

***Banco do
Nordeste***



ACCOUNTING STATEMENTS

Banco do Nordeste and FNE

POSITION: 12.31.2007

BANCO DO NORDESTE DO BRASIL S.A. Registered Office: Av. Paranjana, 5.700 - Fortaleza – Ceará – Publicly-Held Company – License N. 3465 – CNPJ (National Register of Legal Entities) N. 07.237.373/0001-20

MANAGEMENT REPORT - FISCAL YEAR 2007

In 2007, Banco do Nordeste do Brasil S.A. (BNB) maintained its commitment to fostering the development of the Northeast region by means of financial support to the various stakeholders that take part in the development of the Region: large and mid-sized companies, small and micro businesses, informal entrepreneurs, family farmers, and other individuals, as well as Governments.

Loans and financing contracted in 2007 totaled R\$7.5 billion, and the main source of funds was the FNE (Northeast Constitutional Financing Fund). With R\$4.2 billion in financing with funds from the FNE, 2007 was the third consecutive year with contracted transactions above R\$4 billion using this source of funds, showing the importance of the FNE for the accomplishment of BNB's mission. Family Farming was benefited by R\$1.2 billion, and informal entrepreneurs by R\$794.3 million from the Crediamigo microcredit program.

As part of its strategy to diversify the sources of funds, in 2007 for the first time the Bank contracted funds from the FAT (Fund for Workers' Assistance) and the FMM (Merchant Marine Fund), and structured a transaction with the FDNE (Northeast Development Fund).

The creation of the Social and Environmental Department and the Ombudsman Department at BNB, the opening of another Cultural Center, and the implementation of a credit facility exclusive for the cultural area – PROCULTURA (Culture Support Program) – highlight the importance that has been given by the Bank to the sustainability of its actions and to culture.

With all these actions, the Bank has increasingly intensified its operations in the Northeast region and part of the States of Minas Gerais and Espírito Santo, playing an active role in fostering a sustainable development.

OPERATING PERFORMANCE

Overall Contracting

In 2007, BNB contracted long-term financing and short-term loans to be used in the development of the Northeast region, totaling R\$7.5 billion.

OVERALL CONTRACTING

	R\$ million		
	2006	2007	Variation
Long-term financing ⁽¹⁾	5,223.4	4,989.4	-4.5%
Short-term loans ⁽²⁾	2,065.0	2,489.6	20.6%
Total	7,288.4	7,479.0	2.6%

(1) Rural; industrial; agribusiness; infrastructure; and commercial and service financing;

(2) Microcredit (Crediamigo); Direct Consumer Credit (CDC); working capital; discount; foreign exchange; and secured account loans.

The rural and commercial sectors received most of the funds in 2007, R\$2.7 billion and R\$2.5 billion, respectively. The service sector posted the highest percentage increase, with 43.6% as compared to the prior year.

Management Report – Fiscal Year 2007

OVERALL CONTRACTING BY SECTOR

R\$ million

Sector	2006	2007	Variation
Rural	2,709.8	2,710.1	0.0%
Industrial	1,482.4	1,165.0	-21.4%
Infrastructure	741.7	502.6	-32.2%
Commercial ⁽¹⁾	1,940.4	2,506.8	29.2%
Service	414.1	594.5	43.6%
Total	7,288.4	7,479.0	2.6%

(1) Includes microcredit loans (Crediamigo).

For long-term financing, the FNE is the main source of funds, with 85.1% of the total. With its strategy of diversifying the sources of funds, the Bank contracted funds from the FAT (Fund for Workers' Assistance) and the FMM (Merchant Marine Fund), and structured a transaction with the FDNE (Northeast Development Fund).

LONG-TERM FINANCING

R\$ million

Source	2006	2007	Variation
FNE (Northeast Constitutional Financing Development Fund)	4,588.2	4,246.5	-7.5%
IDB (Inter-American Development Bank)	316.7	-	-100.0%
STN (National Treasury)	100.7	250.2	148.5%
FAT (Fund for Workers' Assistance)	-	65.2	-
FMM (Merchant Marine Fund)	-	55.3	-
Other sources ⁽¹⁾	217.8	372.2	70.9%
Total	5,223.4	4,989.4	-4.5%

(1) Internal funds, Savings and *Fundo de Terras* (Land Fund).

Short-term loans posted a 20.6% growth, driven mainly by the commercial credit products. The Direct Consumer Credit (CDC) and Working Capital loans contracted increased 42.1% as compared to the prior year.

SHORT-TERM LOANS

R\$ million

Product	2006	2007	Variation
Commercial Credit	1,060.2	1,300.1	22.6%
. Direct Consumer Credit (CDC) and Working Capital	449.8	639.1	42.1%
. Discount	217.7	287.6	32.1%
. Secured Accounts	392.7	373.4	-4.9%
Foreign exchange ⁽¹⁾	365.2	395.2	8.2%
Crediamigo	639.6	794.3	24.2%
Total	2,065.0	2,489.6	20.6%

(1) Amounts converted into Brazilian reais at the foreign exchange rates prevailing on contract dates.

Northeast Constitutional Financing Fund (FNE)

The FNE (Northeast Constitutional Financing Fund), managed by BNB and the main source of funds used by the Bank to finance its operations for development of the Region, accounted for R\$4,246.5 million in financing in the year. In spite of the slight decrease as compared to the prior year, 2007 is the third consecutive year with contracted transactions above R\$4 billion. The Rural Sector received the highest share of FNE financing, with transactions totaling R\$2,192.2 million, followed by the Commercial/Service Sector with R\$895.3 million, and the Industrial Sector with R\$721.5 million.

FNE - CONTRACTING BY SECTOR

			R\$ million
Sector	2006	2007	Variation
Rural	2,444.5	2,192.2	-10.3%
Industrial	1,032.7	721.5	-30.1%
Infrastructure	425.0	437.5	2.9%
Commercial/Service	686.0	895.3	30.5%
Total	4,588.2	4,246.5	-7.5%

Microcredit

Crediamigo is BNB's Production Oriented Microcredit Program that facilitates access to credit by thousands of entrepreneurs who engage in production-related, product sale, and service activities. The volume of loans granted in 2007, through Crediamigo, was R\$794.3 million, representing an increase of 24.2% as compared to 2006, when BNB lent R\$639.6 million. The number of loans granted also posted a significant increase of 19.5%. In 2007, BNB carried out 824,8 thousand transactions, against 690,4 thousand in 2006. At the end of 2007, Crediamigo reached 299,975 active clients, which represents a 27.3% increase in relation to the same period of prior year, when the Program had 235,729 clients. The Active Portfolio grew 37.5%, to R\$234.7 million from R\$170.6 million.

CREDIAMIGO PROGRAM IN 2007

	AMOUNT
Number of transactions - YEAR	824,782
Contracted amount (R\$ 000) - YEAR	794,257.1
Average contracted amount (R\$1.00) - YEAR	962.99
Clients served - YEAR	766,582
Clients served with transactions per DAY	3,312
Active clients - 12/31/2007	299,975
Active Portfolio (R\$ thousand) - 12/31/2007	234,656.5
Average active amount (R\$1.00) - 12/31/2007	782.25

In 2007, BNB concluded the expansion of *Crediamigo Comunidade* to all the Northeastern States and Minas Gerais, with 113 trained Units and forming community banks – groups of 15 to 30 people who wish to start or expand a production activity, involving planning, credit, savings, payment of loan installments, qualification and improvements for the business, family and community, based on self-management principles. At the end of the year, over 1,000 banks had been formed, serving nearly 17,000 clients. The product has a great potential for the inclusion of the population with developing economic activities or even without activity, strongly contributing to their social inclusion.

Family Farming

PRONAF (National Family Farming Strengthening Program): BNB has consolidated its position as PRONAF's main financing agent for the Northeast, with an active portfolio of R\$4.4 billion, involving 1.5 million transactions. The 505,9 thousand financing transactions contracted under the PRONAF program in 2007 totaled R\$1,183.5 million. BNB entered into an agreement with the Federal Government's Special Department of Policies for Women, to ensure women's access to documentation, resulting in the issuance of over 91,000 documents for women during 124 women registration drives. This action helped granting women access to credit, and in 2007, transactions with these stakeholders reached 43% of total transactions .

PRONAF – CONTRACTING BY GENDER

Gender	Number of Transactions	Amount Contracted	Amounts in R\$ million	
			% Number	% Amount
Female	216,468	407.8	42.8%	34.5%
Male	289,471	775.7	57.2%	65.5%
TOTAL	505,939	1,183.5	100.0%	100.0%

Agroamigo: Program that uses the production-oriented microcredit methodology to grant loans to family farmers, qualified under Group B of Pronaf. BNB contracted, through *Agroamigo* 192,7 thousand transactions, totaling R\$259.5 million. The Program is implemented in 164 branches of the Bank, serving 876 municipalities through 401 rural microcredit advisors . The use of this methodology is intended to expedite the credit granting process and quantitatively and qualitatively expanding service to family farmers.

Land Mortgage Loans: In 2007, the Bank contracted, through the Land Mortgage Loan Programs, divided into the lines Suppression of Rural Poverty – and its two subprojects Land Acquisition and Supplemental Investments – and Consolidation of Family Farming, 713 transactions totaling R\$124.0 million.

Prodetur/NE (Northeast Tourism Development Program)

The Prodetur/NE was designed to meet part of the demands of the tourism chain, by investing in government actions proposed to remedy some of the region's shortcomings, namely in infrastructure and institutional development. The second phase of the Program – Prodetur/NE II –, currently in progress, benefits the same centers of the Northeastern states that received investments during the first phase, as well as the Vale do Jequitinhonha region in Minas Gerais. This phase's scope was widened to comprise, in addition to infrastructure, actions that will strengthen tourism management and professional and business planning and qualification. Prodetur/NE II involves funds of US\$400 million, of which US\$240 million from the Loan Agreement entered into by BNB with the Inter-American Development Bank (IDB), US\$160 million as counterpart funds from the Federal Government, States and Municipalities, and funds occasionally provided by the private sector. Total funds committed to the Program were obtained in 2006.

Structured Transactions

Structured Transactions are those resulting from credit proposals that require specific service and differentiated solutions, in view of their specificities and the perceived importance to foster the development of the Northeast. In 2007, the Bank analyzed 50 consultation letters proposing Structured Transactions and contracted 17 financing transactions totaling R\$1.1 billion, ensuring the feasibility of projects with strong impact on the Northeast region. As a result, there are 68 contracted projects classified as structured transactions, involving total financing of R\$4,745.3 million.

STRUCTURED TRANSACTIONS CONTRACTED BY SECTOR

R\$ million

Sector	Number of Projects	Financing Amount	%
Electricity Generation and Distribution	23	1,465.7	30.9
Communication	7	998.4	21.0
Petrochemical	6	691.0	14.6
Industrial	4	332.0	7.0
Agribusiness	6	308.3	6.5
Steel	2	230.4	4.9
Pulp and Paper	1	195.7	4.1
Commercial	5	145.2	3.1
Shoe	1	112.0	2.7
Transportation	2	95.2	2.0
Food	1	51.3	1.1
Hotel	2	40.4	0.9
Plastics	2	32.8	0.7
Waste Treatment	2	19.1	0.4
Printing	1	14.0	0.3
Services - Hospitals	2	9.7	0.2
Services	1	4.0	0.1
Total	68	4,745.3	100.0

Transactions with Micro and Small Businesses

BNB offered credit facilities to support Micro and Small Businesses totaling R\$600.0 million, the target figure for 2007. In the same period, the Bank contracted over 55,000 transactions with more than 15,000 companies, totaling R\$753.1 million. This amount represents 125.5% of the funds assigned to these stakeholders for the year. Some of the actions that contributed to this result are as follows: streamlining the credit process, including visit and inspection rules and issues such as registration with registry offices; adopting business strategies for preferred clients to negotiate with franchise chains, suppliers, and production chains of large companies; participating in the Micro and Small Businesses Forum, promoted by the Ministry of Development, Industry and Commerce (MDIC); and forming a business strategy partnership with Sebrae (Small Business Support Service), prioritizing financial support to micro and small businesses that receive technical assistance from this Service.

Commercial Portfolio

In 2007, R\$1,300.1 million in commercial credit transactions was contracted, a 22.6% increase as compared to the contracted transactions for the prior year. Direct Consumer Credit (CDC) and Working Capital products posted a 42.1% growth, reaching a volume of R\$639.1 million in contracted transactions.

As result of sharing bank service networks with other institutions to increase the number of service channels, the Bank's clients had access to their accounts in 7,000 ATMs of Banco do Brasil's network, and over 32,000 ATMs of Rede Verde-Amarela (RVA). The Bank also granted to its clients access to their checking and savings accounts, and financial investment information on their cell phones. At the end of 2007, the number of the Bank's accountholders increased significantly to 288 thousand from 235 thousand at the end of 2006, in particular the number of simplified accounts, as part of the banking service expansion process.

Credit Recovery

In 2007, 254,163 overdue or default transactions were regularized, reaching R\$1,032.9 million. This amount represents 129% of the target set for the year, of R\$800 million. Of the amount involved, R\$162.5 million or 16% corresponds to receipts in cash. R\$622 million or 60% of the total amount refers to FNE transactions.

FINANCIAL PERFORMANCE

Total Assets

At the end of 2007, BNB's global assets increased 13.3% as compared to the position at the end of 2006. This increase derives from, in addition to the recognition of revenue generated by the assets, the inflow of funds from new savings and time deposits, and funds from the FNE. Own loan portfolio, before the allowance for loan losses, grew 8.5%, in spite of the decrease in investments with funds from the Fund for Workers' Assistance (-3.9%) and the Inter-American Development Bank (-8.4%). BNB's financing for the industrial, commercial and service sectors increased 18.7%, while rural and agribusiness financing increased 7.1%. On the other hand, the allowance for loan losses decreased 2.8%.

FNE total assets grew 14.8% in 2007, mainly due to the expansion of lending operations, net of allowance, and the increase in the inflow of funds from the National Treasury. In 2007, the inflow of funds from the National Treasury into FNE's assets totaled R\$3,216 million, against R\$2,776 million in 2006. By comparing the positions as of December 31, 2007 and December 31, 2006, there is an increase of 16.9% in the balance of investments in FNE lending operations (before the allowance) and 185.3% in the allowance for loan losses. The increase in the allowance derives mainly from the need to accrue the amounts of transactions renegotiated under Law N. 11,322, of July 13, 2006, as set forth by Interministerial Rule N. 46, of March 7, 2007, of the Ministries of Finance and National Integration.

The recovery to FNE's assets in 2007 of R\$436 million related to loans previously written off as "Losses" is also noteworthy. Of this amount, R\$336 million was recovered through renegotiations under Law N. 11322. In 2006, total volume recovered was R\$76 million.

GLOBAL ASSETS

Breakdown	BNB		FNE	
	12/31/2006	12/31/2007	12/31/2006	12/31/2007
Cash and Cash Equivalents, ^(*) Interbank Investments and Securities	7,678.6	8,810.6	3,678.2	4,452.6
Lending operations - net of allowance	3,578.0	3,916.2	15,555.3	17,642.0
. Lending operations	3,882.3	4,212.0	15,875.4	18,555.2
- Industrial, Commercial and Service	1,042.8	1,237.6	3,745.8	4,638.1
- Rural and Agribusiness	1,689.7	1,808.9	10,895.7	12,201.6
- Infrastructure and Development	622.3	599.1	1,233.8	1,715.6
- Refinancing	502.8	525.3	-	-
- Other	24.8	40.6	-	-
. Allowance for loan losses	(304.3)	(295.8)	(320.1)	(913.2)
Interbank Accounts, Other Loans and Other Assets	1,037.1	1,222.4	177.0	198.1
Permanent Assets	183.7	193.8	-	-
Total	12,477.4	14,143.1	19,410.5	22,292.7

^(*) BNB's cash and cash equivalents include FNE's available funds.

Securities

The securities portfolio as of December 31, 2007 amounted to R\$5,129 million. At the end of 2006, this portfolio totaled R\$6,653 million. This 22.9% decrease was basically due to the maturity of securities whose redeemed funds were invested in interbank investments, which as of December 31, 2007 amounted to R\$3,623 million, against R\$977 million as of December 31, 2006.

CLASSIFICATION OF THE SECURITIES PORTFOLIO

	R\$ million	
	12/31/2006	12/31/2007
Trading securities	1	1
Available-for-sale securities	6,570	5,100
Held-to-maturity securities	82	28
Total Portfolio	6,653	5,129

Pursuant to Central Bank of Brazil Circular N. 3,068, of 11/08/2002, BNB prepared a projected cash flow for the purpose of classifying the Securities Portfolio, which indicates the availability of sufficient funds to honor all obligations and comply with the credit granting policies, without the need to sell securities classified as “Held-to-maturity securities”. Accordingly, the Management of BNB hereby declares that the Bank has the intent and financial capacity to hold these securities till maturity.

Overall Lending Operations

Lending operations plus other investments recorded under captions with credit features, such as advances on foreign exchange contracts and credits granted to debtors for purchase of assets, totaled R\$22,999 million as of December 31, 2007, without the deduction of the allowance, which represents an increase of 15.2% in the year.

INVESTMENTS BY SOURCE/PROGRAM¹

	R\$ million	
Source	12/31/2006	12/31/2007
FNE (Northeast Constitutional Financing Fund)	15,875	18,555
Own Funds (except Crediamigo and BNB Savings)	1,341	1,442
FAT (Fund for Workers' Assistance)	741	712
IDB (Inter-American Development Bank)	620	568
BNDES (National Bank for Economic and Social Development)	386	389
Fundo de Terras/Agrarian Reform	295	371
BNB Savings	142	265
Foreign Funding (Foreign Exchange)	228	255
Crediamigo (uses funds from the IBRD, FAT, DIM and Own Funds)	178	245
STN (National Treasury)	79	79
INCRA (National Agrarian Reform Institute) - Land	61	63
FMM (Merchant Marine Fund)	-	36
FRT (Land Fund)	9	10
BNDES-Finsocial, CEF, Fungetur, Sudene and Other	12	10
TOTAL	19,967	22,999

¹ Includes lending operations and other captions with credit features, such as advances on foreign exchange contracts and credits granted to debtors for purchase of assets

Total Funds

From December 31, 2006 to December 31, 2007, the Bank's obligations to third parties increased 14.3%, as shown in the table below.

TOTAL FUNDS		R\$ million
	12/31/2006	12/31/2007
Demand deposits	132	143
Savings deposits	546	728
Time deposits	1,761	2,073
. FAT	673	550
. Finor - Cash and Reinvestments, Law N. 8,167	156	396
. Other	933	1,127
Interbank deposits and other	208	173
FNE Funds (cash)	3,678	4,454
Onlending - Local Currency	1,228	1,188
. BNDES and FINAME	802	660
. Other institutions	426	528
Onlending - Foreign Currency	740	653
Borrowings	325	322
Money market funding	224	201
Tax and social security	521	560
Contingent liabilities	660	837
. FNE	513	648
. Civil, Tax and Other Lawsuits	53	72
. Labor Lawsuits	94	117
Corporate and Statutory Provisions	95	85
Accrued liabilities	781	1,025
. CVM Resolution N. 371 (Post-Employment Benefits)	712	810
. Other	69	215
Other Payables	74	99
Total obligations to third parties	10,975	12,541
Shareholders' Equity	1,502	1,602
Total Liabilities and BNB Shareholders' Equity	12,477	14,143
FNE Funds (except cash and cash equivalents)	15,732	17,840
Total	28,210	31,983

Shareholders' Equity

As of December 31, 2007, BNB's shareholders' equity was R\$1,602.5 million (R\$1,502.3 million as of December 31, 2006). Capital as of December 31, 2007, of R\$1,299 million, is equal to capital as of December 31, 2006. BNB's capital is represented by 870,019,022,574 paid-up shares without par value.

Net Income

BNB's net income for 2007 was R\$219.7 million, 8.4% higher than in 2006 (R\$202.7 million). Earnings per thousand shares increased to R\$0.25 as of December 31, 2007, from R\$0.23 as of December 31, 2006. Return on equity, calculated based on shareholders' equity as of December 31, 2007, was 13.71% p.a. This ratio was 13.49% p.a. as of December 31, 2006. When calculated based on average shareholders' equity for 2007, return on equity was 14.14% p.a., against 13.82% in 2006.

Capital Adequacy Ratio

As of December 31, 2007, BNB's capital adequacy ratio (Basel Ratio) was 16.28% (18.97%, as of December 31, 2006), with Regulatory Capital of R\$1,602 million (R\$1,502 million as of December 31, 2006). National Monetary Council Resolution N. 2,099/94 and supplemental rules established by the Central Bank of Brazil determine a minimum threshold of 11% for the capital adequacy ratio and, in the case of the Bank, minimum regulatory capital of R\$ 1,083 million.

Investment Funds

In 2007, BNB managed 15 investment funds, nine of which for retail clients, two exclusively for the public sector, and four for exclusive investors. Three of the four retail funds managed by the Bank rated by the magazine *Guia Exame - Investimentos Pessoais 2007*, obtained the maximum five-star rating. In this rating, the methodology used by the Finance Studies Center of Fundação Getúlio Vargas considers the profitability and risk ratio. A fund rated with five stars is among the top 10% based on this ratio. At the end of 2007, the funds' net equity was R\$2,060.8 million, an increase of 15.12% as compared to the funds' position at the end of 2006.

DEVELOPMENT ACTIONS

Financing Programs and Sources

In line with its source diversification strategy, the Bank made important investments using new sources of funds: FDNE (Northeast Development Fund), Fund for Workers' Assistance directed to Infrastructured Sector (FAT - infrastructure), and the FMM (Merchant Marine Fund). The FDNE provided funds to contract a financing transaction in the amount of R\$47 million. With FAT funds the Bank contracted three transactions totaling R\$65 million invested in electricity distribution projects. Regarding the FMM funds, BNB acted as financing agent to support the development of the Brazilian shipbuilding industry, and contracted a project in the amount R\$55 million for the construction of transoceanic vessels. In 2007, BNB implemented a new credit facility exclusive for the cultural area - PROCULTURA (Culture Support Program) - as part of a partnership with the Ministry of Culture.

Support to Government Policies

In 2007, BNB took important actions in support of government policies, forming partnerships with several entities, reinforcing its mission for the development of the Region. The highlights of these actions are: the development of the PROLAGOSTA Program - in partnership with the Special Fish Farming and Fishing Department (SEAP/PR); the Program to Compensate Owners of Bottom Gill Nets and Compressors - in partnership with the Special Fish Farming and Fishing Department (SEAP/PR); support to the National Biodiesel Production and Use Program (PNPB), in partnership with State Governments, Petrobrás and non-government organizations; the National Program for the Documentation of Farmers (PNDTR) - with several partners, including the Ministry of Agrarian Development (MDA) and the Special Department of Policies for Women; and the Light for All Program - with the training of 180 Program multipliers, in partnership with the Ministry of Mines and Energy and Eletrobrás.

NORTHEAST TECHNICAL OFFICE OF ECONOMIC STUDIES (ETENE)

BNB's Northeast Technical Office of Economic Studies (ETENE) completed and published several industry studies, surveys and books in 2007. In the rural area, it completed and published the following studies: Floriculture: Profile of the Activity in the Brazilian Northeast; Floriculture: Characterization and Market; Northeastern Sugar and Alcohol Industry: Recent Performance and Possible Policies; Northeastern Fruit Growing: Recent Performance and Possible Policies; Northeastern Vitiviniculture: Characteristics and Outlook. The studies completed in the industrial and service sectors were as follows: Infrastructure (Wind Energy); Scenarios; Estimates of Economic and Financial Variables for FEBRABAN; Survey of the Wind Power Stations Operating in Brazil; Electricity Market in the Northeast by 2015; Summary of the Ornamental Rocks Industry in Espírito Santo; Information on Direct and Indirect Jobs in Econometric Matrix Inputs-Products Industries and Their Multipliers; Textile Industry Scenario; Ornamental Rocks; Information on Mica; Public Consortium; Whitepaper on the Integration of the Northeast; Paper for Report on PRODETUR Progress - Tourism Industry; and Reports on the Northeast Scenario to the National Congress. The following reports were published in the industrial and service sectors: Steel Industry and Petrochemical Industry.

Scientific and Technologic Support Funds

Aware of the importance of supporting science and technology for regional development and sustainability of the financed projects, BNB manages three research support funds: FUNDECI (Science and Technology Development Fund), FASE (Northeast Socioeconomic Activities Support Fund), and the FDR (Regional Development Fund). In 2007, the Bank contracted 199 FUNDECI projects totaling R\$11.3 million in non-reimbursable funds, comprising the most varied activities. For the purpose of financing projects and socioeconomic researches of interest of the Northeast, FASE supported 54 projects in the aggregate amount of R\$2.3 million. FDR supported 43 projects amounting to R\$2.0 million.

CORPORATE INFORMATION

Personnel Management

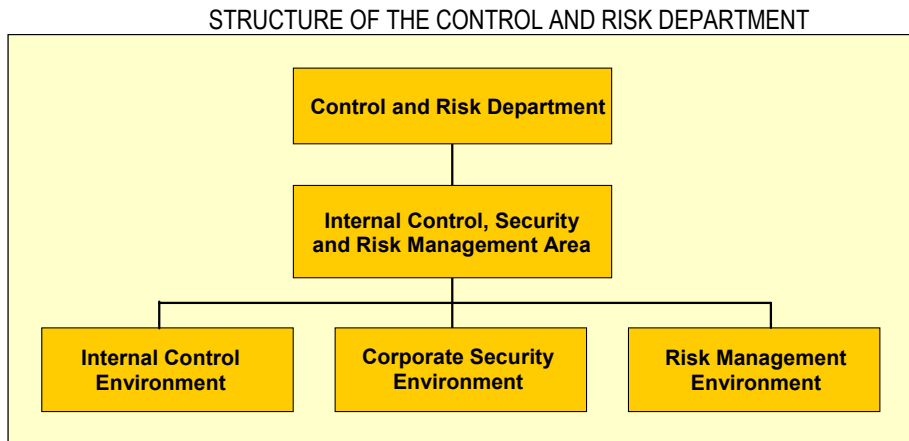
The Bank ended 2007 with 5,726 employees, nearly 11% above the headcount at the end of 2006. In 2007, the Scholarship Program permitted hiring 416 new interns, 220 of whom were high school students and 196 were college students. In January 2007, the Bank initiated the Performance and Potential Management Project, the main purpose of which is to develop a Competence-Based Performance and Potential Management Model that ties Human Capital recognition to their contribution to the organization's performance. In 2007, 5,269 employees attended training courses, representing 92% of total employees. Over 26,000 training opportunities were offered, divided into two areas: formal education and professional education.

CORPORATE GOVERNANCE

The Bank's organizational structure is designed based on corporate governance principles intended to ensure the organization's soundness by means of an appropriate management of the risks involved and profit generation. Some of the main actions developed during 2007 to strengthen Corporate Governance are as follows: create a Risk Assessment Environment, responsible for managing credit, market and operational risks; create and implement an Institutional Ombudsman department; improve the Internal Regulations and the Audit Committee Procedures Manual; change the organizational structure of the Internal Control Environment, including the creation of the Illegal Financing Control and Centralized Processes Manager position; change the functions and the name of the Internal Control Structuring and Money Laundering Prevention and Suppression Section, create Compliance Agents positions; and implement the Illegal Capital Recycling Tracing System (SIRCOI), related to money laundering suppression.

Operational, Credit and Market Risk Management Structure

BNB has a specific Department to handle Control and Risks, in compliance with Central Bank Resolutions N. 3,380 and 3,464, which establish that financial institutions must implement an operational risk and market risk management structure. The Internal Control, Security and Risk Management Area, which reports to the Officer in charge of this Department, is responsible for overseeing three Environments: Internal Control, Corporate Security and Risk Management. The Risk Management Environment was created in 2007 and, as regards the operational risk, it will proceed with the work developed by the Basel II Project. Strategic risk management is carried out by the Corporate Risk Management Committee, consisting of representatives from several business areas of the Bank.



The Internal Control, Security and Risk Management Area is responsible for: developing strategies to identify, assess, monitor, control, manage, and mitigate credit, market, liquidity and operational risks; define the minimum capital allocation levels to support these risks; define and manage corporate security actions; and implement internal controls segregated from the other areas. The Internal Control Environment is responsible for: defining control mechanisms and procedures for mitigating the Bank's risks; perform, separately from the other Bank areas, the activities related to Internal Control System management; monitor the compliance with laws and regulations applicable to the organization; check the conformity of operations, processes, products and services; and disseminate the policies and actions aimed at prevention and suppression of money laundering. The Corporate Security Environment is responsible for: defining, managing and participating in the implementation of corporate security procedures, comprising the physical and logical security of information, banking security, asset security, communication security, and people security. The Risk Management Environment is responsible for: ensuring the maintenance of risk levels appropriate to the Bank's strategies and capital structure, through the management of credit, market, liquidity and operational risk models and methodologies.

The complete description of BNB's operational, credit and market risk management structure will be included in the Bank's 2007 Annual Report, to be issued in 2008. The Annual Report is made available on the Internet, in the portal www.bnb.gov.br and distributed to the Bank's stakeholders.

Audit Committee

BNB has an Audit Committee, which is a Board of Directors' advisory committee, responsible for monitoring the efficiency and effectiveness of internal controls, internal audit, independent audit and accounting area. As part of its institutional role, the Audit Committee attends the Board of Directors' Meetings and is in permanent contact with the Executive Committee and different Bank areas to verify the quality of the Institution's accounting and financial information, improvement of internal controls, and compliance with laws and internal regulations, as well as ratify, at the end of each six-month period, the Ombudsman Report.

Institutional Ombudsman Department

In September 2007, BNB created and implemented its Institutional Ombudsman Department, pursuant to Central Bank of Brazil Resolution N. 3,477, which requires the creation of an ombudsman department compatible with the nature and complexity of the products, services, activities, processes and systems of each financial institution. The Ombudsman Department promotes the transparency of the organization's actions; creates own communication channels between management and citizens; and improves services. In order to improve the Bank's relationship with its stakeholders, and aware of the need to protect consumers' rights, BNB's Ombudsman Department acts as a communication channel between the citizens and the institution - in particular clients and users of its products and services - and handles complaints, denunciations, suggestions and compliments that are not solved through the usual service channels of the Bank. It also acts as partner in the improvement and qualification of internal processes, products and services, monitoring improvement suggestions and implementation. During its first four months of operations in 2007, the Ombudsman Department received 126 complaints and opinions, which resulted in 8 improvement suggestions, involving several Bank areas.

CORPORATE AND SOCIAL RESPONSIBILITY

Social and Environmental Responsibility: BNB created the Social and Environmental Responsibility Environment to systematize and manage the Bank's policies and actions on this issue and increase investments in art, culture, environment, education, professional training, and the support to child and adolescent protection policies. The main actions taken are the investment of tax incentives in the Children and Adolescents Rights Fund and the implementation of the selective solid waste collection program in the President Getúlio Vargas Administrative Center and the Bank units in Fortaleza, in compliance with Federal Decree N. 5,940/2006, which requires that government agencies separate recyclable waste and distribute such waste to organized associations of garbage pickers.

Support to Culture: The Sousa Banco do Nordeste Cultural Center, in the State of Paraíba, was opened in 2007, taking culture to the interior of the States. The three BNB cultural centers - Fortaleza, Cariri and Sousa - received 790,000 visitors in the year. In 2007, BNB started again to invest funds in cultural projects, through tax exemptions prescribed by Law N. 8313/91 (Rouanet Act), benefiting 21 cultural projects, totaling investments of R\$1.3 million.

CVM INSTRUCTION

With respect to CVM Instruction N. 381/03, of January 14, 2003, Banco do Nordeste do Brasil communicates that, on April 17, 2007, it entered into an independent audit agreement with Deloitte Touche Tohmatsu Auditores Independentes, the public bidding winner, for provision of independent audit services beginning on March 31, 2007. To avoid any conflict of interests, the Bank rescinded the tax consulting agreement with Deloitte immediately after Deloitte's appointment as the Bank's independent auditors.

Fortaleza, January 28, 2008

BOARD OF DIRECTORS
OFFICERS

**Banco do
Nordeste**



Accounting Statements

Banco do Nordeste

POSITION: 12.31.2007

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

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
CURRENT ASSETS	6,639,439	4,876,844
CASH AND CASH EQUIVALENTS	59,369	48,147
INTERBANK INVESTMENTS (NOTE 4)	3,622,628	977,037
Open market investments	3,289,202	859,166
Interbank deposits	333,426	117,871
SECURITIES AND DERIVATIVES (NOTE 5)	635,137	1,918,753
Own portfolio	614,770	1,901,469
Linked to guarantees	20,367	17,284
INTERBANK ACCOUNTS	224,023	167,664
Payments and receipts pending settlement	1,050	579
Restricted deposits:		
Deposits - Central Bank of Brazil	215,791	159,090
National Treasury - Rural loan	3,967	5,475
Interbank onlendings	870	518
Correspondents	2,345	2,002
LENDING OPERATIONS (note 6)	1,177,306	1,154,980
Public sector	44,629	15,647
Private sector	1,270,205	1,267,610
(Allowance for loan losses)	(137,528)	(128,277)
OTHER RECEIVABLES (note 7)	902,727	599,438
Receivables for guarantees honored	11	7
Foreign exchange portfolio	220,152	209,506
Income receivable	25,222	20,822
Specific receivables	291	291
Other receivables	675,604	375,091
(Allowance for losses on other receivables)	(18,553)	(6,279)
OTHER ASSETS	18,249	10,825
Other	13,042	12,199
(Allowance for devaluation)	(5,696)	(5,430)
Prepaid expenses	10,903	4,056
LONG-TERM ASSETS	7,309,864	7,416,836
SECURITIES AND DERIVATIVES (NOTE 5)	4,493,484	4,734,673
Own portfolio	4,426,943	4,675,552
Linked to guarantees	66,160	59,121
Derivatives	381	-
INTERBANK ACCOUNTS	381	28,903
Restricted deposits:		
National Treasury - Rural loan	3,898	565
National Housing System (SFH)	28,479	17,833
Interbank onlendings	7,394	10,505
LENDING OPERATIONS (note 6)	2,738,934	2,423,017
Public sector	1,048,613	1,107,938
Private sector	1,829,798	1,483,401
(Allowance for loan losses)	(139,477)	(168,322)
OTHER RECEIVABLES (NOTE 7)	37,675	230,243
Receivables for guarantees honored	17	15
Other receivables	66,861	257,259
(Allowance for losses on other receivables)	(29,203)	(27,031)
PERMANENT ASSETS (note 8)	193,762	183,744
INVESTMENTS	943	605
Other investments	5,782	8,744
(Allowance for losses)	(4,839)	(8,139)
PROPERTY AND EQUIPMENT IN USE	187,452	177,376
Real estate	115,454	106,852
Real estate revaluation	111,628	111,629
Other	114,670	97,770
(Accumulated depreciation)	(154,300)	(138,875)
DEFERRED CHARGES	5,367	5,763
Organization and expansion costs	10,829	10,259
(Accumulated amortization)	(5,462)	(4,496)
TOTAL ASSETS	14,143,065	12,477,424

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 DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
CURRENT LIABILITIES	4,875,429	4,047,293
DEPOSITS (note 9)	1,735,189	1,376,212
Demand deposits	96,725	68,091
Savings deposits	728,395	545,906
Interbank deposits	162,096	199,659
Time deposits	737,156	553,843
Other deposits	10,817	8,713
OPEN MARKET FUNDING	200,966	224,005
Third parties portfolio	200,966	224,005
INTERBANK ACCOUNTS	-	11
Receipts and payments pending settlement	-	11
INTERBRANCH ACCOUNTS	5,690	3,030
Third-party funds in transit	5,687	2,993
Internal transfers of fund:	3	37
BORROWINGS (note 11)	250,918	247,701
Domestic borrowings - official institution	11,866	10,691
Foreign borrowings	239,052	237,010
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (note 12)	321,441	521,507
National Treasury	175	200
Banco do Brasil	-	3
BNDES (National Bank for Economic and Social Development)	220,845	242,722
CEF (Federal Savings and Loan Bank)	205	289
FINAME (National Equipment Financing Authority)	19,371	24,337
Other institutions	80,845	253,956
DERIVATIVES	23,045	-
Derivatives	23,045	-
FOREIGN ONLENDINGS (note 13)	53,844	57,228
Foreign onlendings:	53,844	57,228
OTHER PAYABLES (note 14)	2,284,336	1,617,599
Collected taxes and other	4,618	5,317
Foreign exchange portfolio	68	2,513
Social and statutory	84,914	95,184
Tax and social security	560,246	127,276
Financial and development fund	581,795	1,137,344
Other	1,052,695	249,965
LONG-TERM LIABILITIES	7,665,059	6,927,706
DEPOSITS (note 9)	1,381,950	1,271,862
Demand deposits	46,378	64,366
Time deposits	1,335,572	1,207,496
BORROWINGS (note 11)	71,570	77,287
Domestic borrowings - official institution	71,570	77,287
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (note 12)	866,449	706,955
National Treasury	1,212	1,309
BNDES	376,178	475,149
CEF	96	297
FINAME	43,124	59,786
Other institutions	445,839	170,414
DERIVATIVES	-	4,206
Derivatives	-	4,206
FOREIGN ONLENDINGS (note 13)	599,036	683,211
Foreign onlendings	599,036	683,211
OTHER PAYABLES (note 14)	4,746,054	4,184,185
Tax and social security	-	393,417
Financial and development fund	3,936,488	2,566,129
Other	809,566	1,224,639
DEFERRED INCOME	78	77
DEFERRED INCOME	78	77
SHAREHOLDERS' EQUITY (note 15)	1,602,499	1,502,348
CAPITAL	1,299,000	1,299,000
Brazilian residents	1,298,984	1,298,947
Foreign residents	16	53
CAPITAL RESERVE	291	-
REVALUATION RESERVE	37,819	40,499
PROFIT RESERVES	200,934	94,278
ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES	64,455	68,571
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,143,065	12,477,424

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 PERIOD AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

	<u>2nd half 2007</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
INCOME FROM FINANCIAL INTERMEDIATION (note 16)	<u>827,756</u>	<u>1,543,178</u>	<u>1,655,717</u>
Lending operations	379,090	648,444	571,991
Securities transactions	441,947	887,715	1,065,939
Derivatives	(15,963)	(40,651)	(5,305)
Foreign exchange transactions	13,267	21,499	18,367
Compulsory investments	9,415	26,171	4,725
EXPENSES ON FINANCIAL INTERMEDIATION (note 17)	<u>(485,302)</u>	<u>(948,054)</u>	<u>(1,066,821)</u>
Funding operations	(125,663)	(247,397)	(269,692)
Borrowings and onlending	(287,265)	(565,310)	(690,704)
Allowance for loan losses	(72,374)	(135,347)	(106,425)
GROSS PROFIT FROM FINANCIAL OPERATIONS	<u>342,454</u>	<u>595,124</u>	<u>588,896</u>
Other operating income (expenses) (note 18)	<u>(215,594)</u>	<u>(335,306)</u>	<u>(259,815)</u>
Income from services provided	417,435	752,126	722,911
Personnel expense:	(319,589)	(608,605)	(602,055)
Other administrative expense	(240,135)	(452,248)	(394,262)
Tax expense:	(53,492)	(96,007)	(88,787)
Other operating income	294,672	573,814	472,350
Other operating expense:	(314,485)	(504,386)	(369,972)
INCOME FROM OPERATIONS	<u>126,860</u>	<u>259,818</u>	<u>329,081</u>
NONOPERATING INCOME	<u>961</u>	<u>1,239</u>	<u>4,008</u>
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING	<u>127,821</u>	<u>261,057</u>	<u>333,089</u>
INCOME AND SOCIAL CONTRIBUTION TAXES (note 19)	<u>24,634</u>	<u>(21,536)</u>	<u>(112,119)</u>
Provision for income tax	(38,941)	(61,999)	(48,424)
Provision for social contribution tax	(14,723)	(23,152)	(18,067)
Deferred taxes	78,298	63,615	(45,628)
PROFIT SHARING	<u>(9,187)</u>	<u>(19,777)</u>	<u>(18,236)</u>
NET INCOME FOR THE SIX-MONTH PERIOD AND FOR THE YEAR	<u>143,268</u>	<u>219,744</u>	<u>202,734</u>
INTEREST ON OWN CAPITAL (note 15.d)	<u>(51,639)</u>	<u>(94,000)</u>	<u>(80,346)</u>
Number of shares (in millions)	<u>870,019</u>	<u>870,019</u>	<u>870,019</u>
Net income per thousand shares - R\$	<u>0.16</u>	<u>0.25</u>	<u>0.23</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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 20

(In thousands of Brazilian reais - R\$)

	PAID-UP CAPITAL		CAPITAL RESERVE	REVALUATION RESERVE	PROFIT RESERVES		ADJUSTMENT TO FAIR VALUE - SECURITIES AND	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
	CAPITAL	CAPITAL INCREASE	OTHER CAPITAL RESERVES	OWN ASSETS	LEGAL	STATUTORY	DERIVATIVES		
BALANCES AS OF DECEMBER 31, 2005	1,277,000	-	-	43,282	8,090	22,053	30,371	-	1,380,796
PRIOR PERIODS ADJUSTMENT	-	-	-	-	-	-	-	(24,799)	(24,799)
ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES	-	-	-	-	-	-	38,200	-	38,200
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	-	-	-	(4,199)	-	-	-	4,064	(135)
Tax charges	-	-	-	1,416	-	-	-	(1,342)	74
NET INCOME OF THE FINANCIAL YEAR								202,734	202,734
- Allocations: (notes 15c and d)									
- Reserves	-	-	-	-	10,137	75,999	-	(86,136)	-
- Dividends	-	-	-	-	-	-	-	(14,175)	(14,175)
- Interest on own Capital								(80,346)	(80,346)
BALANCES AS OF DECEMBER 31, 2006	1,299,000	-	-	40,499	18,227	76,052	68,571	-	1,502,349
CHANGES OF THE YEAR	22,000	-	-	(2,783)	10,137	53,999	38,200	-	121,553
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	-	-	-	-	-	-	(4,116)	-	(4,116)
OTHER EVENTS:									
- Updating of stock exchange memberships	-	-	291	-	-	-	-	-	291
- Revaluation of assets:									
- Realization of reserves:									
Gross amount	-	-	-	(4,060)	-	-	-	4,060	-
Tax charges	-	-	-	1,380	-	-	-	(1,380)	-
NET INCOME OF THE FINANCIAL YEAR								219,744	219,744
- Allocations: (notes 15c and d)									
- Reserves	-	-	-	-	10,987	95,668	-	(106,655)	-
- Dividends	-	-	-	-	-	-	-	(21,769)	(21,769)
- Interest on own Capital	-	-	-	-	-	-	-	(94,000)	(94,000)
BALANCES AS OF DECEMBER 31, 2007	1,299,000	-	291	37,819	29,214	171,720	64,455	-	1,602,499
CHANGES OF THE YEAR	-	-	291	(2,680)	10,987	95,668	(4,116)	-	100,150
BALANCES AS OF JUNE 30, 2007	1,299,000	-	291	39,159	22,051	76,052	94,881	31,631	1,563,065
ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES							(30,426)		(30,426)
OTHER EVENTS:									
- Revaluation of assets:									
- Realization of reserves:									
Gross amount				(2,030)				2,030	-
Tax charges				690				(690)	-
NET INCOME FOR THE SIX-MONTH PERIOD								143,268	143,268
- Allocations: (notes 15c and d)									
- Reserves					7,163	95,668		(102,831)	-
- Dividends								(21,769)	(21,769)
- Interest on own Capital								(51,639)	(51,639)
BALANCES AS OF DECEMBER 31, 2007	1,299,000	-	291	37,819	29,214	171,720	64,455	-	1,602,499
CHANGES FOR THE SIX-MONTH PERIOD	-	-	-	(1,340)	7,163	95,668	(30,426)	(31,631)	39,434

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 CHANGES IN FINANCIAL POSITION
FOR THE SIX-MONTH PERIOD AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

	<u>2nd half 2007</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
SOURCES OF FUNDS	<u>2,381,501</u>	<u>3,483,734</u>	<u>1,116,126</u>
NET INCOME	143,268	219,744	202,734
ADJUSTMENTS TO NET INCOME:	11,553	22,802	19,664
Depreciation and amortization	11,279	21,852	19,426
Allowance for losses on investment	135	135	-
Allowance for devaluation on other asset	139	815	238
VARIATION IN DEFERRED INCOME	-	1	(1,818)
ADJUSTMENT TO FAIR VALUE - SECURITIES AND DERIVATIVES	(30,426)	(4,116)	38,200
PRIOR PERIODS ADJUSTMENT	-	-	(24,799)
Capital reserve/updating of stock exchange membership	-	291	-
REVALUATION RESERVE	-	-	(61)
FUNDS FROM THIRD PARTIES:	-	-	0
INCREASE IN LIABILITIES	1,251,526	1,719,159	154,421
Deposits	259,236	469,065	134,823
Interbank and interbranch accounts	-	2,649	-
Borrowings and onlendings	108,630	-	-
Derivatives	2,723	18,839	4,206
Other payables	880,937	1,228,606	15,392
DECREASE IN ASSETS:	1,004,808	1,524,805	726,403
Securities	1,002,916	1,524,805	726,403
Other assets	1,892	-	-
DISPOSAL OF PERMANENT ASSETS	772	1,048	1,382
Assets not in use	676	928	1,017
Property and equipment in use	99	130	363
Investments	(3)	(10)	2
USES OF FUNDS	<u>2,376,181</u>	<u>3,472,512</u>	<u>1,105,502</u>
PROPOSED DIVIDENDS AND BONUSES	21,769	21,769	14,175
PROPOSED INTEREST ON OWN CAPITAL	51,639	94,000	80,346
ADDITIONS:	12,638	32,647	34,447
Assets not in use	601	2,258	2,886
Property and equipment in use	11,913	29,927	31,507
Investments	124	462	54
DEFERRED CHARGES	673	1,734	1,924
INCREASE IN ASSETS	2,262,825	3,168,692	586,796
Interbank investments	1,639,800	2,645,591	317,864
Interbank and interbranch accounts	42,221	67,227	55,115
Lending operations	393,086	338,243	109,926
Other receivables	187,718	110,721	100,108
Other assets	-	6,910	3,783
DECREASE IN LIABILITIES	26,637	153,670	387,814
Open market funding	14,923	23,039	142,498
Interbank and interbranch accounts	11,714	-	6,529
Borrowings and onlendings	-	130,631	238,787
INCREASE IN CASH AND CASH EQUIVALENTS	<u>5,320</u>	<u>11,222</u>	<u>10,624</u>
REPRESENTED BY: Increase in cash and cash equivalents:	<u>5,320</u>	<u>11,222</u>	<u>10,624</u>
Beginning of period	54,049	48,147	37,523
End of period	59,369	59,369	48,147

The accompanying notes are an integral part of these financial statement

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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 as a public financial institution is to promote sustainable development of the Northeast region by integrating its economy into the domestic economy.

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

As a regional development agency, Banco do Nordeste implements public policies, manages FNE (Northeast Constitutional Financing Fund) - its main source of funds - and operates programs such as PRONAF (National Family Farming Strengthening Program) and FINOR (Northeast Investment Fund). In addition to the funds received from the federal government, the Bank has access to other sources of funds in the domestic and foreign markets through partnerships and associations with local and foreign institutions, including multilateral institutions such as the World Bank and the Inter-American Development Bank (IDB).

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.

BANCO DO NORDESTE DO BRASIL S.A.

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%; tractors and motorcycles - 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.

BANCO DO NORDESTE DO BRASIL S.A.

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%
Surplus (income tax)	10.00%
Social contribution tax	9.00%
PASEP	0.65%
COFINS	4.00%

4. INTERBANK INVESTMENTS

	<u>12/31/07</u>	<u>12/31/06</u>
a) Open market investments	3,289,202	859,166
Resale agreements pending settlement - own portfolio	3,088,236	635,172
Resale agreements pending settlement - third-party portfolio	200,966	223,994
b) Interbank deposits	333,426	117,871
TOTAL	3,622,628	977,037
CURRENT	3,622,628	977,037
LONG-TERM	-	-

The increase of 271% in interbank investments is due to the redemption of federal government securities in 2007 and inflow of funds arising from government programs managed by the Bank and available for lending operations.

5. SECURITIES AND DERIVATIVES

a) Securities

The monetarily adjusted cost (plus income earned) and the fair value of securities as of December 31, 2007 are as follows:

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a.1) TRADING SECURITIES

<u>TYPE</u>	<u>12/31/07</u>			<u>12/31/06</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	718	717		641	640	
Treasury bills	718	717	2008	641	640	2008
TOTAL	718	717		641	640	

In 2007, for the securities classified in the above category, a write-up of R\$ 0.8 was recorded (R\$ 4 write-down in 2006).

a.2) AVAILABLE-FOR-SALE SECURITIES

<u>TYPE</u>	<u>12/31/07</u>			
	<u>COST</u>	<u>FAIR VALUE</u>	<u>ADJUSTMENT FAIR VALUE</u>	<u>MATURITY YEAR</u>
FIXED-INCOME SECURITIES	4,769,809	4,753,294	(16,515)	
Treasury bills	4,749,136	4,752,028	2,892	2008 to 2011
Government securities - FCVS	1,731	1,204	(527)	2027
Government securities - Other	18,862	-	(18,862)	1993
Agricultural debt securities	80	62	(18)	2008 to 2015
INVESTMENT FUND SHARES	1,084	-	(1,084)	
Social development fund (FDS)	1,084	-	(1,084)	None
VARIABLE-INCOME SECURITIES	144,159	259,718	115,559	
Shares of publicly-traded companies	139,948	259,259	119,311	None
Other tax incentives - (FINOR)	4,211	459	(3,752)	None
LINKED TO GUARANTEES	86,827	86,526	(301)	
Treasury bills	86,350	86,526	176	2008 to 2009
Government securities - Other	477	-	(477)	1993
TOTAL	5,001,879	5,099,538	97,659	
Tax credit			209,281	
Provision for deferred income and social contribution taxes			(242,485)	
TOTAL ADJUSTMENT TO FAIR VALUE			64,455	

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TYPE	12/31/06			MATURITY YEAR
	<u>COST</u>	<u>FAIR VALUE</u>	<u>ADJUSTMENT TO FAIR VALUE</u>	
FIXED-INCOME SECURITIES	6,244,732	6,231,904	(12,828)	
Treasury bills	6,225,228	6,230,724	5,496	2007 to 2011
Fixed-income securities – Other	1,707	1,052	(655)	2027
Government securities - Other	17,694	-	(17,694)	1993
Agricultural debt securities	103	128	25	2007 to 2015
INVESTMENT FUND SHARES	1,003	-	(1,003)	
Social development fund (FDS)	1,003	-	(1,003)	
VARIABLE-INCOME SECURITIES	144,159	262,170	118,011	
Shares of publicly-traded companies	4,211	490	(3,721)	None
Other tax incentives - (FINOR)	139,948	261,680	121,732	None
LINKED TO GUARANTEES	76,691	76,406	(285)	
Treasury bills	76,243	76,406	163	2007 to 2009
Government securities - Other	448	-	(448)	1993
TOTAL	6,466,585	6,570,480	103,895	
Tax credit	-	-	180,736	
Provision for deferred income and social contribution taxes	-	-	(216,060)	
TOTAL ADJUSTMENT TO FAIR VALUE	-	-	68,571	

The caption “Government Securities - Other” records cash investments in government securities called by the National Treasury as NUCL910801 with a maturity on August 31, 1993, not yet redeemed.

a.3) HELD-TO-MATURITY SECURITIES

TYPE	12/31/07			12/31/06		
	<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	27,984	27,981		82,306	82,275	
Treasury bills	19,373	19,370	2008	76,184	76,153	2007 to 2008
Investment fund shares - Nordeste Empreendedor	8,269	8,269	2011	5,804	5,804	2011
National Treasury notes (NTNP)	342	342	2012 to 2014	318	318	2012 to 2014
TOTAL	27,984	27,981		82,306	82,275	

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a.4) In 2007, securities of the above categories were not reclassified and securities classified in the Held-to-maturity category were not sold.

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

- Fixed-income securities: average negative goodwill in the secondary market, as disclosed by ANDIMA (National Association of Financial Market Institutions);
- Agricultural debt securities (TDA) and fixed-income securities/other: average negative goodwill in the last trading registered with CETIP (Clearinghouse for the Custody and Financial Settlement of Securities);
- 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 December 31, 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)	150,000	381
<u>Liability position</u>	<u>Aggregate value</u>	<u>Differential payable</u>
Interbank market (CDI - interbank certificate of deposit)	150,000	23,045

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<u>Swap transaction risks</u>	<u>Amount</u>	
Positive fair value of swap	2,748	
Negative fair value of swap	-	
Credit risk of swap	8,842	
 MARKET RISK HEDGE - ASSETS	 140,350	
HEDGED ITEMS - LIABILITIES	119,906	
 Swap agreements mature as follows:	 <u>Differential</u>	<u>Differential</u>
	<u>receivable</u>	<u>payable</u>
3 to 12 months	-	23,045
1 to 3 years	381	-
TOTAL	381	23,045

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>12/31/07</u>	<u>12/31/06</u>
Advances to depositors	717	549
Loans	641,583	493,115
Discounted notes	58,790	48,117
Financing	536,330	500,805
Financing in foreign currency	22,410	17,099
Refinancing with federal government	525,293	502,821
Rural financing and agribusiness loans	1,808,863	1,689,651
Real estate financing (1)	195	175
Infrastructure and development financing	599,064	622,264
Subtotal	4,193,245	3,874,596
Guarantees honored	28	22
Income receivable from advances	4,022	4,902
Debtors for purchase of assets	4,968	3,154
Notes and credits receivable	13,221	2,552
Advances on foreign exchange contracts (2)	228,221	206,295
Subtotal of other captions with loan characteristics	250,460	216,925
TOTAL LOAN PORTFOLIO	4,443,705	4,091,521

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

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

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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 12/31/07</u>	<u>Total 12/31/06</u>
Rural	80,615	86,032	108,117	1,418,834	1,693,598	1,612,856
Industrial	216,322	54,139	46,160	140,594	457,215	452,698
Government	16,265	7,315	468	1,069,193	1,093,241	1,123,539
Other services	78,144	37,283	82,309	138,970	336,706	305,049
Commercial	273,221	150,990	106,618	36,932	567,761	369,850
Financial	11	3	5	18	37	43
Housing	31	17	42	105	195	175
Individuals	14,364	7,814	6,979	13,076	42,233	43,472
T O T A L	678,973	343,593	350,698	2,817,722	4,190,986	3,907,682

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 12/31/07</u>	<u>Total 12/31/06</u>
Rural	206	438	92	43,541	44,277	14,172
Industrial	1,463	531	617	5,954	8,565	7,689
Other services	5,078	2,085	2,716	11,242	21,121	3,627
Commercial	6,875	2,581	3,056	2,764	15,276	4,193
Financial	4	2	6	10	22	3
Individuals	953	391	353	638	2,335	951
T O T A L	14,579	6,028	6,840	64,149	91,596	30,635

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 12/31/07</u>	<u>Total 12/31/06</u>
Rural	2,494	4,368	3,455	67,569	77,886	70,868
Industrial	7,063	3,137	4,580	287	15,067	38,455
Other services	20,147	2,487	13,892	625	37,151	18,145
Commercial	11,168	7,099	7,937	667	26,871	20,963
Financial	40	-	-	-	40	16
Individuals	1,509	886	1,513	200	4,108	4,757
T O T A L	42,421	17,977	31,377	69,348	161,123	153,204

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c) Breakdown by risk level

	<u>12/31/07</u>				<u>12/31/06</u>			
<u>Risk level</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	2,549,031	-	2,549,031	-	2,518,243	-	2,518,243	-
A	850,138	-	850,138	4,251	650,580	-	650,580	3,253
B	439,712	9,293	449,005	4,490	350,976	8,111	359,087	3,591
C	73,202	15,206	88,408	2,652	77,314	11,539	8,853	2,665
D	122,601	40,527	163,128	16,313	133,558	13,040	146,598	14,660
E	40,480	36,175	76,655	22,997	30,492	14,698	45,190	13,557
F	13,229	20,094	33,323	16,661	9,745	8,223	17,968	8,984
G	4,729	13,876	18,605	13,023	11,493	13,080	24,573	17,201
H	97,864	117,548	215,412	215,412	125,281	115,148	240,429	240,429
TOTAL	4,190,986	252,719	4,443,705	295,799	3,907,682	183,839	4,091,521	304,340

(1) Past-due up to 14 days.

d) Change in allowance for the period

	<u>12/31/07</u>	<u>12/31/06</u>
Beginning balance	304,340	344,397
(+) Net allowance recognized in the period	131,955	98,581
(-) Write-off as loss in the period	(140,496)	(138,638)
(=) Allowance for loan losses	295,799	304,340
(+) Allowance for losses on other receivables without loan characteristics	28,962	25,569
(=) Allowance for loan losses	324,761	329,909

e) Allowance expense

	<u>12/31/07</u>	<u>12/31/06</u>
(+) Expenses on allowance for loan losses	117,614	93,342
(+) Expenses on allowance for losses on other receivables	15,757	5,989
(-) Reversals of operating allowances	(1,416)	(750)
(=) Expense on allowance with loan characteristics	131,955	98,581
(+) Expense on allowance for losses on other receivables without loan characteristics	5,206	10,282
(-) Reversals of allowance for losses on other receivables without loan characteristics	(1,814)	(2,438)
(=) Expense on allowance for loan losses	135,347	106,425

f) In 2007, recoveries of receivables written off as loss were R\$ 255,889 (R\$ 119,102 on 12/31/2006) and renegotiations of operations amounted to R\$ 284,859 (R\$ 264,260 on 12/31/2006).

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- g) In conformity with Law N. 11,322, of July 13, 2006, concerning rescheduling of debts arising from rural credit operations contracted in the area under ADENE's (Northeast Development Agency) jurisdiction, that provides for rebates in the debit balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of said operations, a positive effect on the Bank's income was recognized in the amount of R\$ 264,673, as shown below. As permitted by said Law, part of these operations was acquired by the FNE (Northeast Constitutional Financing Fund):

Income earned	26,270
Recovery of operations written off from assets	194,742
Expenses on negative goodwill	(69,787)
Net effect of allowances	113,448
Total	264,673

7. OTHER RECEIVABLES

	<u>12/31/07</u>	<u>12/31/06</u>
a) Receivables for Guarantees Honored	28	22
b) Foreign Exchange Portfolio	220,152	209,506
Foreign exchange purchased pending settlement	216,130	203,714
Rights to foreign exchange sold	20	1,613
Advances received in local currency	(20)	(723)
Income receivable from advances	4,022	4,902
c) Income Receivable	25,222	20,822
d) Trading Account	-	-
e) Specific Receivables/National Treasury - Extension of Payment of Rural Loans /Resolution N, 2,238	291	291
f) Other	742,465	632,350
Tax credits - temporary differences	118,678	55,063
Tax credits - securities and derivatives (Note 5.a.2)	209,281	180,736
Escrow deposits	197,332	218,415
Recoverable taxes and contributions	74,166	67,296
Tax incentive options	26,748	26,748
Bonus receivable from FAT	56,702	41,324
Other	59,558	42,768
g) Allowance for Losses on Other Receivables	(47,756)	(33,310)
With loan characteristics	(18,794)	(7,741)
Without loan characteristics	(28,962)	(25,569)
TOTAL	940,402	829,681
CURRENT	902,727	599,438
LONG-TERM	37,675	230,243

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8. PERMANENT ASSETS

	<u>12/31/07</u>	<u>12/31/06</u>
a) Investments	943	605
a.1) Other investments	5,782	8,744
Tax incentive investments	4,547	4,411
Shares	443	3,878
Works of art	792	455
a.2) Allowance for losses	(4,839)	(8,139)
Tax incentive investments	(4,546)	(4,411)
Shares	(293)	(3,728)
b) Property and equipment	187,452	177,376
b.1) Real estate	115,454	106,852
Land	6,051	5,996
Buildings	109,403	100,856
b.2) Real estate revaluations	111,628	111,629
Land - Revaluations	10,930	10,931
Buildings - Revaluations	100,698	100,698
b.3) Other	114,670	97,770
Installations, furniture and equipment in use	52,005	45,449
Data processing system	46,229	39,129
Security system	9,894	8,327
Other	6,542	4,865
b.4) Accumulated depreciation	(154,300)	(138,875)
Real estate	(119,716)	(109,087)
Other property and equipment in use	(34,584)	(29,788)
c) Deferred charges	5,367	5,763
c.1) Organization and expansion costs	10,829	10,259
Leasehold improvements	10,325	9,773
Software acquisition and development	504	486
c.2) Accumulated amortization	(5,462)	(4,496)
Leasehold improvements	(5,089)	(4,221)
Software acquisition and development	(373)	(275)
TOTAL	193,762	183,744

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9. DEPOSITS

	<u>12/31/07</u>	<u>12/31/06</u>
a) Demand deposits	143,103	132,457
Deposits in foreign currency	54,573	73,996
Government deposits	24,468	19,688
Restricted deposits	13,903	13,317
Legal entities	43,525	18,038
Individuals	5,033	6,144
Other	1,601	1,274
b) Savings deposits	728,395	545,906
Free savings deposits - individuals	447,722	379,986
Free savings deposits - legal entities	280,242	165,823
From affiliates and institutions of the Financial System	431	97
c) Interbank deposits	162,096	199,659
d) Time deposits	2,072,728	1,761,339
Time deposits	1,090,251	908,773
Escrow deposits subject to monetary adjustment	36,508	23,823
Special deposits subject to monetary adjustment/FAT - Available funds (note 10.c)	51,069	108,141
Proger Urbano (credit facilities for urban investment purposes)	598	1,768
Proger Rural (credit facilities for rural investment purposes)	1,963	315
Pronaf (National Family Farming Strengthening Program)	737	355
Protrabalho (Employment and Life Qualify Improvement Program for Workers in the Northeast Region)	8,557	7,243
Infrastructure	39,120	97,095
Estiagem (federal government program to provide benefits to farmers affected by drought in Northeastern Brazil)	94	1,365
Special deposits subject to monetary adjustment/FAT - Invested funds (note 10.c)	499,148	564,409
Proger Urbano	73,449	100,146
Proger Rural	13,296	4,777
Pronaf	28,360	34,499
Protrabalho	332,248	401,533
Infrastructure	31,195	-
Estiagem	20,600	23,454
FINOR/Cash and Reinvestments Law N. 8,167	395,608	156,193
Other	144	-
e) Other deposits - Investment deposits	10,817	8,713
TOTAL	3,117,139	2,648,074
CURRENT	1,735,189	1,376,212
LONG-TERM	1,381,950	1,271,862

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10. LONG-TERM LIABILITIES

- a) 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.
- b) Financing from the BNDES (National Bank for Economic and Social Development) is on the order of R\$ 659,518 (R\$801,994 in 2006), subject to TJLP (long-term interest rate) plus average spread of 1.0% per year and average maturity of 4 years.
- c) Funds derived from the Fund for Workers' Assistance (FAT), recorded under "Special deposits subject to monetary adjustment", on the order of R\$ 550,217, (R\$ 672,550 in 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\$ 51,069 (R\$ 108,142 in 2006). Pursuant to CODEFAT (Board of the Worker's Assistance Fund) 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 funds are not released to the final borrowers.
- d) Regarding foreign financing, interest rates range from 4.25% 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>0 to 3</u> <u>months</u>	<u>3 to 12</u> <u>months</u>	<u>1 to 3</u> <u>years</u>	<u>3 to 5</u> <u>years</u>	<u>5 to 15</u> <u>years</u>	<u>Over 15</u> <u>years</u>	<u>Total</u> <u>12/31/07</u>	<u>Total</u> <u>12/31/06</u>
Domestic borrowings	-	11,866	19,731	19,732	32,107	-	83,436	87,978
Foreign borrowings	81,393	157,659	-	-	-	-	239,052	237,010
Domestic onlendings	150,890	170,551	198,889	215,533	256,847	195,180	1,187,890	1,228,462
Foreign onlendings	4,029	49,815	102,323	102,323	372,313	22,077	652,880	740,439
TOTAL	236,312	389,891	320,943	337,588	661,267	217,257	2,163,258	2,293,889

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11. BORROWINGS

	<u>12/31/07</u>	<u>12/31/06</u>
a) Domestic borrowings - official institutions/Refinancing	83,436	87,978
b) Foreign borrowings/ Borrowings in foreign currency	239,052	237,010
TOTAL	322,488	324,988
CURRENT	250,918	247,701
LONG-TERM	71,570	77,287

12. DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS

	<u>12/31/07</u>	<u>12/31/06</u>
a) National Treasury	1,387	1,509
b) Banco do Brasil	-	3
c) BNDES (note 10.b)	597,023	717,871
POC (credit facility granted by the BNDES agents to shareholders of medium-sized and small companies to buy shares in capital increases)	269,991	378,594
Credit Facility for investment in agriculture	327,032	339,277
d) CEF (Federal Savings and Loan Bank)	301	586
e) FINAME (National Equipment Financing Authority) (note 10.b)	62,495	84,123
"Programa Automático" (program intended to fund the purchase of new machinery and equipment by companies based in Brazil)	49,219	70,821
Farm Program	13,199	13,053
Import	77	249
f) Other institutions	526,684	424,370
Pilot Support Project of Agrarian Reform	74,304	69,857
MEPF- Fundo de Terras e da Reforma Agrária-Banco da Terra	139,939	169,229
Banco da Terra-Fight against rural poverty	310,912	182,147
Other programs	1,529	3,137
TOTAL	1,187,890	1,228,462
CURRENT	321,441	521,507
LONG-TERM	866,449	706,955

13. FOREIGN ONLENDINGS

	<u>12/31/07</u>	<u>12/31/06</u>
a) IDB-Prodetur (Tourism Development Program with funds provided by the IDB) (note 10.d)	638,163	721,593
b) Other programs	14,717	18,846
TOTAL	652,880	740,439
CURRENT	53,844	57,228
LONG-TERM	599,036	683,211

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14. OTHER PAYABLES

	<u>12/31/07</u>	<u>12/31/06</u>
a) Collected taxes and other	4,618	5,317
Funds from Proagro (program established to guarantee supplemental funds for farmers to pay their costs of farming and cattle raising)	4,018	4,131
IOF (tax on financial transactions) payable	273	1,083
Other taxes	327	103
b) Foreign exchange portfolio	68	2,513
Foreign exchange purchased	228,221	207,139
Foreign exchange sold pending settlement	20	1,611
(Advances on foreign exchange contracts)	(228,221)	(206,295)
Other	48	58
c) Social and statutory	84,914	95,184
Dividends and bonuses payable	72,020	80,329
Profit sharing	12,894	14,855
d) Tax and social security	560,246	520,693
Reserve for tax contingencies (note 20)	184,463	199,707
Taxes payable	182,826	171,888
Tax lawsuits	1,637	27,819
Provision for deferred income and social contribution taxes	256,337	231,292
Securities and derivatives (note 5.a2)	242,485	216,060
Revaluation of buildings and land	13,852	15,232
Provision for income and social contribution taxes	86,532	60,878
Taxes payable	32,914	28,816
e) Financial and development funds	4,518,283	3,703,473
FNE (Northeast Constitutional Financing Fund)	4,453,618	3,678,912
Other	64,665	24,561
f) Other	1,862,261	1,474,604
Reserve for contingencies	837,421	660,370
Labor (note 20)	117,273	94,348
Civil	71,742	53,103
Other	447	47
FNE (note 25.c.2)	647,959	512,872
Accrued liabilities allowance	952,127	780,683
Employee benefits - CVM Resolution N. 371 (note 23.e)	809,566	711,768
Pension plan	646,142	584,835
Health care plan	163,424	126,933
Personnel expenses	37,719	30,504
Other	104,842	38,411
Other	72,713	33,551
TOTAL	7,030,390	5,801,784
CURRENT	2,284,336	1,617,599
LONG-TERM	4,746,054	4,184,185

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15. SHAREHOLDERS' EQUITY

a) Capital

Capital is R\$ 1,299,000 (R\$ 1.299.000 on 12.31.2006), 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	94.21
FND (National Development Fund)	14,737,043,790	23,732,649,036	3.04	4.42
BNDESPAR	258,853,432	4,397,554,822	0.05	0.54
Other (35,248 shareholders)	3,899,057,582	3,309,155,679	0.81	0.83
TOTAL	484,847,755,344	385,171,267,230	100.00	100.00

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\$ 2,680 (R\$ 2,722 on 12.31.2006), was transferred to “Retained earnings (accumulated deficit)”.

c) Net Income - Allocations

1. Net income	219,744
2. Revaluation reserves transferred to “retained earnings (accumulated deficit)”	2,680
3. Adjusted net income	222,424
Legal reserve (item 1 X 5%)	10,987
Dividends (note 15.d)	21,769
Interest on own capital (note 15.d)	94,000
Retained earnings (accumulated deficit)	95,668

d) Dividends/Interest on own Capital

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

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The Executive Board proposed to approval at the General Shareholders' Meeting, the payment of dividends and interest on own capital, attributed to dividends of 50.0039% over the adjusted income from the year, calculated as follows:

1. Net income of the year	219,744
2. Recorded legal reserve	(10,987)
3. Revaluation reserves transferred to "retained earnings (accumulated deficit)"	2,680
4. Profit sharing	19,777
5. Calculation basis of dividends/interest on own capital	231,214
6. Interest on own capital	94,000
7. IRRF (withholding income tax) on interest on own capital	153
8. Interest on own capital attributed to dividends (item 6 - item 7)	93,847
9. Interim interest on own capital adjusted based on SELIC (Central Bank overnight rate)	43,776
10. Supplementary interest on own capital (item 6 - item 9)	50,224
11. Proposed dividends	21,769
12. Supplementary dividends and interest on own capital (item 10 + item 11)	71,993
- Interest on own capital of R\$ 0.07924033985 per thousand common shares	38,420
- Interest on own capital of R\$ 0.08716437389 per thousand preferred shares	33,573
13. Total payable to shareholders (item 6 + item 11)	115,769

For preferred shares, calculated dividends/interest on own 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.

Dividends and interest on own capital will accrue interest based on SELIC from the balance sheet date to the date they are made available to the shareholders, in accordance with Decree N. 2,673, of July 16, 1998 with new wording of Decree N. 3,381, of March 13, 2000.

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).

e) Prior years adjustments

Retained earnings or accumulated deficit adjustment refers to the correction of prior years' errors. Tax effects were duly calculated according to article N. 273 of the Income Tax Regulation (Decree N. 3,000/99).

	<u>12/31/07</u>	<u>12/31/06</u>
Adjustment resulting from error in recording of lending operations and PROAGRO request, which generated undue revenue since 2002	-	(5,496)
Difference in management fee and financial commission on FNE's operations due to the non-recognition of provision for credit risk in FNE in 2005	-	(26,256)
Income and social contribution taxes on prior years adjustments	-	6,953
TOTAL		(24,799)

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16. INCOME FROM FINANCIAL INTERMEDIATION

	Six-month period <u>12/31/07</u>	<u>12/31/07</u>	<u>12/31/06</u>
a) Lending operations	379,090	648,444	571,991
Interest and commissions	145,801	310,613	373,004
Monetary adjustment	49,940	66,520	45,970
Exchange variation	15,247	15,422	33,915
Recovery of receivables written off as loss	168,102	255,889	119,102
b) Securities transactions	441,947	887,715	1,065,939
Fixed-income securities	285,618	665,231	947,578
Other	153,945	219,849	138,846
Income, loss and adjustment	2,384	2,635	(20,485)
c) Derivatives	(15,963)	(40,651)	(5,305)
d) Foreign exchange transactions	13,267	21,499	18,367
Foreign exchange transactions	6,977	13,776	12,529
Income from cash investments abroad	51	85	325
Rate variations and differences	6,239	7,638	5,513
e) Compulsory investments	9,415	26,171	4,725
Interest and commissions	9,071	25,547	4,061
Monetary adjustment	344	624	664
TOTAL	827,756	1,543,178	1,655,717

17. EXPENSES ON FINANCIAL INTERMEDIATION

	Six-month period <u>12/31/07</u>	<u>12/31/07</u>	<u>12/31/06</u>
a) Funding operations	(125,663)	(247,397)	(269,692)
Interest and commissions	(67,123)	(132,130)	(152,456)
Monetary adjustment	(57,719)	(114,446)	(114,555)
Exchange variation	(821)	(821)	(2,681)
b) Borrowings and onlendings	(287,265)	(565,310)	(690,704)
Interest and commissions	(42,587)	(85,700)	(100,728)
Monetary adjustment	(10,915)	(16,155)	(21,133)
Monetary adjustment of funds from the FNE	(213,348)	(443,033)	(527,221)
Exchange variation	(20,415)	(20,422)	(41,622)
c) Allowance for loan losses (note 6.e)	(72,374)	(135,347)	(106,425)
Lending operations	(68,196)	(131,955)	(98,581)
Operations without loan characteristics	(4,178)	(3,392)	(7,844)
TOTAL	(485,302)	(948,054)	(1,066,821)

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18. OTHER OPERATING INCOME (EXPENSES)

	Six-month period 12/31/07	12/31/07	12/31/06
a) Income from services provided	417,435	752,126	722,911
Investment funds management	3,444	6,578	5,482
Funds and programs management	345,036	611,624	590,956
Services provided	68,955	133,924	126,473
b) Personnel expenses	(319,589)	(608,605)	(602,055)
Salaries	(173,354)	(324,382)	(279,956)
Payroll charges	(65,533)	(120,425)	(108,984)
Pension plan – CVM Resolution N. 371 (note 23.g)	(27,416)	(61,308)	(117,129)
Health care plan - CVM Resolution N. 371 (note 23.g)	(18,355)	(36,491)	(44,305)
Benefits, training, fees and compensation of intern	(34,931)	(65,999)	(51,681)
c) Other administrative expenses	(240,135)	(452,248)	(394,262)
Data processing	(37,512)	(71,541)	(74,223)
Advertising and publicity	(13,232)	(22,949)	(20,587)
Outside services	(40,449)	(70,801)	(48,944)
Rentals, material and public utilities	(18,310)	(36,602)	(35,821)
Travels	(8,187)	(14,941)	(14,245)
Communications	(12,982)	(26,034)	(22,895)
Depreciation and amortization	(11,278)	(21,851)	(19,426)
Asset maintenance	(9,057)	(18,308)	(17,178)
Surveillance, security and transportation	(9,487)	(18,354)	(17,516)
Promotions, public relations and publications	(6,674)	(12,873)	(11,068)
Financial system services	(6,318)	(11,755)	(10,578)
Specialized technical services	(8,037)	(13,677)	(12,633)
Employers' contribution to Capef (Bank's employees' pension fund) and Camed (Bank's employees' health care fund) – retirees	(36,379)	(67,803)	(57,855)
Other	(22,233)	(44,759)	(31,293)
d) Tax expenses	(53,492)	(96,007)	(88,787)
Cofins and PIS/PASEP (taxes on revenue)	(47,933)	(85,106)	(76,944)
ISS (service tax) and IPTU (municipal real estate tax)/Improvement contribution	(2,750)	(6,149)	(7,202)
Other	(2,809)	(4,752)	(4,641)
e) Other operating income	294,672	573,814	472,350
Financial commission on investment funds management	174,907	299,546	251,655
Negative exchange variation on loans obtained	69,770	177,922	138,364
Recovery of charges and expenses	3,778	8,667	7,014
Reversal of operating provisions	17,242	28,943	44,208
Interest and commissions	3,184	8,759	14,106
FNE-Recovery of amounts settled by the Bank	21,923	40,459	8,749
Other	3,868	9,518	8,254

(To be continued)

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	Six-month period 12/31/07	12/31/07	12/31/06
f) Other operating expenses	(314,485)	(504,386)	(369,972)
Exchange variation on foreign exchange operations	(391)	(391)	-
Negative exchange variation on loans granted	(51,940)	(129,217)	(108,312)
Negative monetary adjustment on lending operations	(23)	(23)	(24)
Renegotiation discounts	(300)	(300)	(702)
Charges on lending operations	(441)	(441)	(1,373)
Tax contingencies	(4,297)	(14,729)	(30,818)
Risks of FNE operations	(147,845)	(214,873)	(169,865)
Labor lawsuits	(33,511)	(41,287)	(11,961)
Civil lawsuits	(13,807)	(26,450)	(21,591)
Other lawsuits	(249)	(403)	(19)
Other operating provisions	(58,671)	(58,671)	-
Other	(3,010)	(17,601)	(25,307)
TOTAL	(215,594)	(335,306)	(259,815)

19. TAXES 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 2007 was R\$ 61,999 and social contribution tax expense was R\$ 23,152, which are reconciled as shown below:

	<u>Income tax</u>		<u>Social contribution tax</u>	
	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/06</u>
Income before taxes on income	147,281	234,505	147,281	234,505
Permanent additions/deductions	16,887	(15,394)	16,911	(15,370)
Temporary additions/deductions	209,100	44,051	209,100	44,051
Taxable income before utilization of tax loss carryforwards	373,268	263,162	373,292	263,186
Utilization of tax loss carryforwards	(111,980)	(78,949)	(111,987)	(78,956)
Taxable income after utilization of tax loss carryforwards	261,288	184,213	261,305	184,230
Taxes due	(64,283)	(50,156)	(23,152)	(18,067)
Deductions (tax incentives)	2,284	1,732	-	-
Provision for income and social contribution taxes	(61,999)	(48,424)	(23,152)	(18,067)
Deferred tax assets	46,776	(33,550)	16,839	(12,078)

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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 taxes 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.

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>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	40,481	132,894	14,582	47,842
(+) Credit recognition	67,929	24,844	24,454	8,944
(-) Credit realization	(21,153)	(3,855)	(7,615)	(1,388)
Ending balance as of December 31, 2007	87,257	153,883	31,421	55,398

The balance of the provision for income and social contribution taxes, recorded under "Other Receivables - other", is composed of the following:

	<u>Income tax</u>		<u>Social contribution tax</u>	
	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/06</u>
1. Total temporary differences	2,260,426	2,051,325	2,260,426	2,051,325
2. Tax loss carryforwards	649,326	759,401	651,011	761,094
3. Calculation basis - "1" + "2"	2,909,752	2,810,726	2,911,437	2,812,419
4. Tax credits on tax loss carryforwards and temporary differences	727,438	702,682	262,029	253,118
5. tax credit from adjustment to fair value of securities	163,883	132,894	55,398	47,842
6. Total tax credits	881,321	835,576	317,427	300,960
7. Recorded tax credit assets (note 7f)	241,140	173,375	86,819	62,424
8. Unrecorded tax credits - "6" - "7"	640,181	662,201	230,609	238,536

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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 December 31, 2007 is as follows:

<u>Period</u>	<u>Realization 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>
2008	22,751	22,026	8,193	7,932	30,944	29,958
2009	6,937	6,226	2,499	2,243	9,436	8,469
TOTAL	29,688	28,252	10,692	10,175	40,380	38,427

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:

<u>Period</u>	<u>Realization 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>
2008	150,354	150,354	54,127	54,127	204,481	204,481
2009	2,195	2,195	790	790	2,985	2,985
2010	24	24	9	9	33	33
2011	13	13	5	5	18	18
2012	1	1	-	-	1	1
2013 to 2015	3	3	1	1	4	4
2025 to 2027	1,293	1,293	466	466	1,759	1,759
TOTAL	153,883	153,883	55,398	55,398	209,281	209,281

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20. RESERVE FOR CONTINGENCIES

- a) Banco do Nordeste is part of 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 part; 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.); and vi) existence of failures in judicial or administrative proceeding.
- c) Contingencies classified as probable are accounted for and represented by Civil Lawsuits (claiming compensation for pain and suffering and property damage, such as protest of notes, return of checks, and provision of information to credit reporting agencies, among others), Labor Lawsuits (claiming labor rights, in light of specific professional category legislation, such as overtime, salary equalization, job reinstatement, premium for transfer, 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>Base</u>	<u>Reserve</u>
RESERVE FOR TAX CONTINGENCIES (Note 14.d)		
Taxes	182,826	182,826
Probable	7,422	7,422
Remote	175,404	175,404
Tax lawsuits	342,985	1,637
Probable	1,637	1,637
Possible	82,691	-
Remote	258,657	-
RESERVE FOR CONTINGENCIES (Note 14.f)		
Labor lawsuits	167,040	117,273
Probable	117,273	117,273
Possible	28,076	-
Remote	21,691	-
Civil lawsuits	512,812	71,742
Probable	71,742	71,742
Possible	126,961	-
Remote	314,109	-
Other lawsuits	3,022	447
Probable	447	447
Possible	1,340	-
Remote	1,235	-

- 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") for calendar year 1989.

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f) The following reserves are composed of:

12/31/07

a) Taxes (Other payables - other)	
Beginning balance	171,888
Recognition	14,211
Reversal/Utilization/Write-off	<u>(3,273)</u>
Ending balance	<u>182,826</u>
b) Tax lawsuits (Other payables - other)	
Beginning balance	27,819
Recognition	810
Reversal/Utilization/Write-off	<u>(26,992)</u>
Ending balance	<u>1,637</u>
c) Labor lawsuits (Other payables - other)	
Beginning balance	94,348
Recognition	25,108
Reversal/Utilization/Write-off	<u>(2,183)</u>
Ending balance	<u>117,273</u>
d) Civil lawsuits (Other payables - other)	
Beginning balance	53,103
Recognition	20,875
Reversal/Utilization/Write-off	<u>(2,236)</u>
Ending balance	<u>71,742</u>
e) Other lawsuits (Other payables - other)	
Beginning balance	47
Recognition	403
Reversal/Utilization/Write-off	<u>(3)</u>
Ending balance	<u>447</u>
f) Vacation	
Beginning balance	21,212
Recognition	32,107
Reversal/Utilization/Write-off	<u>(26,987)</u>
Ending balance	<u>26,332</u>
g) FNE	
Beginning balance	512,872
Recognition	214,873
Reversal/Utilization/Write-off	<u>(79,786)</u>
Ending balance	<u>647,959</u>

- 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 generate contingencies for the Bank, they are assessed by the Legal Department as mentioned in item b above.
- h) Escrow deposits are recorded in assets and are not offset against reserves for contingencies, in accordance with standards established by the Central Bank of Brazil.
- i) 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).

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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	14,802.97	21,200.00
Minimum	627.13	19,382.86
Average	3,629.62	

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

(2) Amounts approved at the 80th Shareholders' Meeting held on August 22, 2007.

As of December 31, 2007, the Bank had 5,726 (5,161 on 12.31.2006) employees, an increase of 10.95% in the Bank's headcount in the period.

22. PROFIT SHARING

In 2007, R\$ 19,777 related to profit sharing for employees and directors was accrued, equivalent to 17.07% of dividends and 9% of net income for the year, 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) 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

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.

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c) Characteristics of the Pension Plan of Banco do Nordeste'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

None.

c.5) Actuarial Position

In December 2007, CAPEF reported an actuarial surplus of R\$ 348,033 (surplus of R\$184,453 in 2006), according to the actuarial valuation performed by PROBUS Suporte Empresarial S/C Ltda.

c.6) Contributions Ratio (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 December 31, 2007 (1:1 in 2006).

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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	2,495,576	351,221
2. Fair value of plan assets	1,878,756	16,677
3. Present value of unfunded actuarial obligations (item 1 less item 2)	616,820	334,544
a. Present value of recognized unfunded actuarial obligations	646,142	163,424
i. Current expenses	248,128	85,604
ii. Net actuarial losses	11,579	46,439
iii. Cost of past service	152,803	-
iv. Portion of actuarial liability as of 12/31/2001	233,632	31,381
b. Present value of unfunded actuarial obligations not recognized	(29,322)	171,120
i. Net actuarial losses/gains	(108,809)	171,120
ii. Cost of past service	79,487	-
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	737,056	309,244
2. Change in unfunded actuarial liability in current year	(120,236)	25,300
a. Current expenses	34,812	27,318
b. Net actuarial losses (gains)	(155,048)	(2,018)
c. Cost of past service	-	-
3. Net actuarial liability, at end of period	616,820	334,544

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	97,884	48,404
a. Cost of current service, less employees' contributions	19,476	12,276
b. Cost of interest	267,154	37,451
c. Expected return on plan assets	(188,746)	(1,323)
2. Actuarial losses and gains recognized in the year	-	9,173
3. Cost of past service	26,496	-
4. Actuarial liability as of 12/31/2001 recognized in the year	-	-
5. Expense recognized in the Statement of Income	124,380	57,577
a. Provision expenses	61,308	36,491
b. Contribution expenses	63,072	21,086

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.

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i) Assumptions used

- i.1) Biometric Assumptions: General Mortality Table for Active Employees - AT 2000 Man; Disability Mortality Table - IAPC Weak (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 - 5% 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 December 31, 2007, operations subject to foreign exchange variation had a net balance of purchased foreign currency exposure of R\$ 17,693 (R\$ 8,828 in 2006), as shown below:

	<u>12/31/07</u>	<u>12/31/06</u>		<u>12/31/07</u>	<u>12/31/06</u>
Cash and cash equivalents	1,381	1,457	Deposits	54,573	73,996
Interbank investments	3,435	16,863	Interbranch accounts	5,687	2,994
Lending operations	609,747	662,333	Domestic borrowing and onlendings	2,363	4,174
Other receivables	220,152	209,506	Foreign borrowings and onlendings	891,932	977,449
Total assets in foreign currencies	834,715	890,159	Other payables	68	2,513
Swap transactions	137,601	179,794			
Total foreign currency exposure	972,316	1,069,953	Total liabilities in foreign currencies	954,623	1,061,126

The Bank manages the exchange risk by limiting its exposure to residual values, strictly observing the percentage set by the Central Bank of Brazil. The above mismatching in 2007 represents 1.82% 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 year, the Bank decided to enter into foreign exchange swap transactions for hedge purposes.

BANCO DO NORDESTE DO BRASIL S.A.

25. FNE (NORTHEAST CONSTITUTIONAL FINANCING FUND)

- a) The net assets of FNE, in the amount of R\$ 22,292,718 (R\$19,410,490 in 2006) are recorded in the Bank's memorandum accounts (net assets of managed public funds).
- b) The Fund's cash in the amount of R\$ 4,452,552 (R\$3,678,226 in 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 monetary adjustment of cash was R\$ 443,033 (R\$527,221 in 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 December 31, 2007 D = (C x 50%)</u>	<u>Allowance as of December 31, 2006</u>
AA	2,619,070	0%	-	-	-
A	3,050,386	0.50%	15,252	7,626	5,713
B	3,873,514	1.00%	38,735	19,368	15,200
C	394,646	3.00%	11,839	5,920	7,418
D	827,715	10.00%	82,772	41,386	46,904
E	341,848	30.00%	102,554	51,277	20,562
F	164,704	50.00%	82,352	41,176	17,430
G	135,863	70.00%	95,104	47,552	33,573
H	867,309	100.00%	867,309	433,654	366,072
TOTAL	12,275,055		1,295,917	647,959	512,872

- 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\$ 299,546 (R\$250,203 in 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\$ 541,869 (R\$520,465 in 2006).

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26. OPERATING LIMITS – BASEL ACCORD

As of December 31, 2007, the Bank's asset-to-equity ratio (Basel ratio) was 16.28% (18.97% in 2006) whereas the reference shareholders' equity was R\$ 1,602,266 (R\$ 1,501,615 in 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 December 31, 2007 and, in the case of the Bank, a minimum reference shareholders' equity of R\$ 1,082,706 (R\$ 870,554 in 2006).

Specification	12/31/2007		12/31/2006	
	Value of assets	Risk-Weighted assets	Value of assets	Risk-Weighted assets
Assets subject to zero risk	9,023,602	-	8,021,068	-
Assets subject to 20% risk	52,769	10,554	62,871	12,574
Assets subject to 50% risk	905,027	452,514	644,876	322,438
Assets subject to 100% risk	8,370,315	8,370,315	6,842,354	6,842,354
Assets subject to 300% risk	327,726	983,177	235,065	705,196
TOTAL	18,679,439	9,816,560	15,806,234	7,882,562

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

<u>RISK WEIGHT FACTOR</u>	<u>12/31/07</u>	<u>12/31/06</u>
(A) Assets subject to risk weight	18,679,439	15,806,234
(B) Risk-weighted assets	9,816,560	7,882,562
I Swap credit risk	8,842	14,090
(D) Required shareholders' equity on risk-weighted assets (11% of "B")	1,079,822	867,082
(E) Required shareholders' equity on SWAP (20% of "C")	1,768	2,818
(F) Required shareholders' equity on interest rate exposure	1,116	654
(G) Required shareholders' equity: "D" + "E" + "F"	1,082,706	870,554
(H) Reference shareholders' equity:	1,602,266	1,501,615
Level I	1,560,716	1,461,116
Level II (Revaluation Reserves)	41,550	40,499
(I) Ratio of reference shareholders' equity to required shareholders' equity: ("G/H"):	0.68	0.58
(J) Excess/(insufficient) shareholders' equity: Reference shareholders' equity – Shareholders' equity ("H" – "G")	519,560	631,061
(L) Excess/(insufficient) leverage: ("J" x 100)/11	4,723,269	5,736,918
(M) Asset-to-equity ratio		
$\text{BASEL RATIO} = \frac{H}{B + 9.09 \times (E + F)}$	16.28%	18.97%

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27. CASH FLOWS

<u>Specification</u>	<u>12.31.2007</u>	<u>12.31.2006</u>
Cash flows from operating activities		
Net income	219,744	202,734
Items not affecting working capital:		
- Depreciation and amortization	21,852	19,426
- Allowance for investment losses	135	-
- Allowance for losses on other assets	815	238
- Allowance for loan losses	(19,594)	(32,806)
- Allowance for losses on other receivables	14,446	593
Adjusted net income	237,398	190,185
Securities	1,524,805	726,403
Other assets	(6,910)	(3,783)
Interbank investments	(2,645,591)	(317,864)
Interbank accounts	2,649	(6,529)
Interbank and interbranch accounts	(67,226)	(55,115)
Lending operations	(318,649)	(77,120)
Other receivables	(125,167)	(100,701)
Change in deferred income	1	(1,818)
Prior periods adjustments	-	(24,799)
Adjustment to fair value - securities and derivatives	(4,116)	38,200
Revaluation reserve	-	(61)
Adjustment of stock exchange memberships	291	-
Net cash provided by (used in) operating activities	(1,402,515)	366,998
Cash flows from financing activities		
Deposits	469,065	134,823
Borrowings and onlendings	(130,630)	(238,787)
Open market funding	(23,039)	(142,498)
Derivatives	18,839	4,206
Other payables	1,228,605	15,392
Proposed dividends and bonuses	(21,769)	(14,175)
Interest on own capital	(94,000)	(80,346)
Total inflow/(outflow) of funds	1,447,071	(321,385)
Cash flows from investing activities		
Additions to assets not in use	(2,258)	(2,886)
Additions to property and equipment in use	(29,927)	(31,507)
Additions to investments	(462)	(54)
Disposal of assets not in use	928	1,017
Disposal of property and equipment in use	130	363
Disposal of investments	(10)	2
Deferred charges	(1,734)	(1,924)
Total funds	(33,333)	(34,989)
Net change in cash	11,222	10,624
REPRESENTED BY CASH AND CASH EQUIVALENTS:		
At beginning of period	48,147	37,523
At end of period	59,369	48,147
Increase in cash and cash equivalents	11,222	10,624

BANCO DO NORDESTE DO BRASIL S.A.

28. STATEMENT OF VALUE ADDED

	<u>12/31/07</u>	<u>12/31/06</u>
REVENUES	2,813,309	2,636,442
Financial intermediation	2,195,291	2,128,067
Provision of services	752,126	722,911
Allowance for losses	(135,347)	(106,425)
Nonoperating income	1,239	(108,111)
EXPENSES ON FINANCIAL INTERMEDIATION	(812,707)	(960,396)
INPUTS PURCHASED FROM THIRD PARTIES	(937,983)	(734,544)
Materials, energy and other	(432,353)	(379,220)
Outside services	(178,186)	(147,716)
Loss/recovery of assets	(327,444)	(207,608)
GROSS VALUE ADDED	1,062,619	941,502
RETENTIONS	(21,852)	(19,426)
Depreciation and amortization	(21,852)	(19,426)
NET VALUE ADDED GENERATED BY THE ENTITY	1,040,767	922,076
DISTRIBUTION OF VALUE ADDED	1,040,767	922,076
Personnel	562,538	562,767
- Salary, related charges and benefits	444,962	383,097
- Post-employment benefits (CVM Resolution 371)	97,799	161,434
- Profit sharing	19,777	18,236
Taxes payable	247,002	146,311
Rentals	11,483	10,264
Dividends/Interest on capital	115,769	80,346
- Federal government	108,954	75,617
- Other	6,815	4,729
Retained earnings	103,975	122,388

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29. 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.

c) Guarantees

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

	<u>12/31/07</u>	<u>12/31/06</u>
Import financing	8,579	7,199
Guarantee beneficiaries:		
- Individuals or non-financial legal entities	3,285	3,236
- FNE	6,128,022	4,885,534
- Other entities	-	3,563
Receivables assignment co-obligations	402,494	329,498

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d) Insurance

The Bank's chattels and properties and third parties' properties are covered by an adequate insurance in the amount of R\$ 354,295 (R\$ 325,403 in 2006), as follows:

	<u>12/31/07</u>	<u>12/31/06</u>
Chattels	112,310	95,874
Properties	238,571	226,839
Third parties' properties	2,224	1,500
Civil liability (aircraft)	1,190	1,190
TOTAL	354,295	325,403

e) Subsequent Events

- e.1) On December 28, 2007, Law N. 11,638/07 was enacted, that alters, revokes and adds new provisions to the Brazilian Corporate Law (Law N. 6,404 of December 15, 1976), especially with respect to chapter XV, Fiscal Year and Financial Statements.

In view of the short period of time between the enactment of Law N. 11,638/07, CVM's press release, and the approval and publication of the balance sheet of Banco do Nordeste, it has not yet been possible to estimate the effects on the Bank's shareholders' equity and results of operations. However, enumerated below are the main changes introduced by Law N. 11,638/07 that may affect the Financial Statements of Banco do Nordeste in 2008:

- Elimination of the requirement to present a statement of changes in financial position and a new requirement to present a statement of cash flows, which is currently presented in the explanatory notes.
- A new requirement for the presentation of a statement of value added, which is currently presented in the explanatory notes.
- Financial statement structure: a) permanent assets is divided into investments, property, plant and equipment, intangible assets and deferred charges; b) shareholders' equity is divided into capital, capital reserves, valuation adjustment to shareholders' equity, profit reserves, treasury shares and accumulated deficit.
- Creation of a new account group, valuation adjustments to shareholders' equity, for purposes of balance sheet presentation, to be used to record certain valuation adjustments not recorded in earnings for certain assets and liabilities.
- Requirement that periodic review and analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges be performed.

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- Discontinuation, on a prospective basis, of creating and recording revaluation reserves as a component of equity. Companies will have an irrevocable option to: (i) maintain any balance of existing revaluation reserve as of the first day of the first fiscal year beginning on or after January 1, 2008 until its effective realization; or (ii) fully reverse the balance of existing revaluation reserve by the end of first fiscal year beginning on or after January 1, 2008.
 - Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities.
- e.2) On January 3, 2008, Executive Act N. 413 was enacted that, among other tax measures, increases the social contribution tax rate for financial institutions from 9% to 15%, effective beginning May 2008. The application of this new rate on the temporary differences as of December 31, 2007 would increase the deferred social contribution tax credit by R\$20,947, with a contra entry to income.
- e.3) On January 14, 2008, Interministerial Rule N. 334/2007 was published in the Federal Official Gazette establishing the formation of an interministerial work group to analyze the out-of-court negotiations with charge reduction carried out by Banco do Nordeste do Brasil S/A as manager of FNE (Northeast Constitutional Financing Fund) and, if necessary, to propose a regulation concerning the recovery of Constitutional Financing Funds' receivables by the funds managers. The group will be composed of one permanent member and one alternate member of the following bodies and entities: Ministry of Finance, in charge of coordination; Ministry of National Integration; Office of the Federal Attorney General; Inspector General's Office and Banco do Nordeste do Brasil S/A.

Fortaleza, January 28,2008

BOARD OF DIRECTOR

(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 December 31, 2007, and the related statements of income, changes in shareholders' equity, and changes in financial position for the year and 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 a 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 December 31, 2007, and the results of its operations, the changes in its shareholders' equity, and the changes in its financial position for the year and 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 of December 31, 2007 approximately 8,000 debt rescheduling proposals properly approved through December 28, 2007 were in the conclusion stage. Accordingly, total possible effects on the Bank's financial statements will be known only when the process is concluded.

5. Additionally, we have audited the statements of cash flows and value added for the year ended December 31, 2007, presented in notes 27 and 28, 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 statements present fairly, in all material respects, the cash flows and the value added of Banco do Nordeste do Brasil S.A for the year then ended in conformity with Brazilian accounting practices.
6. The financial statements for the year ended December 31, 2006, presented for comparative purposes, were audited by other independent auditors, who issued opinion thereon, dated February 12, 2007, 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, January 30, 2008

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 year ended December 31, 2007, and based on Deloitte Touche Tohmatsu Independent Auditors' Report dated January 30, 2008, is of the opinion that the Management Report and Financial Statements reflect fairly the Bank's activities and financial position for the year 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 and recorded in the Bank's financial statements when the process is concluded.

Fortaleza, January 31, 2008

SUPERVISORY BOARD

SUMMARY OF THE AUDIT COMMITTEE'S REPORT

2nd Half of 2007

The Audit Committee of Banco do Nordeste do Brasil S.A. (BNB), established by Resolution N. 3,198/2004 of the National Monetary Council, is an advisory unit to its Board of Directors, with the assignments and other requirements of its operation, included in the Bank's By-laws.

Committee's Activities

The scope of the Audit Committee in the six-month period ended December 31, 2007 was focused on activities that enabled it to evaluate the effectiveness of the work developed by the Internal Audit, Independent Audit, Internal Controls and Risks, as well as to review and evaluate the quality of the Financial Statements. In addition, in the current year, in accordance with National Monetary Council (CMN) Resolution N. 3,477/2007, the Audit Committee also had to examine the performance of the Bank's Ombudsman.

Following recommendation from the Board of Directors, the Committee monitors the demands of inspection and external control agencies, including the ones originating from the Board of Directors.

Furthermore, the Audit Committee prepared and submitted to the Board of Directors a proposal to review its Internal Regulations and Procedures Manual, which, after being approved, were disclosed in the Bank's website and added to the Bank's rules.

From this viewpoint, in the second half of 2007, the Committee held 12 ordinary and 4 extraordinary meetings to discuss the matters mentioned above. 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 December 31, 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

In order to improve its corporate risk policy, the Bank changed its organizational structure by creating the Risk Management Department, which is linked to the Internal Controls, Security and Risk Management area, so as to manage credit, market and operational risks.

The above-mentioned change results in an improvement in mitigating risks related to processes, efficiency of operations, business and financial reporting systems, by identifying and assessing controls to assure risk levels in line with the Bank's strategies and capital structure.

With regard to the Bank's compliance with the requirements of the New Basel Capital Accord - Basel II, the Bank has implemented an Operational Risk Management Structure, improved credit risk assessment models and adjusted market risk assessment procedures in accordance with CMN Resolution N. 3,464/2007.

Internal Audit

The work developed by the Internal Audit was based on the Annual Work Plan approved by the Board of Directors for 2007. There were scope changes during the six-month period aimed to focus on risk assessment to reach more effectiveness. This procedure was the basis for the 2008 Planning.

Based on the analysis of the results reported and examination of documents and reports, the performance of the Bank's Internal Audit was good with regard to the accomplishment of its Annual Work Plan, however, the flow of information between the Internal Audit and this Committee should be improved.

Independent Audit

Based on the examination of the work presented for the six-month period and analysis of the opinions and reports issued, nothing has been found that may compromise the independence and result of work performed by DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES in this period.

Financial Statements

The examination of the Financial Statements, Explanatory Notes, Financial Reports and Management Report as of December 31, 2007 by members of the Audit Committee, was supplemented with additional information and clarifications obtained in meetings with the officers responsible for preparing these documents and the Independent Auditors. At the same meetings the audit reports on Banco do Nordeste do Brasil S.A. and FNE (Northeast Constitutional Financing Fund) were discussed with the Independent Auditors.

After examining the aforementioned documents and discussing the accounting practices used in the preparation of the financial statements as of December 31, 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 Exchange Commission.

Fortaleza, January 30, 2008.

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: 12.31.2007

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

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNI

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais - R\$)

ASSETS	12/31/07	12/31/06	LIABILITIES AND NET EQUITY	12/31/07	12/31/06
CURRENT ASSETS	7,691,978	6,902,525	NET EQUITY (note 6c)	22,292,718	19,410,490
CASH AND CASH EQUIVALENTS (note 6b.1)	4,452,552	3,678,226	TRANSFERS FROM FEDERAL GOVERNMENT	21,134,324	17,918,747
Funds to invest	2,367,399	1,789,447	In the year	3,215,577	2,775,685
Invested funds	2,085,153	1,888,779	Prior years	17,918,747	15,143,062
INTERBANK ACCOUNTS	52,779	75,801	INCOME FROM PRIOR YEARS	1,466,268	1,458,184
Rural loan - Proagro	3,947	4,626	INCOME (LOSS) FOR THE YEAR	(307,874)	33,559
Interbank onlendings	48,832	71,175			
LENDING OPERATIONS (notes 6b.2 and 7)	3,184,053	3,147,812			
Financing	892,225	682,364			
Infrastructure and development financing	145,565	33,724			
Agribusiness financing	99,201	72,346			
Rural financing	2,960,292	2,679,447			
Allowance for loan losses	(913,230)	(320,069)			
OTHER RECEIVABLES (note 6b.3)	1,066	686			
Assets received as payment	1,066	686			
OTHER ASSETS (note 6b.4)	1,528	-			
Agricultural debt securities	2,312	-			
(Allowance for devaluation)	(784)	-			
	-	-			
LONG-TERM ASSETS	14,600,740	12,507,965			
INTERBANK ACCOUNTS	142,715	98,830			
Rural loan - Proagro	7,269	3,453			
Interbank onlendings	135,446	95,377			
LENDING OPERATIONS (notes 6b.2 and 7)	14,457,967	12,407,495			
Financing	3,745,883	3,063,441			
Infrastructure and development financing	1,570,016	1,200,117			
Agribusiness loans	433,193	310,260			
Rural financing	8,708,875	7,833,677			
OTHER ASSETS (note 6b.4)	58	1,640			
Agricultural debt securities	79	2,547			
(Allowance for devaluation)	(21)	(907)			
TOTAL ASSETS	22,292,718	19,410,490	TOTAL LIABILITIES AND NET EQUITY	22,292,718	19,410,490

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 INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R\$)

	<u>12/31/07</u>	<u>12/31/06</u>
INCOME		
From lending operations (note 6a.6)	936,071	816,430
From cash and cash equivalents (note 6b.1)	443,034	527,221
EXPENSES (note 6a.7)		
Management fee	(541,869)	(520,465)
PRONAF- Payment of Banco do Nordeste/Performance bonus	(65,774)	(55,143)
Operating provisions	(1,079,285)	(734,468)
Audit expenses	(51)	(16)
NET INCOME (LOSS) FOR THE YEAR	<u>(307,874)</u>	<u>33,559</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 YEARS ENDED DECEMBER 31, 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 year	2,775,685	-	2,775,685
Prior years adjustments	-	8,740	8,740
Net income for the year	-	33,559	33,559
BALANCES AS OF DECEMBER 31, 2006	<u>17,918,747</u>	<u>1,491,743</u>	<u>19,410,490</u>
CHANGES FOR THE YEAR	<u>2,775,685</u>	<u>42,299</u>	<u>2,817,984</u>
BALANCES AS OF DECEMBER 31, 2006	17,918,747	1,491,743	19,410,490
Transfers from Federal Government in the year	3,215,577	-	3,215,577
Prior years adjustments	-	(25,475)	(25,475)
Loss for the year	-	(307,874)	(307,874)
BALANCES AS OF DECEMBER 31, 2007	<u>21,134,324</u>	<u>1,158,394</u>	<u>22,292,718</u>
CHANGES FOR THE YEAR	<u>3,215,577</u>	<u>(333,349)</u>	<u>2,882,228</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 YEARS ENDED DECEMBER 31, 2007 AND 2006
 (In thousands of Brazilian reais - R\$)

	<u>12/31/07</u>	<u>12/31/06</u>
SOURCES OF FUNDS	<u>3,215,631</u>	<u>2,817,984</u>
INCREASE IN LIABILITIES:		
TRANSFERS FROM FEDERAL GOVERNMENT IN THE YEAR		
Free resources	3,215,577	2,775,685
Prior years adjustments	-	8,740
Net income for the year	-	33,559
DECREASE IN ASSETS:		
Other assets	54	-
USES OF FUNDS	<u>2,441,305</u>	<u>2,957,308</u>
INCREASE IN ASSETS:		
Interbank accounts	20,863	25,805
Lending operations	2,086,713	2,930,817
Other receivables	380	686
DECREASE IN LIABILITIES:		
Prior years adjustments	25,475	-
Loss for the year	307,874	-
INCREASE IN CASH AND CASH EQUIVALENTS	<u>774,326</u>	<u>(139,324)</u>
REPRESENTED BY:	<u>774,326</u>	<u>(139,324)</u>
Beginning of year	3,678,226	3,817,550
End of year	4,452,552	3,678,226

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 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 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 1st, 2007, financial charges on financing granted with funds from FNE range between 5% and 11.5% per year (6% to 14% per year in 2006), 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 Income, “Income from Lending Operations” is recorded at the net amount as follows:

Description	12/31/2007	12/31/2006
Income from lending operations	1,695,902	1,405,273
Expenses on BNB’s financial commission	(299,546)	(250,203)
Expenses on financial commission of other institutions	(3,285)	(3,083)
Expenses on negative monetary adjustment	(5,115)	(15,023)
Expenses on discounts granted on renegotiations - Laws N. 10,696/11,322	(34,256)	(5,258)
Expenses on rebates/discounts - Operations contracted by BNB	(371,048)	(313,424)
Expenses on rebates - Onlendings to other institutions	(118)	(560)
Expenses on rebates - Receivables from FAT - BNDES (National Bank for Economic and Social Development) - Law N. 10,193/2001	(576)	(1,216)
Expenses on Operations - Other sources - Acquisitions Law N. 11,322/06	(45,887)	(76)
T O T A L	<u>936,071</u>	<u>816,430</u>

- 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 Semiarid), 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 Semiarid), 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 Semiarid), 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.

- 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. Reschedulings, which were formalized in 2007, reduced the Fund's income by R\$ 255,863 thousand, as shown below. This effect includes costs of rescheduling of loan operations with other sources, as permitted by Law:

Recovery of operations written off from assets	335,524
Expenses on discount and waiver of debt	(136,119)
Net effect of allowances	<u>(455,268)</u>
Total	<u>(255,863)</u>

- 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.

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;

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

- 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.

- 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	12/31/2007	12/31/2006
Beginning balance	<u>320,069</u>	<u>5,638,794</u>
. FNE's full risk	276,355	5,491,075
. Shared risk	43,714	147,719
(+) Net allowance recognized in the period	<u>1,168,842</u>	<u>734,602</u>
. FNE's full risk	992,721	651,035
. Shared risk	176,121	83,567
(-) Write-off as loss in the period	<u>575,681</u>	<u>6,053,327</u>
. FNE's full risk	495,894	5,865,755
. Shared risk	79,787	187,572
(=) Allowance for loan losses	<u>913,230</u>	<u>320,069</u>
. FNE's full risk	773,182	276,355
. Shared risk	140,048	43,714

- 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.

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

- 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;
 - 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; and
 - d.3) for operations acquired by the Fund, an allowance was recorded in the amount of R\$ 84,761, with a contra entry to lending operations. For FNE's renegotiated operations, an allowance of R\$ 459,963 was recorded, of which R\$ 390,288 refers to operations whose full risk lies with the Fund and R\$ 69,675 refer to shared-risk operations. These amounts are included in "Net allowance recognized in the period" as shown in item "b" above.

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\$ 79,786 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\$ 25,475, in 2007, refers to recalculations of charges on lending operations.

10. REGISTRATION 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.

11. SUBSEQUENT EVENT

On January 14, 2008, Interministerial Rule N. 334/2007 was published in the Federal Official Gazette establishing the formation of an interministerial work group to analyze the out-of-court negotiations with charge reduction carried out by Banco do Nordeste do Brasil S/A as manager of FNE (Northeast Constitutional Financing Fund) and, if necessary, to propose a regulation concerning the recovery of Constitutional Financing Funds' receivables by the funds managers. The group will be composed of one permanent member and one alternate member of the following bodies and entities: Ministry of Finance, in charge of coordination; Ministry of National Integration; Office of the Federal Attorney General; Inspector General's Office and Banco do Nordeste do Brasil S/A.

(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 December 31, 2007, and the related statements of income, changes in net equity, and changes in financial position for the year 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 December 31, 2007, and the results of its operations, the changes in net equity, and the changes in its financial position for the year then ended in conformity with Brazilian accounting practices.

4. On July 13, 2006, the Federal Government enacted Law N. 11,322 concerning renegotiation 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; 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 of December 31, 2007 approximately 29,000 debt rescheduling proposals duly approved through December 28, 2007 were in the conclusion stage. Accordingly, total possible effects on the Fund's financial statements will only be known when the process is concluded.
5. The financial statements for the year ended December 31, 2006, presented for comparative purposes, were audited by other independent auditors, whose report thereon, dated February 12, 2007, contained emphasis of matter paragraphs concerning the difference in the calculation of the write-off of lending operations as losses, which resulted in the overstatement of lending operations and allowance for loan losses in the amount of R\$ 82,991 thousand, and any effects that might result from the conclusion of the rescheduling of debts arising from farm loan operations in the area under ADENE's jurisdiction, as established by Law N. 11,322, of July 13, 2006.
6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Fortaleza, January 30, 2008

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 – Nilde Pereira Sabbat – Vera Maria Rodrigues Ponte

BOARD OF DIRECTOR: Roberto Smith (President) – Luiz Carlos Everton de Farias (Director of Control and Risk) – Paulo Sérgio Rebouças Ferraro (Director of Businesses) – Luiz Ethewaldo de Albuquerque Guimarães (Director of Finance/ Foreign Exchange) – Pedro Rafael Lapa (Director of Development Management) –

SUPERVISORY BOARD: Glauben Teixeira de Carvalho (President) – João José Ramos da Silva – Ricardo Massao Matsushima – Roberta Carvalho de Alencar – Sérgio Rosa Ferrão

AUDIT'S COMMITTEE: José Wilkie Almeida Vieira (President) – José Lucinério Pimentel – Francisco Leão de Freitas

SUPERINTENDENTS: João Francisco Freitas Peixoto (Financial Control) – Henrique Silveira Araújo (Legal)

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