>
3. Net actuarial liability, at end of period	<u>688,538</u>	<u>347,637</u>

g) The expense recognized in the Statement of Income is composed as follows:

<u>Specification</u>	<u>CAPEF</u>	<u>CAMED</u>
1. Current expenses	49,789	23,200
a. Cost of current service, less employees' contributions	9,251	6,191
b. Cost of interest	132,017	17,722
c. Expected return on plan assets	(91,479)	(713)
2. Actuarial losses and gains recognized in the year	-	5,051
3. Cost of past service	13,248	-
4. Actuarial liability as of 12/31/2001 recognized in the year	-	-
5. Expense recognized in the Statement of Income	63,037	28,251
a. Provision expenses	33,892	18,136
b. Contribution expenses	29,145	10,115

h) Additional comments

- h.1) Current expenses - obligations for the year, derived from the increase in the length of service provided by employees;
- h.2) Net actuarial (gains)/losses - obligations for the year, derived from changes in actuarial assumptions adopted or divergences between assumptions used and actual results. These obligations are recognized according to the rules for recognition of actuarial gains and losses - item b of this note.
- h.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 38, 56 and 57 of the attachment to CVM Resolution N. 371;
- h.4) Actuarial liability as of 12/31/2001 - present value of unfunded actuarial obligations, determined as of 12/31/2001, based on item 49 of the attachment to CVM Resolution N. 371.

BANCO DO NORDESTE DO BRASIL S.A.

i) Assumptions used

- i.1) Biometric Assumptions: General Mortality Table for Active Employees - AT83; Disability Mortality Table - IAPC (Social Security Institute); Disability Table - CAPEF Experience and Turnover Table - None.
- i.2) Economic Assumptions: Expected return on plan assets - 6% p.a.; Future inflation rate - 6% p.a.; Estimated salary increase rate - 1% p.a.; Benefit growth rate - 0% p.a.; Actuarial obligation discount rate - 6% p.a.; INSS (social security) benefits growth rate - 0% p.a., and Benefit costs growth rate - 4% p.a..
- i.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.

24. ASSETS AND LIABILITIES LINKED TO FOREIGN CURRENCIES

As of June 30, 2007, operations subject to foreign exchange variation had a net balance of purchased foreign currency exposure of R\$ 9,297, as shown below:

Cash and cash equivalents	824	Deposits	63,160
Interbank investments	8,318	Interbranch accounts	3,327
Lending operations	572,999	Domestic borrowings and onlendings	2,779
Other receivables	<u>124,009</u>	Foreign borrowings and onlendings	784,463
Total assets in foreign currencies	706,150	Other payables	2,736
Swap transactions	<u>159,612</u>		
Total foreign currency exposure	<u>865,762</u>	Total liabilities in foreign currencies	<u>856,465</u>

The Bank manages the foreign exchange risk by limiting its exposure to residual values, strictly observing the percentage set by the Central Bank of Brazil. The above mismatching represents 1.07% of the amount of the operations indexed to foreign currencies, which confirms the Bank's conservative policy regarding this kind of risk.

The net foreign exchange exposure is determined daily. To reduce mismatching, the Bank opts to conduct transactions in the financial market involving the sale and purchase of federal securities subject to foreign exchange variation and foreign exchange swap transactions. In this period, the Bank decided to enter into foreign exchange swap transactions for hedge purposes.

25. FNE (NORTHEAST CONSTITUTIONAL FINANCING FUND)

- a) The net assets of FNE, in the amount of R\$ 20,803,859 (R\$ 18,049,175 as of June 30, 2006) are recorded in the Bank's memorandum accounts (net assets of managed public funds).

BANCO DO NORDESTE DO BRASIL S.A.

b) The Fund's cash in the amount of R\$ 3,930,411 (R\$ 4,036,886 as of June 30, 2006) is recorded under the caption "Other payables/financial and development funds" and is subject to the Central Bank of Brazil rate. The expense on its remuneration was R\$ 229,685 (R\$ 281,444 as of June 30, 2006).

c) The allowance to cover the credit risk on FNE operations is recorded under the following criteria:

c.1) For operations contracted until November 30, 1998, the Bank is free from operational risk;

c.2) For operations contracted beginning December 1, 1998, excluding financing of Programa da Terra and PRONAF operations (groups A, B, A/C, Forest and Semiarid), the Bank's credit risk is 50% of the amount calculated pursuant to Resolution N. 2,682/99. The financing and allowances recorded in contingencies are as follows:

<u>Risk level</u>	<u>Balances (A)</u>	<u>% of risk (B)</u>	<u>Risk value C = (A x B)</u>	<u>Allowance as of June 30, 2007 D = (C x 50%)</u>	<u>Allowance as of June 30, 2006</u>
AA	2,344,826	0%	-	-	-
A	2,627,664	0.50%	13,138	6,569	4,317
B	3,558,013	1.00%	35,580	17,790	12,881
C	420,178	3.00%	12,606	6,303	3,817
D	1,003,452	10.00%	100,345	50,173	48,755
E	150,690	30.00%	45,207	22,602	22,488
F	140,265	50.00%	70,133	35,066	24,817
G	97,648	70.00%	68,353	34,177	27,737
H	<u>738,823</u>	100.00%	<u>738,823</u>	<u>369,412</u>	<u>334,165</u>
TOTAL	<u>11,081,559</u>		<u>1,084,185</u>	<u>542,092</u>	<u>478,977</u>

d) For operations contracted until November 30, 1998, the financial commission was reduced to zero. For operations conducted after that date, the financial commission is 3% per year, when the credit risk is 50% and 6% when contracted in the name of the Bank. The revenue from financial commission was R\$ 124,639 (R\$ 114,390 as of June 30, 2006).

e) The management fee of 3% per year is calculated on the Fund's net equity, less amounts of onlending agreements with the Bank and investments under PRONAF (groups B, A/C, Forest and Semiarid), limited in each year to 20% of the transfers made by the National Treasury. The management fee amounted to R\$ 230,120 (R\$ 252,121 as of June 30, 2006).

BANCO DO NORDESTE DO BRASIL S.A.

26. OPERATING LIMITS - BASEL ACCORD

As of June 30, 2007 the Bank's asset-to-equity ratio (Basel ratio) was 18.15% (19.03% as of June 30, 2006) whereas the reference shareholders' equity was R\$ 1,562,832 (R\$ 1,447,102 as of June 30, 2006). National Monetary Council Resolution N. 2,099/94 and supplemental rules established by the Central Bank of Brazil determine a minimum limit of 11% for the asset-to-equity ratio as of June 30, 2007 and, in the case of the Bank, a minimum reference shareholders' equity of R\$ 947,346 (R\$ 836,504 as of June 30, 2006).

Specification	06/30/2007		06/30/2006	
	Value of Assets	Risk-Weighted Assets	Value of Assets	Risk-Weighted Assets
Assets subject to zero risk	8,389,867	-	8,275,040	-
Assets subject to 20% risk	73,828	14,766	78,151	15,630
Assets subject to 50% risk	664,644	332,322	449,728	224,864
Assets subject to 100% risk	7,553,859	7,553,859	6,592,060	6,592,060
Assets subject to 300% risk	228,391	685,173	255,072	765,216
TOTAL	<u>16,910,589</u>	<u>8,586,120</u>	<u>15,650,051</u>	<u>7,597,770</u>

We present below the calculation of the required shareholders' equity and the asset-to-equity ratio:

<u>RISK WEIGHT FACTOR</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
(A) Assets subject to risk weight	16,910,589	15,650,051
(B) Risk-weighted assets	8,586,120	7,597,770
(C) Swap credit risk	12,536	-
(D) Required shareholders' equity on risk-weighted assets (11% of "B")	944,473	835,755
(E) Required shareholders' equity on SWAP (20% of "C")	2,507	-
(F) Required shareholders' equity on interest rate exposure	<u>366</u>	<u>749</u>
(G) Required shareholders' equity: "D" + "E" + "F"	<u>947,346</u>	<u>836,504</u>
(H) Reference shareholders' equity:		
Level I	1,519,942	1,405,302
Level II (Revaluation Reserves)	42,890	41,800
(I) Ratio of reference shareholders' equity to required shareholders' equity: ("G/H"):	<u>0.61</u>	<u>0.58</u>
(J) Excess/(insufficient) shareholders' equity: Reference shareholders' equity - Shareholders' equity ("H" - "G")	615,486	610,598
(L) Excess/(insufficient) leverage: ("J" x 100)/11	5,595,327	5,550,891
(M) Asset-to-equity ratio		
BASEL RATIO = $\frac{H}{B + 9.09 \times (E + F)}$	<u>18.15</u>	<u>19.03</u>

BANCO DO NORDESTE DO BRASIL S.A.

27. CASH FLOWS

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
Cash flows from operating activities		
Net income	76,476	76,431
Items not affecting working capital:		
- Depreciation and amortization	10,573	9,483
- Allowance for losses on other assets	676	(112)
- Allowance for loan losses	(23,549)	(9,408)
- Allowance for losses on other receivables	<u>255</u>	<u>(3,587)</u>
Adjusted net income	<u>64,431</u>	<u>72,807</u>
Securities	521,889	604,152
Other assets	(8,802)	(4,886)
Interbank investments	(1,005,791)	(457,022)
Interbank and interbranch accounts	(10,643)	3,546
Lending operations	78,392	95,429
Other receivables	76,742	77,140
Change in deferred income	1	(387)
Prior period adjustments	-	(23,312)
Adjustment to fair value - securities and derivatives	26,310	27,563
Revaluation reserve	-	(100)
Capital reserve	<u>291</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(257,180)</u>	<u>394,930</u>
Cash flows from financing activities		
Deposits	209,829	(109,172)
Borrowings and onlendings	(239,261)	(250,826)
Open market funding	(8,116)	(207,042)
Derivatives	16,116	-
Other payables	347,669	210,609
Proposed dividends and bonuses	-	(13,541)
Interest on capital	<u>(42,361)</u>	<u>-</u>
Total inflow/(outflow) of funds	<u>283,876</u>	<u>(369,972)</u>
Cash flows from investing activities		
Additions to assets not in use	(1,657)	(567)
Additions to property and equipment in use	(18,014)	(19,134)
Additions to investments	(338)	(21)
Disposal of assets not in use	252	591
Disposal of property and equipment in use	31	284
Disposal of investments	(7)	(1)
Deferred charges	<u>(1,061)</u>	<u>(1,576)</u>
Total funds	<u>(20,794)</u>	<u>(20,424)</u>
Net change in cash	<u>5,902</u>	<u>4,534</u>
REPRESENTED BY CASH AND CASH EQUIVALENTS:		
At beginning of period	48,147	37,523
At end of period	<u>54,049</u>	<u>42,057</u>
Increase in cash and cash equivalents	<u>5,902</u>	<u>4,534</u>

28. OTHER INFORMATION

a) Risk Management

The Bank's corporate governance tools include an internal control structure periodically reviewed to maintain an adequate monitoring of operational, credit, market and liquidity risks. The Bank's operational risk management methodology follows the guidelines of the Basel Committee and the requirements of Basel II, prioritizing the identification of existing weaknesses in the Bank's various processes, implementation and follow-up of key indicators and mechanisms for mitigation of identified risks. Potential losses arising from the operational risk are stored in the Bank's accounting information retrieval system database, with necessary qualifications for follow-up of occurrences identified, allowing the development and use of control tools. The credit risk is managed through the monitoring of customer master file, review and development of risk assessment models, and credit granting limits based on the risk rating of customers and their operations, in accordance with the parameters set forth in National Monetary Council Resolution N. 2,682/99. The monitoring of market and liquidity risks is conducted by the Bank's controlling department, which measures and manages the impacts of fluctuations in interest rates, currencies and share indices and prices for the Bank's loan and investment portfolios. The Bank uses its own treasury risk management system, which contemplates mechanisms such as: Var (Value at Risk), Duration Global (assets and liabilities) by portfolio, security and index; estimated cash flows, with identification of any mismatching between assets and liabilities in terms of maturities; and global balances of assets and liabilities, by portfolio and by security, indicating any mismatching by currency.

b) Related-party transactions

- b.1 The Bank did not enter into transactions with affiliates and subsidiaries.
- b.2 The main operations with companies, programs and funds under control and management of the federal government - Bank's majority shareholder - are detailed in notes 9.d (FAT), 12 (Payables to National Treasury, Banco do Brasil, BNDES, CEF, other official institutions) and 25 (FNE).
- b.3 The Bank sponsors CAPEF and CAMED and the related transactions are described in notes 14.f and 23.

BANCO DO NORDESTE DO BRASIL S.A.

c) Guarantees

Co-obligations and risks related to guarantees provided by the Bank are composed of:

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
Import financing	15,663	7,077
Guarantee beneficiaries:		
- Individuals or non-financial legal entities	3,236	3,236
- FNE	5,540,779	4,055,661
- Other entities	-	6,852
Receivables assignment co-obligations	376,554	281,487

d) Insurance

The Bank's chattels and properties and third parties' properties are covered by an adequate insurance in the amount of R\$ 344,892 (R\$ 316,047 as of June 30, 2006), as follows:

<u>Specification</u>	<u>06/30/2007</u>	<u>06/30/2006</u>
Chattels	108,308	93,929
Properties	233,170	219,428
Third parties' properties	2,224	1,500
Civil liability (aircraft)	<u>1,190</u>	<u>1,190</u>
TOTAL	<u>344,892</u>	<u>316,047</u>

Fortaleza, July 30, 2007.

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors, Shareholders and Management of
Banco do Nordeste do Brasil S.A.
Fortaleza - CE

1. We have audited the accompanying balance sheet of Banco do Nordeste do Brasil S.A. - BNB (the "Bank") as of June 30, 2007, and the related statements of income, changes in shareholders' equity, and changes in financial position for the six-month period then ended, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A as of June 30, 2007, and the results of its operations, the changes in shareholders' equity, and the changes in its financial position for the six-month period then ended in conformity with Brazilian accounting practices.
4. On July 13, 2006, the Federal Government enacted Law N. 11,322 on the rescheduling of debts arising from rural credit operations for enterprises located in the area under ADENE's (Northeast Development Agency) jurisdiction. Such Law authorizes the rescheduling of debts from operations contracted through January 15, 2001 by family farm producers; small, medium and large farm producers; their cooperatives and associations, with funds from the FNE (Northeast Constitutional Financing Fund); FAT (Fund for Workers' Assistance); FNE combined with other sources or from other sources whose operations have been contracted from federal banks, in the original amount of up to R\$ 100 thousand, under the terms provided for in the Law. The rescheduling allows benefits such as rebates in the debit balance; discount for prompt payment of up to 25% of the installments amount; extension of debt amortization periods, as well as grace period and lower interest rates. As mentioned in note 6 g, the Bank has rescheduled debts, although considering the high volume of applications for rescheduling and

processes under approval, potential effects on the Bank's financial statements will only be known upon the conclusion of the debt rescheduling, whose term for formalization by the financing agent is December 28, 2007, in accordance with the National Monetary Council Resolution N. 3,469 of July 2, 2007. The financial statements as of June 30, 2007 include only the debt rescheduling formalized through this date.

5. Additionally, we have audited the statement of cash flows for the six-month period ended June 30, 2007, presented in note 27, applying the same procedures described in paragraph 2. Such information is not required by Brazilian corporate law and is presented for purposes of additional analysis. In our opinion, such statement presents fairly, in all material respects, the cash flows of Banco do Nordeste do Brasil S.A for the six-month period then ended in conformity with Brazilian accounting practices.
6. The financial statements for the six-month period ended June 30, 2006, presented for comparative purposes, were audited by other independent auditors, who issued opinion thereon, dated July 28, 2006, containing an emphasis of matter paragraph concerning the effects that might result from the conclusion of the rescheduling of debts arising from rural credit operations in the area under ADENE's jurisdiction, as established by Law N. 11,322 of July 13, 2006.
7. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Fortaleza, August 15, 2007

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Claudio Lino Lippi
Engagement Partner

SUPERVISORY BOARD'S REPORT

In accordance with legal and regulatory requirements, the Supervisory Board of Banco do Nordeste do Brasil S.A., after examining the Management Report, Balance Sheet, Statements of Income, Changes in Shareholders' Equity and Changes in Financial Position and Notes to the Financial Statements of Banco do Nordeste do Brasil S.A, for the six-month period ended June 30, 2007, and based on Deloitte Touche Tohmatsu's Independent Auditors' Report dated August 15, 2007, is of the opinion that the Management Report and Financial Statements reflect fairly the Bank's activities and financial position for the first half of 2007. The Supervisory Board is also of the opinion that, according to paragraph 4 of the Independent Auditors' Report and Note 6 g, the total potential effects of Law N. 11,322 of July 13, 2006 on the Bank's future financial statements will only be known upon the conclusion of the debt rescheduling, whose term for formalization is December 28, 2007, as set forth by National Monetary Council Resolution N. 3,469, of July 2, 2007.

Fortaleza, August 22, 2007

THE SUPERVISORY BOARD

SUMMARY OF THE AUDIT COMMITTEE'S REPORT

1st Half of 2007

The Audit Committee of Banco do Nordeste do Brasil S.A. is an advisory unit to its Board of Directors, established by Resolution N. 3198/2004 of the National Monetary Council, with the assignments and other requirements for its operation included in the Bank's By-laws.

Committee's Activities

The scope of the Audit Committee's activities was to evaluate the effectiveness of the Internal Audit, Independent Audit and Internal Controls and Risks, as well as to review and evaluate the quality of the Financial Statements. Following recommendation from the Board of Directors, the Committee monitors the demands of inspection and external control agencies.

From this viewpoint, in the first half of 2007, the Committee held 12 ordinary and 3 extraordinary meetings. For supporting its examinations, the Committee maintained work meetings and contacts with the Bank's Management members and areas responsible for financial and accounting data, internal controls and risks, analyzed the Bank's performance reports, and participated in all meetings held by the Board of Directors.

With respect to the financial statements for the period ended June 30, 2007, the Audit Committee held meetings with the officers responsible for their preparation and the Independent Auditors and, together with the Supervisory Board members, participated in the Board of Directors' meeting that approved such financial statements.

Internal Controls

The Bank's Internal Controls, focused on mitigating risks aimed at the efficiency of operations and systems for generation of financial and analytical reports through the identification, evaluation and improvement of its control points, have developed satisfactorily with constant improvements in their work methods and processes. With regard to the Bank's conformity with the requirements of the New Basel Capital Accord – Basel II and with a view to the implementation, through December 31, 2007, of the Operational Risk Management Structure, Risk Policies were approved and a Corporate Risk Management Committee was created in the first half of 2007, measures that have been thoroughly monitored by the Audit Committee.

Internal Audit

According to the results of examinations and checking of reports and working papers performed in the first half of 2007, based on the Annual Planning approved by the Board of Directors, the Committee found that, in said period, the Internal Audit work was effectively developed to comply with the Bank's requirements.

Independent Audit

In the first half of 2007, through a bidding process, there was a change of the Independent Auditor responsible for External Audit services, and the Audit Committee followed up on the whole change process in which DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES was chosen. Based on the examination of the work presented for the six-month period and analysis of the opinions and reports issued by DELOITTE, nothing have been found that may compromise the independence and result of work performed by DELOITTE in this period.

Financial Statements

The Audit Committee analyzed the Financial Statements, Explanatory Notes, Financial Reports and Management Report as of June 30, 2007 and held a meeting with the officers responsible for preparing these documents and External Auditors, for additional information and clarifications deemed necessary. The Committee received and analyzed the opinions issued by the Independent Auditors on Banco do Nordeste do Brasil S.A. and FNE (Northeast Constitutional Financing Fund).

After examining the aforementioned documents and discussing the accounting practices used in the preparation of the financial statements as of June 30, 2007, the Committee concluded that they are in conformity with applicable corporate law and standards of the National Monetary Council, Central Bank of Brazil and Brazilian Securities Commission.

Fortaleza, August 15, 2007.

The Audit Committee

**Banco do
Nordeste**



CONSTITUTIONAL FUND OF FINANCE OF THE NORTHEAST - FNE
Managed by Banco do Nordeste do Brasil S.A.

Accounting Statements

F N E

POSITION: 06.30.2007

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

BALANCE SHEETS AS OF JUNE 30, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

ASSETS	06/30/07	06/30/06	LIABILITIES AND NET EQUITY	06/30/07	06/30/06
CURRENT ASSETS	<u>7,345,735</u>	<u>6,835,833</u>	NET EQUITY (note 6c)	<u>20,803,859</u>	<u>18,049,175</u>
CASH AND CASH EQUIVALENTS (note 6b.1)	<u>3,930,411</u>	<u>4,036,886</u>	TRANSFERS FROM FEDERAL GOVERNMENT:	<u>19,483,698</u>	<u>16,556,654</u>
Funds to invest	1,762,488	1,718,721	Six-month period	1,564,951	1,413,592
Invested funds	2,167,923	2,318,165	Prior years	17,918,747	15,143,062
INTERBANK ACCOUNTS	<u>79,076</u>	<u>99,619</u>	INCOME FROM PRIOR YEARS	1,467,076	1,460,369
Rural loan - Proagro	4,398	6,004	INCOME (LOSS) FOR THE SIX-MONTH PERIOD	(146,915)	32,152
Interbank onlendings	74,678	93,615			
LENDING OPERATIONS (notes 6b.2 and 7)	<u>3,333,946</u>	<u>2,699,214</u>			
Financing	760,935	736,335			
Infrastructure and development financing	76,679	16,506			
Agribusiness loans	82,747	152,074			
Rural financing	2,984,054	2,482,333			
Allowance for loan losses	(570,469)	(688,034)			
OTHER RECEIVABLES (note 6b.3)	<u>852</u>	<u>39</u>			
Assets received as payment	852	39			
OTHER ASSETS (note 6b.4)	<u>1,450</u>	<u>75</u>			
Agricultural debt securities	2,239	114			
(Allowance for devaluation)	(789)	(39)			
LONG-TERM ASSETS	<u>13,458,124</u>	<u>11,213,342</u>			
INTERBANK ACCOUNTS	<u>101,986</u>	<u>66,212</u>			
Rural loan - Proagro	3,399	2,454			
Interbank onlendings	98,587	63,758			
LENDING OPERATIONS (notes 6b.2 and 7)	<u>13,355,955</u>	<u>11,145,670</u>			
Financing	3,435,724	2,522,594			
Infrastructure and development financing	1,355,569	906,479			
Agribusiness loans	368,771	259,875			
Rural financing	8,195,891	7,456,722			
OTHER ASSETS (note 6b.4)	<u>183</u>	<u>1,460</u>			
Agricultural debt securities	189	2,477			
(Allowance for devaluation)	(6)	(1,017)			
TOTAL ASSETS	<u>20,803,859</u>	<u>18,049,175</u>	TOTAL LIABILITIES AND NET EQUITY	<u>20,803,859</u>	<u>18,049,175</u>

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

STATEMENTS OF OPERATIONS
 FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
 (In thousands of Brazilian reais - R\$)

	<u>1st half 2007</u>	<u>1st half 2006</u>
INCOME		
From lending operations (note 6a.6)	395.049	489.873
From cash (note 6b.1)	229.685	281.444
EXPENSES (note 6a.7)		
Management fee	(230.120)	(252.121)
PRONAF- Payment of financial charges to BNB/Performance bonus	(34.133)	(24.310)
Operating provisions	(507.388)	(462.726)
Audit	(8)	(8)
NET INCOME (LOSS)	<u>(146.915)</u>	<u>32.152</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

STATEMENTS OF CHANGES IN NET EQUITY
 FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
 (In thousands of Brazilian reais - R\$)

<u>EVENTS</u>	<u>TRANSFERS FROM FEDERAL GOVERNMENT</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
BALANCES AS OF DECEMBER 31, 2005	15.143.062	1.449.444	16.592.506
Transfers from Federal Government in the six-month period	1.413.592	-	1.413.592
Prior years adjustments (note 9)	-	10.925	10.925
Net income for the six-month period	-	32.152	32.152
BALANCES AS OF JUNE 30, 2006	<u>16.556.654</u>	<u>1.492.521</u>	<u>18.049.175</u>
CHANGES FOR THE SIX-MONTH PERIOD	<u>1.413.592</u>	<u>43.077</u>	<u>1.456.669</u>
BALANCES AS OF DECEMBER 31, 2006	17.918.747	1.491.743	19.410.490
Transfers from Federal Government in the six-month period	1.564.951	-	1.564.951
Prior years adjustments (note 9)	-	(24.667)	(24.667)
Net loss for the six-month period	-	(146.915)	(146.915)
BALANCES AS OF JUNE 30, 2007	<u>19.483.698</u>	<u>1.320.161</u>	<u>20.803.859</u>
CHANGES FOR THE SIX-MONTH PERIOD	<u>1.564.951</u>	<u>(171.582)</u>	<u>1.393.369</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

STATEMENTS OF CHANGES IN FINANCIAL POSITION
 FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
 (In thousands of Brazilian reais - R\$)

	<u>1st half 2007</u>	<u>1st half 2006</u>
SOURCES OF FUNDS	<u>1.564.958</u>	<u>1.456.774</u>
INCREASE IN LIABILITIES:		
Transfers from Federal Government in the six-month periods	1.564.951	1.413.592
Prior years adjustments	-	10.925
Net income for the six-month periods	-	32.152
DECREASE IN ASSETS:		
Other assets	7	105
USES OF FUNDS	<u>1.312.773</u>	<u>1.237.438</u>
INCREASE IN ASSETS:		
Interbank accounts	6.431	17.005
Lending operations	1.134.594	1.220.394
Other receivables	166	39
DECREASE IN LIABILITIES:		
Prior years adjustments	24.667	-
Net loss for the six-month periods	146.915	-
INCREASE IN CASH AND CASH EQUIVALENTS	<u><u>252.185</u></u>	<u><u>219.336</u></u>
REPRESENTED BY:	<u>252.185</u>	<u>219.336</u>
At beginning of six-month periods	3.678.226	3.817.550
At end of six-month periods	3.930.411	4.036.886

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
(Amounts in thousands of Brazilian reais - R\$)

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1. HISTORY

Fundo Constitucional de Financiamento do Nordeste (“FNE” or the “Fund”) was established by the Federal Constitution of 1988 (Article 159, item I, subitem “c”), and is regulated by Law N. 7,827, of September 27, 1989, amended by Supplementary Law N. 125, of January 3, 2007, Laws N. 9,126, of November 10, 1995, N. 9,808, of July 20, 1999, and N. 10,177, of January 12, 2001, Executive Act N. 2,196-1, of June 28, 2001 and its amendments, and Article 13 of Executive Act N. 2,199-14, of August 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. (“BNB”), 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.

2. 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 credits; 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; providing information on results achieved; performing other activities related to the use of funds and recovery of credits.

3. OVERSIGHT

Banco do Nordeste keeps at the disposal of the oversight bodies the Fund’s statements of changes in financial position, operations 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.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

4. INDEPENDENT AUDIT

FNE contracts an independent audit at its own cost to certify that constitutional and legal requirements have been met, to issue an opinion on its financial statements, audit the accounts and perform other usual auditing procedures.

5. TAX EXEMPTION

FNE is tax-exempt and its earnings, income and financing operations are not subject to any tax or other charges.

6. ACCOUNTING PRACTICES

FNE has its own accounting records and uses the accounting system of Banco do Nordeste to record its transactions in specific subitems, 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) Results of operations

a.1) Income and expenses are recorded on the accrual basis. FNE's income consists of financial charges on lending operations and the interest paid by Banco do Nordeste on FNE's cash.

a.2) Beginning January 14, 2000, financial charges on financing granted with funds from FNE range between 6% and 14% per year, 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%.

Under normal conditions, the financial charges 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 exceed the rates established by legislation is recorded as the Fund's unearned income.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

On the financial charges established by law, a discount of 25% will be granted for borrowers that develop their activities in the northeast semiarid region, and 15% for borrowers from other regions, provided that the debt is paid by the due date.

Financing operations under PRONAF (National Family Farming Strengthening Program) 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) With respect to BNB's financial commission on financing with funds from FNE, Executive Act N. 2,196-1, of June 28, 2001, and its amendments, which established the Strengthening Program for Federal Financial Institutions, determines the following:
- For operations contracted until November 30, 1998, BNB's financial commission was reduced to zero, and the charges agreed to with borrowers remained unchanged;
 - For operations contracted with a credit risk of 50% for BNB, BNB's financial commission will be 3% per year;
 - For operations resulting from onlendings to BNB for it, in its name and at its own risk, to conduct lending operations, the financial commission will be 6% per year.
- a.4) Administrative Rule N. 616, of May 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.5) For financing under PRONAF (Groups A, B, A/C, Semiarid and Forest), BNB is not entitled to any commission, according to the legislation and regulation of the Program.
- a.6) In the Statement of Operations, "Income from Lending Operations" is recorded at the net amount as follows:

Description	06/30/2007	06/30/2006
Income from lending operations	730,055	713,292
Expenses on BNB's financial commission	(124,639)	(114,390)
Expenses on financial commission of other institutions	(1,622)	(1,463)
Expenses on negative monetary adjustment	(1,051)	(10,908)
Expenses on discounts granted on renegotiations - Laws N. 10,696/11,322	(17,976)	(672)
Expenses on rebates/discounts - Operations contracted by BNB	(175,586)	(95,651)
Expenses on rebates/discounts - Onlendings to other institutions	(40)	(25)
Expenses on rebates - Receivables from FAT - BNDES (National Bank for Economic and Social Development) - Law N. 10,193/2001	(488)	(310)
Expenses on Operations - Other sources - Acquisitions Law N. 11,322/06	(13,604)	-
T O T A L	<u>395,049</u>	<u>489,873</u>

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

- a.7) FNE's expenses refer to management fee payable to BNB as the Fund manager, financial charges payable to BNB on financing under PRONAF (Groups A, B, A/C, Forest and Semiárid), allowance for loan losses recognized pursuant to Interministerial Rule N. 11, of December 28, 2005, of the Ministry of Finance and Ministry of National Integration, and independent audit services.

The management fee of 3% per year, paid to BNB by FNE, is recorded on a monthly basis and is calculated on the Fund's net equity, less onlendings to BNB and financing under PRONAF (Groups B, A/C, Forest and Semiárid), limited each year to 20% of the transfers made by the National Treasury.

Pursuant to Decree N. 5,641, of December 26, 2005, the management fee, beginning 2005, shall be calculated at 0.25% of the Fund's net equity for each month, observing deductions established by legislation and the limit of 20% of the transfers made by the National Treasury in the year.

The financial charges paid to BNB on operations under PRONAF (Groups A, B, A/C, Forest and Semiárid), established by the National Monetary Council, follow the percentages and criteria established by the legislation and regulation of the Program.

b) Current and long-term assets

Stated at realizable value, plus income and monetary variation earned.

- b.1) Cash consists of Unrestricted cash, which represent funds available for use in lending operations, and Restricted cash, which represent undisbursed amounts of contracted operations. The Fund's cash held by BNB is subject to the Central Bank of Brazil rate.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

- b.2) Total Lending Operations are stated at the amount of principal plus financial charges, less unearned income and allowance for loan losses (note 7). Law N. 11,322, of July 13, 2006, authorizes the renegotiation of debts from rural loan operations contracted in the area under ADENE's (Northeast Development Agency) jurisdiction, granting rebates on the debit balance, discount on amounts to be paid, reduction in interest rate and extension of payment date. Banco do Nordeste must formalize, through December 28, 2007, debt renegotiations in which the borrower, through September 28, 2007, has met the new conditions established by this Law. Renegotiations formalized in the first half of 2007 reduced the Fund's income by R\$ 133,331 as shown below. This effect includes costs of renegotiation of operations contracted between the Fund and other sources, as authorized by the Law.

Expenses on discount and waiver of debt	(63,646)
Recovery of operations written off from assets	112,537
Net effect of allowances	(182,222)
Total	(133,331)

- b.3) The caption "Other receivables" include 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 Interministerial Rule N. 11.
- b.4) Securities recorded under the caption "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 values.

c) Net equity

The net equity of FNE is composed of:

- Transfers from the Federal Government in the proportion of 1.8% of the collection of taxes on income of any nature and IPI (federal VAT);
- Returns and results of operations;
- Interest paid by BNB on FNE's cash.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

d) Records in the Federal Government Integrated Financial Management System (SIAFI)

In compliance with Interministerial Rule N. 11, of December 28, 2005, the accounting information related to FNE is available on SIAFI, considering the Fund's specific characteristics. Therefore, according to the guidelines of the Ministry of National Integration, information is input into SIAFI in two phases:

- through the deadline for monthly closing, as established in the System, the amounts of the events for the month available until that date are recorded on a provisional basis;
- after each monthly trial balance and balance sheet is closed by the due dates established by the Central Bank of Brazil for financial institutions, required supplementary records are made to close the positions in SIAFI.

7. CREDIT RISK AND ALLOWANCE FOR LOAN LOSSES

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

a.1) Operations contracted through November 30, 1998:

- In operations related to *Programa da Terra*, the risk lies totally with PROCERA;
- In other operations, the risk is the responsibility of FNE.

a.2) Operations contracted beginning December 1, 1998:

- In financing under *Programa da Terra*, the risk lies with PROCERA;
- In operations under PRONAF (Groups A, B, A/C, Forest and Semiarid), the credit risk lies totally with FNE.
- In onlendings to BNB for it to conduct, in its name, lending operations, the risk is totally assumed by BNB;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted through November 30, 1998, the credit risk lies totally with the other institution;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted after Administrative Rule N. 616, of May 26, 2003, becomes effective, the risk lies totally with BNB;
- In other operations, the risk is 50% for FNE and 50% for BNB.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

- b) As permitted by the sole paragraph of Article 3 of Interministerial Rule N. 11, of December 28, 2005, the allowance for loan losses is recorded by FNE in accordance with the criteria set forth in item I, subitems “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. Changes in the allowance for loan losses for the period are as follows:

Description	06/30/2007	06/30/2006
Beginning balance	320,069	5,638,794
. FNE’s full risk	276,355	5,491,075
. Shared risk	43,714	147,719
(+) Net allowance recognized in the period	534,780	462,710
. FNE’s full risk	454,197	412,005
. Shared risk	80,583	50,705
(-) Write-off as loss in the period	284,380	5,413,470
. FNE’s full risk	246,572	5,272,550
. Shared risk	37,808	140,920
(=) Allowance for loan losses	570,469	688,034
. FNE’s full risk	483,980	630,531
. Shared risk	86,489	57,503

- c) Considering that PROCERA is responsible for the risk of financing operations under *Programa da Terra* with FNE’s funds, no allowance for loan losses is recognized.
- d) According to Interministerial Rule N. 46, of March 7, 2007, an allowance for loan losses is recorded for operations renegotiated pursuant to Law N. 11,322, of July 13, 2006, as described below:
- d.1) for operations contracted with other sources of funds acquired by FNE: in the same amount of the negative goodwill recorded upon acquisition by the Fund; and
- d.2) for FNE’s renegotiated operations: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts written off from assets as loss.
- d.3) for operations acquired by the Fund, an allowance was recorded in the amount of R\$ 25,399, with a contra entry to lending operations. For FNE’s renegotiated operations, an allowance of R\$ 183,382 was recorded, of which R\$ 150,527 refers to operations whose full risk lies with the Fund and R\$ 32,855 refer to shared-risk operations. These amounts are included in “Net allowance recognized in the period” as shown in item “b” above.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

8. RECOGNITION OF LOSSES AND RETURN OF BNB'S SHARE OF RISK

- a) As permitted by the sole paragraph of Article 3, Interministerial Rule N. 11, losses are recognized by FNE in accordance with the criteria set forth in item II of Article 3 of said rule, that is, at the amounts of principal and charges past-due for more than 360 days, according to the risk percentage assumed by the Fund.
- b) 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 criteria set forth in item II, subitem "a", Article 5 of Interministerial Rule N. 11.
- c) In the period, BNB returned to FNE the amount of R\$ 43,924 related to BNB's share of risk in operations that were written off as loss.

9. PRIOR YEARS ADJUSTMENTS

The net negative adjustment of R\$ 24,667 (positive adjustment of R\$ 10,925 as of June 30, 2006) refers to recalculations of charges on lending operations.

Fortaleza, July 30, 2007.

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Management of
Fundo Constitucional de Financiamento do Nordeste - FNE
(Managed by Banco do Nordeste do Brasil S.A.)
Fortaleza - CE

1. We have audited the accompanying balance sheet of Fundo Constitucional de Financiamento do Nordeste - FNE (Northeast Constitutional Financing Fund - managed by Banco do Nordeste do Brasil S.A.) as of June 30, 2007, and the related statements of operations, changes in net equity, and changes in financial position for the six-month period then ended, all expressed in Brazilian reais and prepared under the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements.
2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Fund, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste - FNE as of June 30, 2007, and the results of its operations, the changes in net equity, and the changes in its financial position for the six-month period then ended in conformity with Brazilian accounting practices.

processes under approval, potential effects on the Bank's financial statements will only be known upon the conclusion of the debt rescheduling, whose term for formalization by the financing agent is December 28, 2007, in accordance with the National Monetary Council Resolution N. 3,469 of July 2, 2007. The financial statements as of June 30, 2007 include only the debt rescheduling formalized through this date.

5. Additionally, we have audited the statement of cash flows for the six-month period ended June 30, 2007, presented in note 27, applying the same procedures described in paragraph 2. Such information is not required by Brazilian corporate law and is presented for purposes of additional analysis. In our opinion, such statement presents fairly, in all material respects, the cash flows of Banco do Nordeste do Brasil S.A for the six-month period then ended in conformity with Brazilian accounting practices.
6. The financial statements for the six-month period ended June 30, 2006, presented for comparative purposes, were audited by other independent auditors, who issued opinion thereon, dated July 28, 2006, containing an emphasis of matter paragraph concerning the effects that might result from the conclusion of the rescheduling of debts arising from rural credit operations in the area under ADENE's jurisdiction, as established by Law N. 11,322 of July 13, 2006.
7. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Fortaleza, August 15, 2007

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Claudio Lino Lippi
Engagement Partner

MANAGEMENT COUNCIL: Waldir Quintiliano da Silva (President) – Roberto Smith (Vice-President) – Álvaro Larrabure Costa Corrêa – Antonio Henrique Pinheiro Silveira – Nilde Pereira Sabbat – Vera Maria Rodrigues Ponte

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AUDIT'S COMMITTEE: Paulo Roberto Medeiros Braun (President) – José Lucinério Pimentel – José Wilkie Almeida Vieira

SUPERINTENDENTS: João Francisco Freitas Peixoto (Financial Control) – Luiz Alberto Cruz de Oliveira (Legal)

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