



FINANCIAL STATEMENTS

Bank and FNE

In thousands of Reais

Position as of 12.31.2013



Financial Statements

BANK

In thousands of Reais

Position as of 12.31.2013

MANAGEMENT REPORT 2013

WORD FROM THE PRESIDENT

Banco do Nordeste, as the main agent of the Federal Government to finance the regional productive sector, won in 2013 the challenge of bringing loans within the reach of thousands of entrepreneurs, despite the difficulties arising from the prolonged drought.

In the operation by segment strategy, programs whose actions are integrated to the "*Brasil Sem Miséria*" (Brazil Without Misery) Plan showed a significant growth, creating business opportunities and generating job and income for people from the Brazilian Northeast region and populations of the North of Minas Gerais and Espírito Santo States.

Agroamigo and Crediamigo are examples of this growth, having increased 36.8% and 33%, respectively, compared to prior year amounts. Likewise, the expansion of the Northeast Constitutional Financing Fund (FNE) investments and transactions with micro and small companies must be highlighted, which evidence the Banco do Nordeste's aptitude to conduct business with these specific segments.

The Bank implemented a modernization project, encompassing corporate governance, regional development, strategic planning, loan, organizational structure, operational efficiency, customer relationship, people, technology, legal litigation and logistics.

For these major matters, taking regional development associated with excellence in customer service, the Institution employees focused on transparency and operational efficiency.

Within the corporate governance, an Internal Regulation of the Executive Board was created and the Bank's Chart was revised, enabling greater adherence to modern management practices.

The Bank also improved its risk and control mechanisms and implemented stringent budget control of expenses, with significant reduction of costs.

Administrative and operational decision-making processes, at all levels, are now conducted by groups, extinguishing any individual authority, which ensures transparency and efficiency in decision making.

Regarding customer relationship, the Bank increased the number of customer service units available through the expansion and modernization of the branch network and the sharing of Automated Teller Machines (ATMs).

The loan granting process was fully resized, unifying activities and redefining structures of the Loan Centrals, aiming a better service and operational efficiency by reducing terms and with more fluidity in loans and financing.

The Bank has reorganized the structure of the General Executive Board, tailoring units to their effective roles, and increased the number of employees. The Bank also instituted Employees' Recognition and Appreciation Policies, perfected the

Disciplinary Management and consolidated a model of Competency Management, through which the completion of commissioned functions, at all levels, occurs through internal competition based on merit.

There are two other important issues: The first refers to the significant amount earned with recovery of loan, resulting from recovery of 241,714 operations, among which are included those benefited from debt renegotiation laws and National Monetary Council (CMN) resolutions.

The second concerns to the reformulation of the policies of sponsorships and granting and monitoring of funds administered by the Technical Office for Economic Studies Northeast (ETENE), such as the Fund for Scientific and Technological Development (FUNDECI) and Northeast Socio-Economic Activity Support Fund (FASE).

To support these changes, the IT infrastructure has been modernized and the implementation of enterprise resource planning (ERP) system is in progress, which encompasses the automation of various macroprocesses of the Bank and review of the logistics strategy.

Indeed, this behavior brought new dynamism to the organization, reflecting in the cultural change of the Institution that increasingly attune its mission of promoting sustainable regional development to the desires of people from Brazilian Northeast region and expectations of the Brazilians.

Ary Joel de Abreu Lanzarin
CEO of Banco do Nordeste do Brasil S.A.

INTRODUCTION

Banco do Nordeste do Brasil is a multiple bank established by Federal Law No. 1649 of July 19, 1952, organized as a mixed capital publicly-held entity, whereby 98.63% of its equity capital is controlled by the Federal Government. With head office in the city of Fortaleza (CE), the Bank operates in nine States of the Brazilian Northeast Region, in the north region of the state of Minas Gerais (Vale do Mucuri and Vale do Jequitinhonha) and in the north region of Espírito Santo, encompassing 1,990 municipalities and 232 branches in its jurisdiction.

In 2013, 4.3 million transactions were contracted, intended for rural and manufacturing sectors, infrastructure, commerce and services, representing R\$ 23.2 billion in financing granted, representing an 11.4% growth in the number of transactions contracted and 1.8% in the amount financed as compared with 2012. FNE loans were granted to approximately 557 thousand transactions and amounted to R\$ 12.7 billion. Considering that in prior year R\$ 11.9 billion was released, such loans are up by 6.3%. Rural area received R\$ 5.4 billion loans, equivalent to 43% of the total amount contracted by FNE, exceeding by 8.5% these transactions in prior year.

Loans portfolio managed by BNB (including loans granted with FNE sources) at December 31, 2013, without deduction of allowances, amounted to R\$ 51,526.1 million, representing an 8.1% growth compared with the balance of R\$ 47,668.4 million at December 31, 2012.

Banco do Nordeste, through Crediamigo and Agroamigo, provides microcredit services to the urban and rural segments, respectively. Supporting the production activities of informal micro-entrepreneurs, the Bank conducted 421,484 million transactions by Agroamigo, which represents a 12.4% growth in relation to 2012. Financing amounted to R\$ 1.25 billion, which represents a 36.8% increase compared with the amounts reached in 2012. Regarding Crediamigo, the Bank conducted 3,413,430 transactions in 2013, in the amount of R\$ 5.7 billion, representing a 33% growth in relation to 2012. These two programs are integrated with the "*Brasil Sem Miséria*" (Brazil Without Misery) Plan, launched by the Brazilian Federal Government with the objective of increasing the income and welfare of the Northeast region population.

Additionally, 61,831 loan transactions were conducted to support micro and small companies, totaling R\$ 2.6 billion. To benefit family farmers, in 2013 the Bank invested R\$ 1.1 billion by means of the Brazilian Small-scale Farm Enterprise Support Program (PRONAF), which represents a 2.25% growth in relation to prior year.

The Bank, as the main funder of the productive sector, has continued measures to improve social and economic indicators and to reduce regional inequalities, as well as integrated programs that make it possible to achieve these goals. The Bank's support to Growth Acceleration Program (PAC) projects and 2014 FIFA World Cup are examples of these integrated measures.

HIGHLIGHTS FOR 2013

Expansion of the Bank's operations with the Northeast Constitutional Financing Fund (FNE)

Banco do Nordeste granted R\$ 12.7 billion in financing transactions using funds from the FNE, representing a 6.3% increase in relation to 2012. The financed amount is equivalent to 55% of the total amount contracted by the Bank (R\$ 23.2 billion) and 90.3% of the long-term financing granted in the year.

Recovery of loan

The Bank presented a record performance in 2013, recovering loans amounting to R\$ 2.47 billion, 84% higher as compared with 2012, of which R\$ 506,732 million was received in cash. In 2013, 241,714 transactions were regularized, of which 211,267 used FNE funds and 30,447 were non-FNE transactions. Out of that total, 174,394 transactions were carried out with PRONAF customers and 67,320 with non-PRONAF customers.

Financing of R\$ 2.6 billion to micro and small companies in 2013

In 2013, Banco do Nordeste carried out R\$ 2.6 billion transactions with micro and small companies. In total, 61,831 loan transactions were conducted, which benefited micro and small companies in the entire area of the Bank's operation (Northeast and northern region of Minas Gerais and Espírito Santo).

The funds were mostly derived from FNE, representing R\$ 2.0 billion of the total financed, corresponding to a 14.0% growth in relation to the 2012 performance. The funds were invested in various sectors of economy, such as commerce (R\$ 1,012.2 million), services (R\$ 640.2 million) and industry (R\$ 290.6 million).

Network sharing

The number of customer service units available of Banco do Nordeste was increased to approximately 10 thousand in the whole area of the Bank's operation. This occurred given the establishment of partnerships that increased the sharing of Automated Teller Machines (ATMs). The number of customer service units also included 24 Hour ATM Banking and Banco do Nordeste own terminals. The initiative enabled the opening of approximately 500 thousand new current accounts.

Banco do Nordeste embraces the "Cadastro Empresa Pró-Ética"

Banco do Nordeste embraced the "Cadastro Empresa Pró-Ética", an initiative of the Office of the Comptroller General and Instituto Ethos, which evaluates companies' institutional mechanisms to reduce risks of frauds and corruption. "Cadastro Pró-Ética" encompasses a selective group of organizations that value principles and practices for promoting corporate ethics and integrity, such as those related to full transparency and prevention of fraud and corruption.

Best practices in people management

In October 2013, Banco do Nordeste won an award which recognizes the 150 companies with the best practices in People Management in Brazil. The certification promoted by Editora Gestão & RH recognizes the work developed by human resource professionals throughout the country. The voting was conducted by the own professionals of the area, and the companies that participated were those classified in the "1000 Best and Biggest" of Brazil (Exam criterion) and the 150 Great Place to Work.

OPERATING PERFORMANCE

Volume of Transactions

In 2013, Banco do Nordeste's total loan transactions amounted to approximately 4.3 million, representing R\$23.2 billion, exceeding by 1.8% the R\$22.8 billion financing in prior year. Out of that amount, R\$14.1 billion (60.7%) was intended for long-term financing for investments, while R\$9.1 billion (39.1%) was intended for short-term loans, and R\$38 million invested in capital market transactions.

Long-term transactions (comprising rural, manufacturing, agroindustrial, infrastructure, commerce and service financing) are up by 12.6% in relation to 2012, reaching R\$14.1 billion.

Table 1 - GLOBAL TRANSACTIONS

Type	2012		2013		Value Variation
	Number	Amount*	Number	Amount*	
Loan	3,849,853	22,016.8	4,287,041	23,189.9	5.3%
Long-term	514,955	12,510.3	569,984	14,090.7	12.6%
Short-term	3,334,898	9,506.5	3,717,057	9,099.2	-4.3%
Capital Markets	4	807.2	1	38.0	-95.3%
Total	3,849,857	22,824	4,287,042	23,227.9	1.8%

* Amounts in millions of Reais.

Of the total amount of short-term loans, R\$ 5.8 billion was granted through Crediamigo program, equivalent to 63.3% of the realized amount, i.e. a 33.3% growth in relation to prior year.

Table 2 - SHORT-TERM LOANS

Products	2012		2013		Value Variation
	Number	Amount*	Number	Amount*	
Crediamigo	2,844,021	4,320.2	3,413,430	5,760.1	33.3%
CDC/Working capital	48,404	2,282.2	32,706	1,406.9	-38.4%
Overdraft facilities	34,970	1,109.6	34,001	817.7	-26.3%
Exchange	249	1,026.2	203	790.6	-23.0%
Discount	407,254	768.3	236,717	323.9	-57.8%
Total	3,334,898	9,506.5	3,717,057	9,099.2	-4.3%

* Amounts in millions of Reais.

Concerning the profile of loan transactions, an increase was evidenced in the participation of the amount intended for small-sized companies by 17.5% in relation to prior year, reaching the volume of R\$13.7 billion, corresponding to R\$59.2% of the total volume contracted.

Table 3 - LOAN TRANSACTIONS BY SIZE

Size	2012		2013		Value Variation
	Number	Amount*	Number	Amount*	
Small	3,765,374	11,694.5	4,237,269	13,736.2	17.5%
Medium	65,800	2,695.7	43,891	2,933.1	8.8%
Large	18,679	7,626.6	5,881	6,520.6	-14.5%
Total	3,849,853	22,016.8	4,287,041	23,189.9	5.3%

* Amounts in millions of Reais.

In the distribution of loan transactions per economic sector, the major growth occurred in infrastructure (202.7%), followed by services (22.8%) and commerce (18.3%). The amounts intended for the commerce (R\$9.5 billion) represented 40.8% of the volume contracted. Twenty-three point nine per cent (23.9%) of funds was intended for the rural sector (R\$5.5 billion); 19% (R\$4.4 billion) for the manufacturing sector; 12.2% (R\$2.8 billion) for services; and 4.1% (R\$945 million) for infrastructure.

Table 4 - LOAN TRANSACTIONS BY ECONOMIC SECTOR

Sector	2012		2013		Value Variation
	Number	Amount*	Number	Amount*	
Rural	485,099	5,262.9	534,766	5,548.3	5.4%
Manufacturing	90,962	6,133.8	56,082	4,401.4	-28.2%
Infrastructure	4	312.5	23	945.9	202.7%
Commerce	3,222,389	8,007.7	3,650,376	9,469.5	18.3%
Services	51,399	2,299.9	45,794	2,824.8	22.8%
Total	3,849,853	22,016.8	4,287,041	23,189.9	5.3%

* Amounts in millions of Reais.

Of the total volume of loan transactions contracted by the Bank, R\$12.7 billion (54.9% of the total) was conducted using funds deriving from FNE. Out of this funds, R\$6.5 billion consisted of transactions with small-sized companies, which corresponds to 51.4% of the total amount contracted using funds from FNE, and represents a 14.5% growth in relation to the volume of funds from FNE intended for small sized companies in prior year.

Table 5 - TRANSACTIONS USING FUNDS FROM FNE, PER SIZE

Size	2012		2013		Value Variation
	Number	Amount*	Number	Amount*	
Small	508,990	5,718.6	555,970	6,547.7	14.5%
Medium	1,047	1,495.4	973	1,418.8	-5.1%
Large	361	4,756.2	201	4,761.0	0.1%
Total	510,398	11,970.2	557,144	12,727.5	6.3%

* Amounts in millions of Reais.

According to the economic sectors' perspective, the amounts intended for the service sector increased 89.5% compared with 2012, and those for the trade sector increased 31.5%. Most funds contracted with FNE was allocated to the rural sector (R\$5.4 billion, which represents 42.6% of the volume contracted with FNE). Three billion (R\$3.0) was allocated to the manufacturing sector (23.6% of

total); R\$2.2 billion (17.7% of total) to services; R\$1.9 billion (15.3% of total) to the commerce; and R\$112.4 million (0.8% of total) to infrastructure.

Table 6 - FNE TRANSACTIONS, PER SEGMENT

Segment	2012		2013		Value Variation
	Number	Amount*	Number	Amount*	
Rural	483,855	4,995.0	533,517	5,419.6	8.5%
Manufacturing	3,189	4,000.5	3,162	2,999.3	-25.0%
Infrastructure	3	307.5	2	112.4	-63.4%
Commerce	19,748	1,480.6	16,297	1,947.5	31.5%
Services	3,603	1,186.6	4,166	2,248.7	89.5%
Total	510,398	11,970.2	557,144	12,727.5	6.3%

* Amounts in millions of Reais.

ECONOMIC AND FINANCIAL RESULTS

Total assets

At the end of 2013, total assets of Banco do Nordeste reached R\$33.8 billion, which is up by 6% in relation to 2012. The increase in BNB asset balances from December 2012 to December 2013 is mainly represented by the increase in the set of balances in cash and cash equivalents, interbank investments and marketable securities.

Total assets relating to the FNE reached R\$47.6 billion. The FNE grew 11.2% mainly due to inflows of funds from the National Treasury Department (STN).

Table 7 - GLOBAL ASSETS

Specification	BNB		FNE	
	12.31.2012	12.31.2013	12.31.2012	12.31.2013
Cash and cash equivalents ^(*) , interbank investments and marketable securities	17,879.9	19,897.0	990.4	1,766.4
Funds committed for loans	0.0	0.0	5,541.9	5,142.3
Interbank accounts	356.6	412.1	1,558.7	1,674.2
Loan transactions (adjusted by allowances)	10,524.3	10,248.4	34,753.6	39,051.3
Other loans (adjusted by allowances)	2,901.9	2,998.5	2.1	7.1
Other assets	24.6	25.9	1.4	1.3
Permanent assets	201.6	235.6	-	-
Total	31,888.9	33,817.5	42,848.1	47,642.6

Amounts in millions of Reais.

(*) In the cash are included the sources available and the committed with FNE loans.

Marketable securities

At December 31, 2013, the marketable securities portfolio corresponds to R\$11.7 billion, which represents an increase of R\$616.4 million (5.58%) in relation to

December 31, 2012 when this amounted to R\$11.05 billion. This increase occurred mainly in Financial Treasury Bills (LFT) and Financial Bills (LF).

In accordance with the Central Bank of Brazil (BACEN) Circular No. 3068 of 11/8/2002, Banco do Nordeste prepared a projected cash flow for the classification of its marketable securities portfolio. This cash flow demonstrates that there are sufficient funds available to meet all obligations and loan granting policies without the need for the disposal of securities classified as "Held to maturity". Accordingly, Banco do Nordeste management states that the Institution has the financial capacity and the intention to keep these securities held under this category until maturity.

FNE CASH

FNE cash increased from R\$990.3 million in 2012 to R\$1.8 billion in 2013, representing a positive change of 78.4%. The funds committed to loan transactions reduced by R\$399.6 million (7.2%), with a balance of R\$5.5 billion in 2012 and R\$5.1 billion in 2013. These changes derive from the increase in transfers of the National Treasury Department (STN), from R\$5.2 billion in 2012 to R\$5.6 billion in 2013, and the volume of reimbursements, from R\$7.3 billion in 2012 to R\$7.5 billion in 2013.

Equity and P&L

At December 31, 2013, Banco do Nordeste stated equity of R\$3.04 billion. Capital amounted to R\$2.437 billion, divided into 87,001,901 common book-entry shares, paid in and with no par value. Average profitability on Equity was 14% in 2013.

Net income amounted to R\$360.367 million, representing earnings of R\$4.1419 per share.

At December 31, 2013, FNE stated Equity of R\$47.6 billion.

Strategic Planning

In light of the institutional mission and view, strategic positioning, values, and analysis of external and internal environments of the Bank, for 2013-2016 twenty-five strategic objectives were established, classified in the institutional, financial, customers, processes and competences perspectives, formatted in the strategic map, according to the balanced scorecard methodology.

Under the institutional perspective, guided for the Bank's contribution to the sustainable regional development, four strategic objectives were defined, which show the Banco do Nordeste's commitment to the Federal Government economic, social and environmental policies. The Bank's participation is highlighted in the achievement of goals of the Plurianual-PPA 2012-2015 Plan, through its insertion in twelve thematic programs.

Likewise the institutional perspective, the financial perspective, guided for the achievement of competitive operating results, comprised strategic objectives in line with the strengthening of the Bank as a sound and sustainable financial institution, from more competitive levels of profitability and operational efficiency.

The customers perspective, whose direction is the excellence in customer service was focused on objectives related to customers' segments: consolidation of the Bank's leadership in microfinance; business growth with micro and small companies, needed to win the position of principal Bank in this segment in the region; support to structural ventures, increase in customer base and in the relationship with them.

In the perspective of processes, the operational efficiency was prioritized, focusing on agility of information and communication technology (ICT); increase in the volume of funding; automation of the commercial loan processes; expansion of the customer service channels, allowing increased capillarity; and efficiency of risk management and recovery of loans.

The competences perspective, the basis for the achievement of objectives in other perspectives, must be based on valuation of human competences. The key objectives are directed towards continuous learning and management by competences, in addition to the improvement of processes allowing the organizational alignment, decision-making based on strategic information and innovation.

OPERATION BY SEGMENT STRATEGY

Small-scale Farm Enterprise

The small-scale farm enterprise segment comprises the portfolio of farmers served by PRONAF, except for customers that make up the portfolio of rural microfinance (Agroamigo).

In 2013, Banco do Nordeste granted financing of R\$1.14 billion for the small-scale family enterprise segment, which represents a 2.25% growth compared with 2012. The number of financing grew 1.05%, with 93,783 transactions contracted in 2013, reaching an active portfolio of 671.5 thousand customers.

Rural Microfinance

Agroamigo, a microfinance program launched in 2005 by Banco do Nordeste, is based on the premise of granting oriented and supported loans to small-scale farm enterprises, using an own methodology, the main characteristic of which is the strong presence of the Microcredit Advisor in the communities.

In 2013, Banco do Nordeste financed R\$1.25 billion through Agroamigo, which represents a 36.8% growth compared with 2012. The number of financing grew 12.4%, with 421,484 transactions contracted, reaching an active portfolio of R\$1.67 billion, and 733.4 thousand customers, of which 545,562 hold current account in the Bank.

The methodology used in Agroamigo is extended to small-scale family enterprises classified in other groups PRONAF, operating in two types of the program: "Agroamigo Crescer" intended for customers of Group B of PRONAF, and "Agroamigo Mais" intended for other groups of PRONAF, except for Groups A and A/C, in transactions of up to R\$15 thousand.

Urban Microfinance

By means of Crediamigo, Banco do Nordeste financed R\$5.7 billion, representing a 33% growth compared with 2012. The number of loans disbursed increased 20%, and 3.4 million of transactions were carried out in 2013. At the end of 2013, Crediamigo had 1.6 million customers with active loans.

Crediamigo is part of "Programa Crescer" (Growth Program) of Federal Government that aims to incentive microenterprise activities by means of loans. In 2013, 2.8 million transactions were conducted and R\$3.3 billion were released in the scope of "Programa Crescer".

The operating capacity of Crediamigo reached the average of 12,929 daily disbursements, a 14.6% growth compared with 2012, when the average realized was 11,285 daily disbursements.

The default was 0.85%, which is represented by loans with delay from 1 to 90 days in relation to the active portfolio. This result shows the quality of portfolio, with history of low default, even with the expressive growth in the volume of loan.

Other important Bank's guidance relates to the banking of Crediamigo customers, as well as offering of insurance products with affordable prices targeted to the needs of low income families. Regarding current accounts, 816,857 were open in the course of 2013, without bank fees.

In 2013, the Bank implemented a number of improvements that brought progress to the customer service, such as:

- Expansion of public and private partnerships;
- Diversification of products;
- Expansion of ATMs;
- Capture of customers.

Mini and Small Rural Producer

At December 31, 2013, the active portfolio of this segment is made up of approximately 130 thousand customers, with an asset balance of R\$5.9 billion.

In 2013, only using funds from FNE, 11,190 rural loan transactions were entered into totaling R\$936.1 million, reaching 116.3% of the annual target (R\$805.0 million).

Micro and Small Company

The Micro and Small Company segment is composed of customers with annual turnover up to R\$3.6 million.

In 2013, Banco do Nordeste financed R\$2.6 billion referring to transactions with 25,444 micro and small companies, through its short and long-term credit facilities, of which R\$2 billion used funds from FNE related to long-term loan transactions, and R\$598.9 million in short-term loan transactions, the latter using internal funds.

The Bank's performance for the segment of micro and small company is referenced in specific objectives of the 2013-2016 Strategic Planning, which provides for the prioritization of FNE investments for small entrepreneurs and its transformation in the main Bank of micro and small companies of the Northeast Region of Brazil.

Corporate Business

The corporate business segment involves small-medium, medium and large sized customers. This segment is comprised of rural producers with annual turnover higher than R\$3.6 million, and companies with annual turnover higher than R\$3.6 million but limited to R\$200 million.

The bank reached expressive results in its operation in the corporate business segment:

- Average annual balance of funding in the amount of R\$1.8 billion;
- Short-term loan taken out amounting to R\$1.5 billion;
- Transactions contracted in the amount of R\$777.16 million using funds from FDNE;

- Investment transactions contracted using FNE funds, amounting to R\$2.6 billion.

Agribusiness

The management of Agribusiness Portfolios - Individual, the guidance provided to the branches network and state supervisory offices, the improvements implemented in products and training sessions for business team, among other actions, were responsible for the following results in the agribusiness segment:

- Funding amounting to R\$122.7 million (agribusiness/shared portfolio data and agribusiness customer service);
- Short-term loan taken out and Exchange amounting to R\$51.5 million;
- Transactions contracted using FNE funds in the amount of R\$958.4 million.

Corporate

The Corporate segment is composed of customers that present annual turnover up to R\$200.0 million.

In 2013, customers in this segment contracted R\$4.0 billion in long-term transactions. The average daily balance of funding amounted to R\$3.4 billion.

Government

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

The Bank, as the Agent of the Federal Government, operates as a custodian of agreement funds, and as an authorized representative of the Government in pass-through arrangements arising from Voluntary Transfers of the Federal Government General Budget (OGU) for states, municipalities and nongovernmental entities.

The Bank also provides products and services related to the public sector, especially investment funds intended solely for receiving funds from the social security regimes instituted by the Federal Government, State Government, Federal District and Municipalities.

The credit facilities using funds from BNDES are also part of this line of products focused on this public, through which States and Municipalities may have access to financing related to the improvement of efficiency, quality and transparency in public management for acquisition of machinery and equipment intended for interventions on public roads and highways, or renew and expand the vehicle fleet for transportation of students.

In 2013, the transactions carried out by the Bank in the Government segment, through loan transactions and funding, reached respectively R\$1.4 billion debt balance and R\$1.0 billion average daily balance, with a total of 1,916 customers.

Individuals

The individuals segment is mainly comprised of individuals linked to ventures financed by the Bank.

The Bank's operation strategy for this segment aims the customer service to owners and employees of public or private companies, members of cooperatives and class unions, self-employed professionals, INSS retirees and other individuals in general.

In 2013, the active portfolio of this segment was made up of approximately 110 thousand customers, with an asset balance of R\$373.3 million.

In 2013, 434 loan transactions were taken out using funds from "*FAT PROGER Investimento*", in the total amount of R\$11.8 million, reaching 116.9% of the annual target expected at R\$10.0 million, financing self-employed professionals and members of cooperatives, and contributing for the development of urban transportation and tourism.

BANCO DO NORDESTE MODERNIZATION PROJECT

Promoting the sustainable growth of Banco do Nordeste, placing its brand amongst the best banks in Brazil, with higher operating efficiency and increasing the customer base. This is the goal of Banco do Nordeste Modernization Project, implemented in April 2013.

This project encompasses 12 important subjects: corporate governance, customer relations, personnel, regional development, operating efficiency, strategic planning, social security entities and healthcare plan for employees, credit, technology, organizational structure, legal claims, logistics.

The focus of this strategy is the excellence of our services, creating conditions to swiftly and efficiently meet the demands our customers.

The following sections describe the measures taken to carry out this project and the improvements reached in 2013.

CORPORATE GOVERNANCE

Banco do Nordeste's corporate governance structure includes the Board of Directors, made up of six members, advised by the Audit Committee, Compensation Committee and the Internal Audit, and the Executive Board, made up of six statutory officers and the Chairman. Banco do Nordeste also has a permanent Supervisory Board.

In 2013, the Executive Board approved its internal guidelines. These guidelines are in line with other existing rules and laws, and are an important Corporate

Governance instrument as it supports the decision-making process and the Bank's administrative and operating procedures.

In order to better comply with the practices adopted by the market and in order to involve all managers to set out strategies and approve proposals for different businesses, in 2013, Banco do Nordeste revised the administrative tasks and duties, as well as the rules followed by all non-statutory areas, responsible for making administrative decisions.

With this review, the decisions of any level are made by all areas collectively. Except for circumstances in which the minimum organizational structure is not sufficient, Management uses committees, sub-committees and strategic, tactical and operational commissions to make decisions with a higher level of security.

Also in order to strengthen the corporate governance, Banco do Nordeste proposed changes in the Articles of Association to better comply with current corporate governance practices and enable the conversion of preferred shares into common shares, in accordance with the good practices recommended by São Paulo Stock Market (BM&FBOVESPA) for listed publicly-held entities.

The institutional relations currently established by the Bank observe Banco do Nordeste's Code of Ethics, available on the internet for the general public.

As provided in the applicable legislation, the Bank's Ethics Commission works to define high ethical standards and effective measures to comply with Banco do Nordeste's Code of Ethics.

CUSTOMER RELATIONSHIP

Satisfaction surveys carried out in 2013 showed that 79.5% of users consider our Ombudsman's services of excellent or good quality, 77.3% of our customers consider the Second-Level Service Center excellent or good, and the general customer satisfactory level in 2013 was 80.0%.

In 2013, the Bank continued to expand and upgrade its branches, opening up 19 new branches, increasing its presence in Brazil's northeast region, leaping from 213 to 232 units. The number of branches increased 9% and our customer portfolio increased 10% in relation to 2012, summing up 3.415,418 customers.

The Bank has invested in the management of corporate documentation by means of technological solutions and processes that streamline processes and improves our services to end customers.

REGIONAL DEVELOPMENT

The Bank, by means of Technical Office for Northeast Economic Studies (ETENE), prepares, promotes and provides studies, researches and socioeconomic information, as well as coordinates and evaluates policies and programs and conduct analyses, researches and evaluations, in addition to technical publications prepared by ETENE and other institutions involved with the development of the region and other works for which the Bank has interest.

ETENE keeps researches on important and traditional activities and annually prepares the map of investments for the region, in order to support managers on possible impacts and other businesses related to those investments.

With a look to the future, ETENE held various meetings with IICA to prepare Northeast 2022 analysis, which will ground development proposals for the following years of Northeast region. Also conducted research to determine the profile of micro and small enterprises (MPE) in Northeast region, with market sizing and better ways of serving this audience.

ETENE runs Science and Technology Development Fund (FUNDECI), Northeast Social and Economic Activity Support Fund (FASE) and Regional Development Fund (FDR), and provides funds for researches, diffusion of technology, experiences obtained from researches, socioeconomic and social projects. FUNDECI supports projects with technology, floriculture, and coexistence with the semiarid. FASE supports researches, publications and conferences.

Northeast Region Productive Development Program (PRODEPRO) is a financing program under development and negotiation with Inter-American Development Bank (IDB), the main objectives of which are: provide infrastructure to productive chains in the region where the Bank operates, in order to increase the productivity and competition (specially small and medium companies); maximize the physical integration between states of the northeast region and with other regions in Brazil; foster the internal and external trade between northeastern states; attract more investments and bolster exports and, consequently, increase the capacity to create jobs and the revenue of the region.

PERSONNEL

In 2013, the new structure and dynamics of the General Management and Bank Centers was implemented, thus adjusting the new configuration expected by Management to face the strategic planning challenges.

In accordance with these instructions, the Board of Strategy, Management and IT defined a specific strategy to adequate the human competences to these changes.

In 2013, the policy for Recognition and Appreciation of employees was adopted. This aims at providing the Bank with tools capable of recognizing and compensating units and employees in accordance with their performance, under different evaluation aspects.

The internal selection policy for providing functions in committee was adjusted, reflecting changes in functions, the description and requirements for access of committee functions, internal competition processes, laterality and rotation, as well as the creation of succession databases.

In 2013, the Corporate Education Plan served 22,630 people: 73% for distance education, 25% classroom courses and 1% for formal education.

In May 2013, the Bank implemented a disciplinary policy management, including the review of internal rules governing employee conduct, disciplinary control and dismissal of commissioned professionals. The purpose of this was providing a higher involvement of managers in activities inherent in disciplinary control of activities, providing these managers with adequate tools to take preventive and corrective measures in circumstances where legal and/or regulatory rules of Banco do Nordeste are breached.

OPERATIONAL EFFICIENCY

The Bank had a significant improvement in management of administrative expenses. When comparing the budget value until December with the respective amount of expenses, we find a total savings R\$ 316.9 million. This is even better when we consider an increase in expenses due to the following:

- Personnel expenses increased by 8% due to the collective bargaining agreement on salaries reached in 2013.
- 388 new employees were hired.
- 40 new branches were opened.

The results were achieved through a set of measures to contain "Other administrative expenses".

The Bank also had a positive result in revenue from services rendered, which even not considered revenues from FNE administration fees summed up R\$ 519 million, an increase of R\$ 136 million in comparison with year 2012. In view of this performance, for both the administrative expenses and the income from services provided, the operating efficiency index reached 74.2% vis-à-vis 76.2% in 2012.

CREDIT

In order to speed up the credit granting (loan) process and consequently improve the customer services and the operational efficiency, the following measures were implemented:

- **Implementation of Credit Centers:** improving and standardizing tasks, speeding up services and reducing customer service time.
- **Review of standards to use automatic scoring models.**
- **Redefinition of credit limits based on innovative studies and techniques:** enabling the automation of threshold calculation, using statistic and deterministic models, technical standards and the automatic scoring technique (Credit Scoring).

TECHNOLOGY

According to the strategic planning to "provide the Bank with competitive IT and communication tools", various measures were developed by the IT department.

The IT Strategic Committee (COTEC), set up in January 2013, and the Technology Subcommittees per business line support the decision to meet IT Supervisory Office demands.

The software development procedure was customized to adapt to different projects conducted by the IT department.

In 2013, IT Supervisory Office hired 27 new professionals, and IT assets were upgraded.

In order to update the current Data Communication Network, in order to expand its capacity, availability and adopt more efficient management tools, Data Communication Services were contracts, with land and satellite circuits implemented in 217 units.

Still in 2013, new products were development and various improvements were made for the end customer, with emphasis on the following:

- Programa na Mão - this is a mobile application used by Crediamigo brokers in order to speed up the Crediamigo Program customer registration process.
- Mobile Banking - Nordeste Eletrônico services for mobile devices using Android, iOS and Blackberry platforms.

ORGANIZATIONAL STRUCTURE

In April 2013, the review of General Management's organizational structure was approved, covering the definition of Superintendence areas, Departments, Centers linked to the General Executive Board and the respective Cells, as well as dimension and personnel tasks.

The implementation of this new logic for grouping of activities and hierarchical levels for the General Executive Board led to the following benefits:

- Decrease in costs to operate management systems, avoiding redundancies and rework.
- Reduced customer service time.
- Efficient service to operating units and monitoring business goals and purposes.
- Increase in quality of business services in Branches Network.
- Optimization of the structure of acquisition processes and logistic resources.
- Increase in efficiency of organizational process management.

To support the Bank's measures, especially with prevision of 81 new branches, the Department for Coordination and Governance of State-Owned Enterprises (DEST) authorized the hiring of the maximum number of employees, i.e. 7,150 professionals. In 2013, 378 new employees were hired.

LEGAL DEPARTMENT

In order to maximize the Legal Department activities, the following measures were taken in year 2013:

- Different monitoring of judicial recoveries.
- Implementation of credit recovery group to leverage priority debtors' actions.
- Strategic monitoring of processes representing the most significant contingent liabilities.
- Definition of the job description of the branches' managers to negotiate civil proceedings of small value.

LOGISTICS

To ensure that all needs for goods and services of various Banco do Nordeste units are met, with quality and in a timely and economic manner, observing the prevailing legislation and social and environmental responsibilities, multiple measures were implemented in 2013.

The Bank has been adopting sustainability criteria for specification of goods to be acquired, where justifiable and observing the competitive nature of this procedure, and also requires that all involved parties adopt sustainable practices according to Decree No. 7746/2012, and Logistics and IT Department (SLTI) Rule No. 1/2010.

The new model for provision of services determines that contracts under allocated workforce modality should be converted into outsourced services modality, and the monitoring of demobilization of third parties with the Ministry of Planning, Budget and Management/DEST, observing the goals set for years 2012 and 2013.

ENTITIES PROVIDING SOCIAL SECURITY AND HEALTHCARE SERVICES FOR EMPLOYEES

BNB Employees' Pension Fund (CAPEF)

CAPEF manages two social security plans, the Defined Benefit Plant (BD), closed for new participants since 2002, and Variable Contribution (CV I), created in 2010 in order to provide a security solution for new employees, hired as from 2002. BD Plan ended 2013 with 2,283 active participants, 3,348 retirees and 990 pensioners. CV I ended the year with 3,967 active participants, 3 retirees and 4 pensioners.

With a strong governance and the good performance of investments leveraged by an efficient resource management strategy, the BD Plan achieved, in 2013, a profitability of 14.45% p.a., equivalent to 122% of its actuarial goal, of 11.89%, representing the generation of an additional revenue of R\$ 107 million.

CV I, created in May 2010, is a plan under reserve accumulation phase. Considering that CV I investment portfolio is still being assembled, the result of the management strategies shall overcome the medium- and long-term actuarial goals.

BNB Employees` Health Care Plan (CAMED)

CAMED was established in 1979 to provide health and dental care services to the Bank's employees and their families. Today, CAMED Group includes four companies: **Camed Saúde**, which provides health and dental care services to the Bank's employees; **Camed Vida**, which provides healthcare services to market customers; **Camed Corretora de Seguros** and **Creche Paulo VI**.

Camed Saúde has a portfolio of 39,758 beneficiaries, operates throughout the Brazilian territory with an accredited network or by means of agreements with other healthcare providers. Camed Vida has a portfolio of 144,746 customers, and operates in the Brazilian northeast region. Camed Corretora closed in 2013 with a portfolio of almost 2 million of active insurances. It operates in all northeast region, as well as in the states of Rio de Janeiro, São Paulo, Minas Gerais and Espírito Santo. Creche Paulo VI operates in the city of Fortaleza and assisted 113 children at the end of 2013, 101 of which are children of the Bank's employees.

LEGAL INFORMATION

According to CVM Rule No. 381/03 of January 14, 2003, Banco do Nordeste hereby states that Ernst & Young Terco Auditores Independentes S/S did not provide any other service in 2013 other than external audit services.

CREDIT RECOVERY

The amounts obtained with the credit recovery amounted to R\$ 2,475,016 thousand, i.e. 103.13% of the global goal set for the year, providing for cash receipts of R\$ 506,732 thousand. 241,714 transactions were regulated, of which 211,267 are FNE and 30,447 are non-FNE. Of this number, 174,394 transactions referred to PRONAF customers and 67,320 with non-PRONAF clients.

RISK MANAGEMENT

The Bank's Risk Management policy provides for the maintenance of the risk management system structured and integrated to the Bank's managerial activities, in order to provide information supporting the various decision-making levels of the Bank to evaluate the involved risks.

Risk management is divided into credit, market, liquidity and operational risks. With a single coordination, this management provides synergy to disseminate the desired risk management culture and the activities conducted.

In order to implement the governing guidelines and policies, the Bank has assembled the Risk Management Committee, which holds meetings on a bimonthly basis or whenever necessary.

The credit risk structure is responsible for supporting the culture that emphasizes and presents the importance of risk management, involving employees for risk identification, and implementing mechanisms to mitigate risks through models

that sets limits and defines customer classifications based on rules and guidelines defined by the regulatory entity (Central Bank of Brazil).

We point out the following measures for credit risk management in 2013:

- New Customer Risk Evaluation Model - Specialist.
- Improvement of concentration risk monitoring processes for credit portfolio.
- Improvement of procedures related to the management of risk classification processes.

The Market and Liquidity Risk observes the Corporate Risk Management Policy, based on the daily control of market risk positions and the control of limits to these positions, divided into exposure limits to interest rate and exposure to foreign exchange risks. Additionally, the market risk is monitored for Banking Book by using the parametric Value at Risk (VaR) methodology and the liquidity coverage level.

The Operational Risk Management, from the corporate standpoint, has a configuration that provides for involved in a single group of processes, named Operational risk Management, and five sub-processes, as follows: Identification and Analysis of Operational Risks, Measurement of Operational Risks, Monitoring of Risk-Mitigating Measures, Management of Operational Losses, and Monitoring of Operational Risks.

INTERNAL CONTROLS

The Banco do Nordeste Internal Control System stands on the following principles: good corporate governance practices, people's integrity and their ethical values, high commitment level to work in a diligent and transparent manner.

In order to strengthen the internal control of products and processes with a centralized management in General Executive Board Units, evaluation and compliance evaluation activities were conducted.

We emphasize the preparation and implementation of the rating calculation methodology of the Bank's branches.

SUSTAINABILITY

In 2013, Banco do Nordeste developed various Sustainability measures, as follows:

- Participation in the running, structuring and coordination of technical cooperation with the Inter-American Development Bank (IDB) and Ministry of Environment for promotion of the sustainable development of Caatinga, with higher energy efficiency and observing the Brazilian National Policy for Solid Waste (PNRS).
- Definition of the work plan for instruction of customers on the need for environmental regulation of the rural estate and the registration with the Rural Environmental Record (CAR).
- Coordination of campaigns for allocation of tax incentive funds for social projects such as Children and Adolescent Rights Fund (FIA), the Sport Incentive Law, and the newly created Elderly Rights Fund.
- Participation in operation of the Housing Subsidizing Program (PSH).

- R\$ 239.9 million taken out for environmental programs FNE Verde, Pronaf Semiárido, Pronaf Floresta, Pronaf Eco and Pronaf Agroecologia, and R\$ 4.5 million invested in FNE Inovação.
 - Adjustments in funding forestry and forest extraction policy, for which the financing of costs for sustainable forest management was made possible.
 - Structuring of partnership and performance of energy efficiency project with Deutsche Gesellschaft für Internationale Zusammenarbeit - GIZ in the energy efficiency area.
-

BANCO DO NORDESTE DO BRASIL S.A.
 HEAD OFFICE: AV. DR. SILAS MUNGUBA, 5.700 - FORTALEZA - CEARÁ
 PUBLICLY-HELD ENTITY - C.N.P.J. nº 07.237.373/0001-20

BALANCE SHEETS
 Years ended December 31, 2013 and 2012
 General Management and Branches in Brazil
 (In thousands of Reais)

ASSETS

		12.31.2013	12.31.2012
CURRENT ASSETS.....		15.349.319	14.312.230
CASH AND CASH EQUIVALENTS	(Note 5)	155.909	121.853
INTERBANK INVESTMENTS.....	(Note 6.a)	7.737.065	6.514.841
Open market investments		7.606.592	6.384.020
Interbank deposits.....		130.473	130.821
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	690.164	459.453
Bank's portfolio.....		690.083	309.498
Derivative financial instruments.....		81	-
Linked to guarantees given.....		-	149.955
INTERBANK ACCOUNTS		369.442	315.987
Unsettled payments and receipts.....		1.236	1.126
Linked credits:			
Deposits with Brazilian Central Bank.....	(Note 8.a)	351.120	306.374
National Treasury - Rural credit funds.....	(Note 8.a)	14.492	6.191
Interbank lending.....		1.130	986
Correspondents.....		1.464	1.310
LOANS.....		4.365.875	4.775.461
Loans.....	(Note 9.a)	4.751.089	5.199.136
Public sector.....		158.847	102.633
Private sector.....		4.592.242	5.096.503
(Allowance for loan losses)	(Note 9.a)	(385.214)	(423.675)
OTHER CREDITS.....		2.004.904	2.100.029
Credits for guarantees and securities honored.....	(Note 10.a)	-	8
Exchange portfolio	(Note 10.b)	540.994	592.978
Income receivable	(Note 10.c)	9.568	25.434
Trading securities	(Note 10.d)	4	4
Other receivables	(Note 10.e)	1.471.727	1.558.087
(Allowance for loan losses)	(Note 10.f)	(17.389)	(76.482)
OTHER ASSETS		25.960	24.606
Other assets		5.654	5.924
(Valuation allowance).....		(695)	(760)
Prepaid expenses		21.001	19.442
LONG-TERM RECEIVABLES		18.232.580	17.375.096
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	11.313.849	10.783.710
Bank's portfolio		9.547.043	9.691.773
Linked to repurchase agreements.....		1.126.481	665.509
Derivative financial instruments.....		337.967	193.640
Linked to guarantees given.....		302.358	232.788
INTERBANK ACCOUNTS.....		42.634	40.609
Linked credits:			
National Treasury - Rural credit funds.....	(Note 8.a)	554	3
Brazilian Financial Housing System (SFH)	(Note 8.a)	39.254	37.156
Onlending.....		2.826	3.450
LOANS.....		5.882.508	5.748.868
Loans.....	(Note 9.a)	6.373.679	6.123.950
Public sector.....		1.211.833	1.262.790
Private sector.....		5.161.846	4.861.160
Allowance for loan losses	(Note 9.a)	(491.171)	(375.082)
OTHER CREDITS.....		993.589	801.909
Credits for guarantees and securities honored.....	(Note 10.a)	-	7
Income receivable	(Note 10.c)	18.049	-
Other receivables	(Note 10.e)	1.022.017	806.214
(Allowance for loan losses)	(Note 10.f)	(46.477)	(4.312)
PERMANENT ASSETS.....	(Note 12)	235.604	201.562
INVESTMENTS		1.825	1.720
Other investments		7.128	7.023
(Allowance for losses)		(5.303)	(5.303)
Property and equipment in use		220.993	198.906
Real estate in use		159.881	152.457
Revaluation of real estate in use		105.410	105.410
Other property and equipment in use		235.024	191.645
(Accumulated depreciation)		(279.322)	(250.606)
INTANGIBLE ASSETS		12.308	-
Intangible assets		12.308	-
DEFERRED CHARGES		478	936
Organization and expansion costs.....		2.008	2.939
(Accumulated amortization).....		(1.530)	(2.003)
TOTAL ASSETS.....		33.817.503	31.888.888

BANCO DO NORDESTE DO BRASIL S.A.
 HEAD OFFICE: AV. DR. SILAS MUNGUBA, 5.700 - FORTALEZA - CEARÁ
 PUBLICLY-HELD ENTITY - C.N.P.J. nº 07.237.373/0001-20

BALANCE SHEETS
 Years ended December 31, 2013 and 2012
 General Management and Branches in Brazil
 (In thousands of Reais)

LIABILITIES AND EQUITY

		12.31.2013	12.31.2012
CURRENT LIABILITIES		13.285.888	10.594.408
□ DEPOSITS	(Note 13.b)	5.910.777	4.772.938
Cash deposits		244.175	118.635
Savings deposits		1.872.563	1.615.970
Interbank deposits		774.655	593.137
Time deposits		3.019.384	2.445.196
OPEN MARKET FUNDING	(Note 13.c)	1.127.212	738.598
Bank's portfolio		1.073.895	581.802
Third-party portfolio		53.317	156.796
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	19.488	75.476
Funds from real estate bills, mortgage bills and credit notes and similar notes		9.621	66.869
Liabilities for securities issued abroad		9.867	8.607
INTERBANK ACCOUNTS		1.805	66
Unsettled payments and receipts		1.805	66
INTERDEPARTMENTAL ACCOUNTS		5.409	15.586
Third-party funds in transit		5.399	15.578
Internal transfer of funds		10	8
BORROWINGS	(Note 14.b)	777.276	826.189
Domestic borrowings – Official institutions		19.416	17.912
Foreign borrowings		757.860	808.277
DOMESTIC ONLENDING – OFFICIAL INSTITUTIONS	(Note 14.c)	156.842	121.769
National treasury		230	253
BNDES		132.408	101.633
FINAME		24.204	19.883
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	978	2.184
Derivative financial instruments		978	2.184
FOREIGN ONLENDING	(Note 14.d)	101.113	88.354
Foreign onlendings		101.113	88.354
OTHER LIABILITIES		5.184.988	3.953.248
Collection and transfer of taxes and the like	(Note 16.a)	1.798	3.154
Foreign exchange portfolio	(Note 16.b)	10.830	32.008
Social and statutory	(Note 16.c)	61.835	95.061
Tax and social security	(Note 16.d)	487.475	825.052
Trading account	(Note 16.e)	68	68
Financial and development funds	(Note 16.f)	3.103.568	1.673.702
Hybrid Equity-Debt Instruments	(Note 17)	78.471	74.143
Other	(Note 16.i)	1.440.943	1.250.060
LONG-TERM LIABILITIES		17.491.785	18.610.729
DEPOSITS	(Note 13.b)	5.080.669	5.048.501
Demand deposits		8.819	15.383
Interbank deposits		102.711	78.890
Time deposits		4.969.139	4.954.228
Open market funding	(Note 13.c)	50.383	81.917
Own portfolio		50.383	81.917
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	1.467.778	1.318.769
Funds from real estate bills, mortgage bills and credit notes and similar notes		-	418
Liabilities for securities issued abroad		1.467.778	1.318.351
BORROWINGS	(Note 14.b)	-	17.912
Domestic borrowings – Official institutions		-	17.912
DOMESTIC ONLENDING – OFFICIAL INSTITUTIONS	(Note 14.c)	1.549.999	1.464.432
National treasury		468	556
BNDES		1.395.929	1.333.988
FINAME		153.602	129.888
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	416	6.405
Derivative financial instruments		416	6.405
FOREIGN ONLENDINGS	(Note 14.d)	745.417	736.841
Foreign onlendings		745.417	736.841
OTHER LIABILITIES		8.597.123	9.935.952
Financial and development funds	(Note 16.f)	3.983.648	5.005.676
Hybrid Equity-Debt Instruments	(Note 17)	1.194.110	1.128.249
Subordinated debt eligible for capital	(Note 18)	1.455.982	1.332.382
Other	(Note 16.i)	1.963.383	2.469.645
EQUITY	(Note 19)	3.039.830	2.683.751
CAPITAL		2.437.000	2.142.000
Domiciled in Brazil		2.437.000	2.142.000
REVALUATION RESERVE		20.610	22.904
INCOME RESERVES		590.649	425.494
EQUITY ADJUSTMENTS		(8.045)	(218.392)
RETAINED EARNINGS (ACCUMULATED LOSSES)		-	312.129
(TREASURY SHARES)		(384)	(384)
TOTAL LIABILITIES AND EQUITY		33.817.503	31.888.888

INCOME STATEMENTS

Years ended December 31, 2013 and 2012 and six-month period ended December 31, 2013

General Management and branches in Brazil
(In thousands of Reais)

		2nd half of 2013	2.013	2.012
INCOME FROM FINANCIAL INTERMEDIATION		2.019.669	3.710.087	3.804.675
Lending operations.....	(Note 9.a.2)	996.557	1.852.087	2.178.178
Marketable securities gains (losses)	(Note 7.b)	885.445	1.571.906	1.326.736
Derivative financial instruments gains (losses)	(Note 7.d)	57.559	108.779	109.979
Foreign exchange gains (losses)	(Note 11.b)	66.719	149.888	165.449
Compulsory investment gains (losses)	(Note 8.b)	11.229	19.976	19.508
Sales transactions on transfer of financial assets		2.160	7.451	4.825
EXPENSES FROM FINANCIAL INTERMEDIATION		(1.356.113)	(2.709.910)	(2.603.574)
Market funding transactions	(Note 13.d)	(577.413)	(1.059.657)	(991.525)
Borrowings and onlending	(Note 14.e)	(474.140)	(949.663)	(997.251)
Sales transactions on transfer of financial assets		-	-	(2)
Allowance for loan losses	(Note 9.e)	(304.560)	(700.590)	(614.796)
GROSS INCOME FROM FINANCIAL INTERMEDIATION		663.556	1.000.177	1.201.101
OTHER OPERATING INCOME (EXPENSES)	(Note 20)	(298.609)	(448.959)	(639.079)
Income from service revenue		772.826	1.602.674	1.391.602
Income from bank fees		17.642	32.603	29.057
Personnel expenses:				
Personnel expenses		(588.611)	(1.116.935)	(1.006.809)
Post-employment benefits		(86.003)	(157.616)	(142.899)
Other administrative expenses		(441.079)	(825.507)	(824.986)
Tax expenses		(112.228)	(218.792)	(215.202)
Other operating income		657.918	1.377.743	1.431.569
Other operating expenses		(519.074)	(1.143.129)	(1.301.411)
OPERATING INCOME (EXPENSES)		364.947	551.218	562.022
NONOPERATING INCOME (EXPENSES)		4.983	5.066	3.310
INCOME BEFORE TAXES AND PROFIT SHARING		369.930	556.284	565.332
INCOME AND SOCIAL CONTRIBUTION TAXES	(Note 21)	(194.226)	(166.470)	320.779
Provision for income tax		(6.923)	(140.671)	(259.015)
Provision for social contribution tax		(6.898)	(89.785)	(163.252)
Deferred tax effect		(180.405)	63.986	743.046
STATUTORY PROFIT SHARING		(15.375)	(29.457)	(65.619)
NET INCOME		160.329	360.357	820.492
INTEREST ON EQUITY	(Note 19.d)	(50.019)	(117.819)	(132.273)
Number of shares (in thousand)		87.002	87.002	87.002
Earnings per share, net (in R\$)		1,84	4,14	9,43

STATEMENTS OF CHANGES IN EQUITY
Years ended at December 31, 2013 and 2012 and six-month period ended December 31, 2013
 General Management and Branches in Brazil
 (In thousands of Reals)

EVENTS	PAID-IN CAPITAL		REVALUATION RESERVES	INCOME RESERVES			EQUITY ADJUSTMENTS	RETAINED EARNINGS (ACCUMULATED LOSSES)	TREASURY SHARES	TOTAL
	PAID-IN CAPITAL	CAPITAL INCREASE	OWN ASSETS	LEGAL	STATUTORY	OTHER				
BALANCES AT 12.31.2011	2.010.000	-	25.198	104.636	132.862	7.038	50.149	-	(384)	2.329.499
EQUITY ADJUSTMENTS:										
Marketable securities adjustments							43.588			43.588
CAPITAL INCREASE:										
From reserves:										
Transfer for capital increase		132.000			(132.000)					-
Addition to capital	132.000	(132.000)								-
OTHER EVENTS:										
Assets revaluation:										
Realization of reserve:										
Gross value			(3.824)					3.824		-
Tax			1.530					(1.530)		-
OTHERS (Transfer for payment of interest on equity and dividends)						(68.559)				(68.559)
NET INCOME FOR THE YEAR								508.363		508.363
Allocations:										
Reserves				25.418	294.578			(319.996)		-
Dividends and interest on equity								(128.996)		(128.996)
Additional dividends proposed (Dividends and interest on equity)						61.521		(61.521)		-
OTHERS (provision for income on IOE for the year)								(144)		(144)
BALANCES AT 12.31.2012	2.142.000	-	22.904	130.054	295.440	-	93.737	-	(384)	2.683.751
EQUITY ADJUSTMENTS (Actuarial gains and losses – Adoption of CVM Rule No. 695)	-	-	-	-	-	-	(312.129)	312.129	-	-
BALANCES AT 12.31.2012 - ADJUSTED	2.142.000	-	22.904	130.054	295.440	-	(218.392)	312.129	(384)	2.683.751
CHANGES FOR THE YEAR	132.000	-	(2.294)	25.418	162.578	(7.038)	(268.541)	312.129	-	354.252
BALANCES AT 12.31.2012 - ADJUSTED	2.142.000	-	22.904	130.054	295.440	-	(218.392)	312.129	(384)	2.683.751
EQUITY ADJUSTMENTS:										
Marketable securities adjustments							(348.124)			(348.124)
Actuarial gains (losses)							558.471			558.471
CAPITAL INCREASE:										
From reserve:										
Transfer for capital increase		295.000			(295.000)					-
OTHER EVENTS:										
Assets revaluation:										
Realization of reserve:										
Gross value			(3.824)					3.824		-
Tax expenses			1.530					(1.530)		-
NET INCOME FOR THE YEAR								360.357		360.357
Allocations:										
Reserves				18.018	426.763			(444.781)		-
Dividends and interest on equity								(125.729)		(176.164)
Provision for dividends / IOE								(38.364)		(38.364)
Additional dividends proposed (Dividends and interest on equity)						65.809		(65.809)		-
OTHERS (provision for income on IOE for the year)								(97)		(97)
BALANCES AT 12.31.2013	2.142.000	295.000	20.610	148.072	427.203	15.374	(8.045)	-	(384)	3.039.830
CHANGES FOR THE YEAR	-	295.000	(2.294)	18.018	131.763	15.374	210.347	(312.129)	-	356.079
BALANCES AT 06.30.2013	2.142.000	295.000	21.757	140.055	327.482	50.435	(458.031)	-	(384)	2.518.314
EQUITY ADJUSTMENTS:										
Marketable securities adjustments							(146.281)			(146.281)
Actuarial gains (losses)							596.267			596.267
OTHER EVENTS:										
Realization of reserve:										
Gross value			(1.912)					1.912		-
Tax			765					(765)		-
NET INCOME FOR THE SIX-MONTH PERIOD								160.329		160.329
Allocations:										
Reserves				8.017	99.721			(107.738)		-
Dividends and interest on equity								(38.364)		(50.435)
Provision for dividends / IOE								(38.364)		(38.364)
Additional dividends proposed (Dividends and interest on equity)						15.374		(15.374)		-
BALANCES AT 12.31.2013	2.142.000	295.000	20.610	148.072	427.203	15.374	(8.045)	-	(384)	3.039.830
CHANGES FOR THE SIX-MONTH PERIOD	-	-	(1.147)	8.017	99.721	(35.061)	449.986	-	-	521.516

STATEMENTS OF CASH FLOWS

Years ended December 31, 2013 and 2012 and six-month period ended December 31, 2013

General Management and Branches in Brazil

(In thousands of Reais)

	2nd half of 2013	Year 2013	Year 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	160.329	360.357	820.492
Adjustments to income:			
Depreciation and amortization expenses	18.436	35.411	29.212
(Reversal of) provision for impairment of other assets	(62)	(65)	(404)
Allowance for loan losses	295.555	686.142	581.565
Allowance for losses on other receivables	9.005	14.448	33.231
Provision for contingent liabilities (FNE risks)	169.405	560.932	699.670
Provision for contingent liabilities	162.628	181.837	108.229
Provision (post-employment benefit – CVM Rule No. 695)	86.003	157.616	142.899
Other operating provision expenses	6.328	8.967	8.676
Reversal of operating provision	(11.391)	(22.214)	(121.689)
Expenses with subordinated debt eligible to capital	65.597	123.600	116.062
Expenses with Hybrid Equity-Debt Instruments	70.882	146.202	137.139
Provision for dividends and interest on equity	(88.799)	(214.625)	(129.140)
Deferred income	-	-	(16)
Adjusted net income	943.916	2.038.608	2.425.926
Interbank investments	(124.700)	(3.184)	(24.915)
interbank and interdepartmental accounts	(51.858)	(63.918)	(43.954)
Loan transactions	(458.575)	(410.196)	(515.564)
Other receivables	145.085	140.586	(771.008)
Other receivables and assets	(807)	(1.399)	(7.628)
Deposits	(389.860)	1.170.007	856.939
Open market funding	205.645	357.080	116.142
Funds from acceptance and issue of securities	68.859	93.021	630.638
Loan and onlending obligations	104.773	75.150	245.631
Derivative financial instruments.....	(81.976)	(151.603)	(161.285)
Other obligations	(819.534)	(855.984)	2.224.335
Income and social contribution taxes paid	(120.703)	(417.638)	(274.157)
CASH FROM (USED IN) OPERATING ACTIVITIES	(579.735)	1.970.530	4.701.100
CASH FLOW FROM INVESTING ACTIVITIES			
Marketable securities	(190.249)	(964.566)	(947.058)
Actuarial gains (losses)	596.267	558.471	(312.129)
Additions to investments	(40)	(105)	(157)
Additions to property and equipment in use	(13.392)	(58.210)	(42.085)
Additions to intangible assets	(12.308)	(12.308)	-
Additions to assets used by third parties	(197)	(369)	(409)
Disposal of investments	-	-	6
Disposal of property and equipment in use	745	1.170	303
Disposal of assets used by third parties	398	479	957
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	381.224	(475.438)	(1.300.572)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends and interest on equity paid	(176.163)	(241.996)	(130.134)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(176.163)	(241.996)	(130.134)
(Decrease) increase in cash and cash equivalents	(374.674)	1.253.096	3.270.394
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS			
At beginning of period	8.083.857	6.456.087	3.185.693
At end of period	7.709.183	7.709.183	6.456.087
(Decrease) increase in cash and cash equivalents	(374.674)	1.253.096	3.270.394

STATEMENTS OF VALUE ADDED

Years ended December 31, 2013 and 2012 and six-month period ended December 31, 2013

General Management and Branches in Brazil

(Amounts in thousands of Reais)

	2nd half of 2013	%	12/31/2013	%	12/31/2012	%
REVENUES	2.649.404		4.884.455		4.744.006	
Income from financial intermediation	2.019.669		3.710.087		3.804.675	
Income from services and Bank fees	790.468		1.635.277		1.420.659	
Allowance for loan losses	(304.560)		(700.590)		(614.796)	
Other revenues/expenses	143.827		239.681		133.468	
EXPENSES FROM FINANCIAL INTERMEDIATION	(1.051.553)		(2.009.320)		(1.988.778)	
INPUTS PURCHASED FROM THIRD PARTIES	(413.475)		(772.826)		(782.858)	
Materials, energy and others	(32.593)		(66.784)		(62.301)	
Third-party services	(207.947)		(393.279)		(355.117)	
Other	(172.935)		(312.763)		(365.440)	
Data Processing and Telecommunications	(89.968)		(164.962)		(176.059)	
Advertising, Promotion and Publications	(20.163)		(27.452)		(43.910)	
Transportation	(9.423)		(18.824)		(16.568)	
Security	(16.235)		(29.899)		(23.706)	
Travel	(8.021)		(14.597)		(15.475)	
Other	(29.125)		(57.029)		(89.722)	
GROSS VALUE ADDED	1.184.376		2.102.309		1.972.370	
RETENTIONS	(18.436)		(35.411)		(29.212)	
Depreciation, amortization and depletion	(18.436)		(35.411)		(29.212)	
NET VALUE ADDED PRODUCED BY THE BANK	1.165.940		2.066.898		1.943.158	
TOTAL VALUE ADDED FOR DISTRIBUTION	1.165.940		2.066.898		1.943.158	
DISTRIBUTION OF VALUE ADDED	1.165.940		2.066.898		1.943.158	
PERSONNEL	596.436	51,2	1.127.319	54,5	1.055.704	54,3
COMPENSATION	408.503	35,0	777.935	37,6	737.952	38,0
Salaries	393.128		748.478		672.333	
Profit sharing	15.375		29.457		65.619	
BENEFITS	157.807	13,5	292.464	14,1	266.371	13,7
Provisions (post-employment benefits)	86.003		157.616		142.899	
Benefits - Other	71.804		134.848		123.472	
Unemployment Compensation Fund (FGTS)	30.126	2,6	56.920	2,8	51.381	2,6
TAXES, CHARGES AND CONTRIBUTIONS	400.007	34,3	561.952	27,2	54.045	2,8
Federal	391.106		544.570		38.392	
State	70		86		53	
Municipal	8.831		17.296		15.600	
DEBT REMUNERATION	9.168	0,8	17.270	0,8	12.917	0,7
Rent	9.168		17.270		12.917	
EQUITY REMUNERATION	160.329	13,8	360.357	17,4	820.492	42,2
INTEREST ON EQUITY (IOE)	50.019	4,3	117.819	5,7	132.273	6,8
Federal	47.199		111.016		124.501	
Other	2.820		6.803		7.772	
DIVIDENDS	3.720	0,3	112.180	5,4	58.388	3,0
Federal	3.501		105.589		54.958	
Other	219		6.591		3.430	
RETAINED PROFITS FOR THE PERIOD/YEAR	106.590	9,1	130.358	6,3	629.831	32,4

Banco do Nordeste do Brasil S.A.

Notes to financial statements

Years ended December 31, 2013 and 2012

(Amounts expressed in thousands of Reais, unless otherwise stated)

Contents of the Notes to Financial Statements

Note 1 - The bank and its characteristics	Note 18 - Subordinated debts
Note 2 - Basis of preparation and presentation of financial statements	Note 19 - Equity
Note 3 - Summary of significant accounting practices	Note 20 - Other operating income (expenses)
Note 4 - Segment information	Note 21 - Taxes and contributions
Note 5 - Cash and cash equivalents	Note 22 - Provisions, contingent assets and liabilities and legal obligations - tax and social security
Note 6 - Interbank investments	Note 23 - Employee and officer compensation
Note 7 - Marketable securities and derivative financial instruments	Note 24 - Profit sharing
Note 8 - Interbank accounts – restricted deposits	Note 25 - Post-employment benefits
Note 9 - Loan portfolio and allowance for loan losses	Note 26 - Northeast Constitutional Financing Fund (FNE)
Note 10 - Other receivables	Note 27 -Workers' Assistance Fund (FAT)
Note 11 - Exchange portfolio	Note 28 - Risk management and Basel ratio
Note 12 - Permanent assets	Note 29 - Transactions with related parties
Note 13 - Deposits and open market funding	Note 30- Statement of comprehensive income
Note 14 - Borrowings and onlending	Note 31 - Other information
Note 15 - Funds from acceptance and issue of securities	
Note 16 - Other liabilities	
Note 17 - Hybrid equity-debt instruments	

NOTE 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is an all-purpose bank established by Federal Law No. 1649, of July 19, 1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará State, Brazil. The Bank was structured as a mixed economy, publicly-traded corporation and its mission is: “to operate, in its capacity of a public financial institution, in promoting the sustainable development of the Northeast in a competitive and profitable manner.” Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks, except mortgage loan portfolio. As an institution devoted to regional development, the Bank operates as the executive agent of public policies and is responsible for managing the Northeast Constitutional Financing Fund (FNE) - the main source of funds used by the Bank for long-term financing – and the operation of the National Family Farming Strengthening Program (PRONAF) in its jurisdiction. It is also the operator of the Northeast Investment Fund (FINOR) and the Northeast Development Fund (FDNE), the latter created in 2001 and altered in 2007 by Supplementary Law No. 125, which recreated the Northeast Development Authority (SUDENE). In 1998, the Bank created its Production-Oriented Microcredit Program (Crediamigo), a Production Microloan Program that facilitates credit access to thousands of small entrepreneurs who engage in production-related, product sale, and service activities. In addition to federal funds, the Bank has access to other sources of financing in the domestic and foreign markets through funds raised directly, as well as partnerships with domestic and foreign institutions, including multilateral institutions such as the World Bank and the InterAmerican Development Bank (IDB).

NOTE 2 - Basis of preparation and presentation of financial statements

The financial statements were prepared in accordance with Brazilian Corporation Law, as amended by Laws No. 11638 and No. 11941, of 12.28.2007 and 05.27.2009, respectively, and regulations of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), and the Brazilian Securities and Exchange Commission (CVM), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (COSIF).

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

- CPC 00 (R1) - The Conceptual Framework for Financial Reporting (CMN Resolution No. 4144, of 09.27.2012);
- CPC 01 - Impairment of Assets (CMN Resolution No. 3566, of 05.29.2008);
- CPC 03 - Cash Flow Statement - (CMN Resolution No. 3604, of 08.29.2008);
- CPC 05 – Related Party Disclosures (CMN Resolution No. 3750, of 06.30.2009);
- CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors (CMN Resolution No. 4007, of 08.25.2011);
- CPC 24 – Subsequent Events (CMN Resolution No. 3973, of 05.26.2011);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution No. 3823, of 12.16.2009);
- CPC 09 - Statement of Value Added (CVM Rule No. 557, of 11.12.2008);
- CPC 22 – Segment Information (CVM Rule No. 582, of 07.31.2009);
- CPC 27 - Property, Plant and Equipment (CVM Rule No. 583, of 07.31.2009);
- CPC 32 – Income Taxes (CVM Rule No. 599, of 09.15.2009); and
- CPC 33 - Employee Benefits (R1) (CVM Rule No. 695, of 12.13.2012).

NOTA 3 - Summary of significant accounting practices

a) Functional currency

The Bank's functional and reporting currency is the Brazilian Real.

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

At the end of each period, monetary assets and liabilities denominated in foreign currency are restated by the average exchange rate, and any variations are recorded in P&L for the year.

b) P&L recognition criteria

Revenues and expenses are recognized on a monthly basis, following the accrual method and considering the *pro rata temporis* criterion.

c) Current and noncurrent assets and liabilities

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

Receivables and payables are recorded in Current assets and Long-term receivables and in Current and Long-term liabilities, respectively, according to maturity dates.

d) Cash and cash equivalents

Cash and cash equivalents correspond to the balances of cash and cash equivalents, interbank investments and marketable securities immediately convertible into cash or with original maturity equal to or less than ninety days, with an insignificant risk of change in their market value.

e) Interbank investments

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

f) Marketable securities

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

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

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

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

g) Derivative financial instruments

Banco do Nordeste limits its operations in the derivative market to swap transactions intended solely to hedge its asset and liability positions.

Swap transactions are stated in balance sheet and memorandum accounts, according to their nature, based on prevailing accounting standards and legal provisions. They are measured at market value upon preparation of monthly trial balances and half-yearly balance sheets. Valuations or devaluations are stated in income or expense accounts. The rates disclosed by the Securities, Commodities and Futures Exchange (BM&FBOVESPA) are used to calculate the market value of these transactions.

Hedge accounting

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

Changes in the market value of derivatives designated as hedging instruments are recognized in P&L. However, the market value adjustment of the hedged item is recorded as part of its book value, and is also recognized in P&L for the period. If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under hedge accounting conditions, the hedging relationship ends.

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

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

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

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

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

H-rated operations remain under this rating for 180 days, when they are then written off against the existing allowance and controlled for five years, no longer being included in the balance sheets.

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

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

i) Prepaid expenses

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

j) Permanent assets

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

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

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

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

Intangible assets correspond to rights whose subject matter is represented by intangible assets intended for the maintenance of the Bank's activities or exercised for such purpose, including the goodwill acquired.

An asset meets the criterion for identification of an intangible assets whenever: it is separable, i.e., can be separated from the entity and sold, transferred or licensed, leased or exchanged individually or together with a contract, related assets or liabilities, irrespective of the intended use by the entity or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are comprised of disbursements for acquisition of software rights that are currently in implementation phase, the useful lives of which will be estimated within 10 years from the date of their availability for use, and which will be amortized on a straight-line basis. When applicable, intangible assets will be adjusted for impairment losses (Note 12.c).

k) Corporate Income Tax (IRPJ), Social Contribution Tax on Net Profit (CSLL), Public Service Employee Savings Program (PASEP) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS)

Income tax (IRPJ) is calculated at the rate of 15% plus a 10% surtax (on taxable profit exceeding R\$240 for the year), and social contribution tax (CSLL) is calculated at the rate of 15%, after the adjustments defined in tax legislation. Deferred tax assets and liabilities are calculated, substantially, on temporary differences between accounting and tax bases, arising from allowances for loan losses, reserves for post-employment benefits, market value adjustments of marketable securities, derivative financial instruments and hedged item.

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

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

l) Employee benefits

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

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

Effective from January 2013, CVM Rule No. 695 of 12.31.2012 changed the accounting practice applicable to post-employment benefits. The most significant changes that impacted the Bank's financial statements include: (i) change in the policy adopted to estimate the expected return on assets' fair value to cover the post-employment benefit obligations; and (ii) change in the methodology for calculating net interest on liabilities/(assets) of the defined benefit, including the introduction of interest on effect of asset ceiling, when applicable.

Restatement of comparative balances

The financial statements as at December 31, 2012, presented for comparative purposes, were adjusted so as to reflect the calculation of actuarial losses for the period, using the best estimates based on available information for such calculations. These financial statements are being restated due to the change in accounting criterion applicable to post-employment benefits, as required by CVM Rule No. 695 of 12.13.2012.

The effects of this restatement are summarized as follows:

BALANCE SHEETS	December 31, 2012		
	Original	Adjustment	Restated
Retained earnings (accumulated losses) ⁽¹⁾	-	312,129	312,129
Equity adjustments ⁽²⁾	93,737	(312,129)	(218,392)

⁽¹⁾ The adjustment recognized in "Retained earnings (accumulated losses)" refers to the actuarial loss determined, originally recognized in P&L ("Personnel Expenses").

⁽²⁾ The change recognized in "Equity adjustments" refers to the actuarial loss determined, originally recognized in P&L ("Personnel expenses").

INCOME STATEMENTS	December 31, 2012		
	Original	Adjustment	Restated
Personnel expenses ⁽¹⁾	(1,461,837)	312,129	(1,149,708)
Post-employment benefits	(455,028)	312,129	(142,899)
Net income ⁽¹⁾	508,363	312,129	820,492

⁽¹⁾ Refers to the adjustment recorded under "Personnel expenses" arising from actuarial loss determined.

Statements of comprehensive income	December 31, 2012		
	Original	Adjustment	Restated
Net income ⁽¹⁾	508,363	312,129	820,492
Actuarial gains and losses ⁽²⁾	-	(312,129)	(312,129)

⁽¹⁾ Refers to the adjustment recorded under "Personnel expenses" arising from actuarial loss determined.

⁽²⁾ The adjustment recorded in "Actuarial gains and losses" refers to the actuarial loss determined.

CASH FLOW STATEMENTS	December 31, 2012		
	Original	Adjustment	Restated
Net income for the period ⁽¹⁾	508,363	312,129	820,492
Provision (post-employment benefits) ⁽²⁾	455,028	(312,129)	142,899
Actuarial gains and losses ⁽³⁾	-	(312,129)	(312,129)
Other liabilities ⁽⁴⁾	1,912,206	312,129	2,224,335

⁽¹⁾ The adjustment recorded in "Net income" refers to the actuarial loss determined.

⁽²⁾ The change in "Provision (post-employment benefits)" refers to the actuarial loss determined.

⁽³⁾ The adjustment recorded in "Actuarial gains and losses" refers to the actuarial loss determined.

⁽⁴⁾ The change in "Other liabilities" refers to the actuarial loss determined.

STATEMENTS OF CHANGES IN EQUITY	December 31, 2012		
	Original	Adjustment	Restated
Retained earnings (accumulated losses) ⁽¹⁾	-	312,129	312,129
Equity adjustments ⁽²⁾	93,737	(312,129)	(218,392)

⁽¹⁾ The adjustment recorded in "Retained earnings (accumulated losses)" refers to the actuarial loss determined.

⁽²⁾ The adjustment recorded in "Actuarial gains and losses" refers to the actuarial loss determined.

STATEMENTS OF VALUE ADDED	December 31, 2012		
	Original	Adjustment	Restated
Benefits ⁽¹⁾	578,501	(312,129)	266,372
Retained earnings for the period ⁽²⁾	317,702	312,129	629,831

⁽¹⁾ The adjustment to "Benefits" refers to the actuarial loss determined.

⁽²⁾ The adjustment recorded in "Retained earnings for the period" refers to the actuarial loss determined.

m) Impairment of assets

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

n) Contingent assets and liabilities and legal obligations

Contingent assets and liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CMN Resolution No. 3823, of 12.16.2009.

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

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

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

o) Use of estimates

The preparation of the financial statements includes estimates and assumptions, such as in determining allowances for loan losses, market value measurement of financial instruments, provision for contingencies, impairment losses and other provisions, e.g. reserves for actuarial liabilities for health care and supplementary pension plans. Actual results could differ from such estimates and assumptions.

NOTE 4 - Segment information

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

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

b) FNE - comprises loans within the scope of FNE

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

At December 31, 2013 and 2012, no revenue from transactions with one single external customer accounted for 10% or more of the Bank's total revenue.

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

Specification	2 nd half of 2013			01.01 to 12.31.2013			01.01 to 12.31.2012		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	1,791,114	891,456	2,682,570	3,410,156	1,682,739	5,092,895	3,737,207	1,502,347	5,239,554
Income from loans	996,557	-	996,557	1,852,087	-	1,852,087	2,178,178	-	2,178,178
Income (loss) from marketable securities	509,040	376,405	885,445	892,151	679,755	1,571,906	747,409	579,327	1,326,736
Derivative financial instruments gains (losses)	57,559	-	57,559	108,779	-	108,779	109,979	-	109,979
Foreign exchange gains (losses)	66,719	-	66,719	149,888	-	149,888	165,449	-	165,449
Compulsory investment gains (losses)	11,229	-	11,229	19,976	-	19,976	19,508	-	19,508
Sales or transfer of financial assets	2,160	-	2,160	7,451	-	7,451	4,825	-	4,825
Other revenues	147,850	515,051	662,901	379,824	1,002,984	1,382,808	511,859	923,020	1,434,879
Expenses	(996,651)	(669,895)	(1,666,546)	(2,062,492)	(1,353,969)	(3,416,461)	(2,076,779)	(1,282,766)	(3,359,545)
Expenses on open market funding	(577,413)	-	(577,413)	(1,059,657)	-	(1,059,657)	(991,525)	-	(991,525)
Expenses on borrowings and onlending	(114,678)	(359,462)	(474,140)	(300,505)	(649,158)	(949,663)	(443,992)	(553,259)	(997,251)
Sales or transfer of financial assets	-	-	-	-	-	-	(2)	-	(2)
Allowance for loan losses	(304,560)	(169,404)	(473,964)	(700,590)	(560,931)	(1,261,521)	(614,796)	(699,671)	(1,314,467)
Other contingent liabilities (Note 20.g)	-	(140,977)	(140,977)	(1,740)	(143,531)	(145,271)	(26,464)	(29,633)	(56,097)
Provision for PROAGRO receivable	-	(52)	(52)	-	(349)	(349)	-	(203)	(203)
Financial margin	794,463	221,561	1,016,024	1,347,664	328,770	1,676,434	1,660,428	219,581	1,880,009
Service revenues	146,780	626,046	772,826	296,176	1,306,498	1,602,674	253,812	1,137,790	1,391,602
Income from fees, rates and commissions	17,642	-	17,642	32,603	-	32,603	29,057	-	29,057
PASEP and COFINS ⁽¹⁾	(46,596)	(55,745)	(102,341)	(88,067)	(112,183)	(200,250)	(98,029)	(99,899)	(197,928)
Income (loss) after fees and commissions	912,289	791,862	1,704,151	1,588,376	1,523,085	3,111,461	1,845,268	1,257,472	3,102,740
Administrative expenses			(1,115,694)			(2,100,058)			(1,974,694)
Personnel expenses			(674,614)			(1,274,551)			(1,149,708)
Depreciation and amortization			(18,435)			(35,410)			(29,212)
Other administrative expenses			(422,645)			(790,097)			(795,774)
Other expenses			(190,499)			(409,536)			(501,667)
Expenses with provisions, except allowance for loan losses			(28,028)			(45,583)			(61,047)
Income before taxation and profit sharing			369,930			556,284			565,332
Income and social contribution taxes			(194,226)			(166,470)			320,779
Profit sharing			(15,375)			(29,457)			(65,619)
Net income			160,329			360,357			820,492

⁽¹⁾ Expenses referring to PASEP and COFINS on import of services in the amount R\$25 (R\$233 at December 31, 2012) are included in "Other expenses".

NOTE 5 - Cash and cash equivalents

Specification	12/31/2013	12/31/2012
Cash in local currency	153,121	118,242
Cash in foreign currency	2,788	3,611
Total cash	155,909	121,853
Interbank investments	7,553,274	6,334,234
Total cash and cash equivalents (Note 28.c)	7,709,183	6,456,087

NOTE 6 - Interbank investments

a) Breakdown

Specification	12/31/2013	12/31/2012
a) Open market investments	7,606,592	6,384,020
Resale agreements pending settlement - Self-funding position	7,553,274	6,227,215
Resale agreements pending settlement - Financed position	53,318	156,805
b) Interbank deposits	130,473	130,821
Foreign currency investments	46,764	23,801
Interbank deposits	83,709	107,020
Total	7,737,065	6,514,841
Current balance	7,737,065	6,514,841

b) Income from interbank investments

Specification	2 nd half of 2013	01/01 to 12/31/2013	01/01 to 12/31/2012
a) Income from open market investments (Note 7.b)	349,811	601,452	394,521
Self-funded position	346,704	593,982	383,984
Financed position	3,107	7,470	10,537
b) Income from interbank deposits (Note 7.b)	3,709	5,429	18,311
Total	353,520	606,881	412,832

NOTE 7 - Marketable securities and derivative financial instruments

a) Marketable securities

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

a.1) Marketable securities portfolio

Specification	12/31/2013	12/31/2012
Available-for-sale securities	11,642,248	11,028,442
Held-to-maturity securities	23,717	21,081
Swap differential receivable	338,048	193,640
Total	12,004,013	11,243,163
Current balance	690,164	459,453
Long-term balance	11,313,849	10,783,710

a.2) Available-for-sale securities

Specification	12/31/2013					12/31/2012				
	Cost value	Market/book value	Market adjustment	Maturity	Market value measurement level	Cost value	Market/book value	Market adjustment	Maturity	Level of measurement of market value
Fixed income securities	11,612,627	11,190,805	(421,822)			10,332,613	10,494,910	162,297		
Financial Treasury Bills (LFT)	8,277,985	8,281,099	3,114	2014 to 2018	Level 1	7,904,113	7,904,764	651	2013 to 2018	Level 1
National Treasury Bills (LTN)	12	12	-	2014	Level 1	11	11	-	2014	Level 1
National Treasury Notes (NTN)	1,219,825	1,115,050	(104,775)	2050	Level 1	1,155,266	1,562,643	407,377	2050	Level 1
Financial bills	1,333,889	1,294,421	(39,468)	2014 to 2019	Level 3	477,168	447,406	(29,762)	2014 to 2016	Level 3
Debentures	747,118	495,281	(251,837)	2014 to 2019	Level 3	760,074	572,019	(188,055)	2014 to 2018	Level 3
Bank Credit Notes (CCBs)	-	-	-	-	-	2,709	2,622	(87)	2013	Level 3
Federal government bonds (FCVS)	6,288	4,747	(1,541)	2027	Level 2	6,755	5,231	(1,524)	2027	Level 2
Federal government bonds - other	27,248	-	(27,248)	1993	Level 3	26,237	-	(26,237)	1993	Level 3
Agrarian Debt Securities (TDAs)	262	195	(67)	2014 to 2022	Level 2	280	214	(66)	2013 to 2022	Level 2
Investment fund shares	10,360	8,983	(1,377)			15,569	14,211	(1,358)		
Social Development Funds (FDS)	1,377	-	(1,377)	No maturity	Level 3	1,358	-	(1,358)	2014	Level 3
Receivables Investment Fund (FIDC) shares	7,286	7,286	-	2014	Level 2	13,850	13,850	-	2014	Level 2
Real Estate Investment Fund (FII)	1,403	1,403	-	2100	Level 2	-	-	-	-	-
Investment Guarantee Fund (FGI)	251	251	-	No maturity	Level 2	221	221	-	No maturity	Level 2
Operation Guarantee Fund (FGO)	43	43	-	No maturity	Level 2	140	140	-	No maturity	Level 2
Variable income securities	140,298	140,102	(196)			140,298	136,579	(3,719)		
Other tax incentives (FINOR)	350	148	(202)	No maturity	Level 1	350	218	(132)	No maturity	Level 1
Publicly-held companies' shares	139,948	139,954	6	No maturity	Level 1	139,948	136,361	(3,587)	No maturity	Level 1
Security deposits ⁽¹⁾	302,941	302,358	(583)			383,734	382,742	(992)		
Financial Treasury Bills (LFT)	302,151	302,281	130	2015 to 2018	Level 1	379,297	379,358	61	2013 to 2018	Level 1
Federal government bonds - Nuclebras	690	-	(690)	1993	Level 3	664	-	(664)	1993	Level 3
Federal government bonds - CVSB	100	77	(23)	2027	Level 2	108	85	(23)	2027	Level 2
Debentures	-	-	-	-	-	3,665	3,299	(366)	2018	Level 3
Total of category	12,066,226	11,642,248	(423,978)			10,872,214	11,028,442	156,228		
Tax credit (Note 21.b)	-	-	209,602	-	-	-	-	134,442	-	-
Provision for deferred taxes and contributions (Note 21.c)	-	-	(40,011)	-	-	-	-	(196,933)	-	-
Total market value adjustment	-	-	(254,387)	-	-	-	-	93,737	-	-

⁽¹⁾ Breakdown: Guarantees on stock exchange transactions R\$160,763 (R\$148,277 at 12/31/2012); guarantees on clearing house association transactions R\$1,816 (R\$1,678 at 12/31/2012); guarantees on legal proceedings R\$123,245 (R\$217,510 at 12/31/2012); and other guarantees R\$16,534 (R\$15,277 at 12/31/2012).

Account "Federal government securities - other" records cash investments in government securities named by the National Treasury as NUCL910801 and CVSB970101, maturing on 08.31.1993 and 01.01.2027, but not yet redeemed. These securities recorded a full devaluation due to their maturity, without, however, falling under the concept of permanent loss, as provided by BACEN Circular Letter No. 3068, of 11.08.2001.

In view of the classification of assets under "Available-for-sale securities", the amount of R\$(423,978) (R\$156,228 at 12/31/2012) was recorded in Equity under "Equity adjustments" account. Such adjustment, net of taxes, corresponds to R\$(254,387) (R\$93,737 at 12/31/2012).

a.3) Held-to-maturity securities

Specification	12.31.2013			12.31.2012		
	Market/book value	Market value ⁽¹⁾	Maturity	Market/book value	Market value ⁽¹⁾	Maturity
Fixed income securities	23,717	23,710		21,081	21,068	
Investment Fund Shares - Ne. Empreendedor	2,020	2,020	2015	2,020	2,020	2013
National Treasury Notes (NTN) - P	102	95	2014	247	234	2013 to 2014
Investment Fund Shares - CRIATEC	12,579	12,579	2017	11,974	11,974	2017
Investment Fund Shares – CRIATEC II	860	860	2023	-	-	-
FIP Brasil Agronegócios	8,156	8,156	2018	6,840	6,840	2018
Total of category	23,717	23,710		21,081	21,068	

⁽¹⁾ The market values described above are for illustrative purposes only, and no accounting record has been made in this respect, as required by BACEN Circular Letter No. 3068, of 11.08.2001.

a.4) Market value measurement level

Level 1: market prices disclosed by the National Association of Financial Market Institutions (ANBIMA) and BM&FBOVESPA;

Level 2: market value calculated based on the goodwill or negative goodwill rate used in the last paper trading in the secondary market, which took place 3 months prior to the mark-to-market date;

Level 3: market value obtained based on an own pricing model, in which the cash flow of assets is calculated based on contractual rates and brought to present value at a discount factor composed of market rate and a discount rate due to low liquidity. The amount thus obtained is deducted from a percentage corresponding to the credit risk of the asset issuer.

a.5) Reconciliation of the opening and closing balance of marketable securities measured according to level 3

Specification	Financial Bills	Debentures
Balance at December 31, 2012	447,406	572,019
Purchases	775,000	43,012
Sales	-	(54,561)
Income ⁽¹⁾	-	37
Settlements	(4,246)	(65,095)
Income for the period	85,967	67,736
Permanent losses ⁽¹⁾	-	(4,085)
Change in market value adjustment ⁽²⁾	(9,706)	(63,782)
Balance at December 31, 2013	1,294,421	495,281

⁽¹⁾ Gains and losses on financial instruments held in portfolio at 12.31.2013.

⁽²⁾ Gains and losses recognized in "Equity adjustments".

a.6) In 2013, there were no reclassifications of marketable securities into the categories above, and no held-to-maturity securities were sold.

b) Income (loss) from marketable securities

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
Interbank investments (Note 6.b)	349,811	601,452	394,521
Interbank deposits (Note 6.b)	3,709	5,429	18,311
Fixed income securities	528,816	957,563	907,097
Variable income securities	3,109	7,462	6,807
Total	885,445	1,571,906	1,326,736

c) Derivative financial instruments

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

At December 31, 2013, the Bank had swap transactions registered with CETIP (OTC Clearing House) and the notional value of these transactions is recorded in memorandum accounts (notional value) while the related book value is recorded under the captions 'Differential payable' and 'Differential receivable', as shown below: The market values of financial instruments are measured according to the criteria described for level 2 in subitem a.4 to this note. In 2013, there was no level reclassification for these instruments.

Breakdown at 12/31/2013								
Specification	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative	
Long position								
Foreign currency (US dollar)	1,087,635	335,847	-	317,087	-	18,760	-	18,760
Short position								
Fixed rate	69,654	2,201	1,394	-	1,973	2,829	50	2,779
Total	1,157,289	338,048	1,394	317,087	1,973	21,589	50	21,539
Tax credit (Note 21.b)								20
Provision for deferred taxes and contributions (Note 21.c)								8,636

Breakdown at 12/31/2012								
Specification	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative	
Long position								
Foreign currency (US dollar)	1,087,635	193,611	-	137,066	56,545	56,545	-	56,545
Short position								
Fixed rate	194,672	29	8,589	-	(5,498)	109	5,607	(5,498)
Total	1,282,307	193,640	8,589	137,066	51,047	56,654	5,607	51,047
Tax credit (Note 21.b)								2,242
Provision for deferred taxes and contributions (Note 21.c)								(22,662)

Specification	12/31/2013		12/31/2012	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Within 3 months	-	322	-	402
3 to 12 months	81	656	-	1,782
1 to 3 years	206,512	416	121,537	5,198
3 to 5 years	216	-	29	1,207
5 to 15 years	131,239	-	72,074	-
Total	338,048	1,394	193,640	8,589

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

Specification	12/31/2013				
	Curve value		Market value		Market value adjustment
Hedging instruments	Asset - dollar	Liabilities - CDI	Asset - dollar	Liabilities - CDI	
Swap - Foreign currency - Long position	1,420,740	1,103,652	1,476,038	1,140,190	18,760

Hedged item	Curve value ⁽¹⁾	Market value ⁽¹⁾	Market value adjustment
Eurobonds - Senior Unsecured Notes (15.a)	1,414,194	1,476,412	62,218
Tax credit (Note 21.b)			24,887

⁽¹⁾ Net of tax effects in the amount of R\$1,233 on the transaction interest.

Specification	12/31/2012				Market value adjustment
	Curve value		Market value		
Hedging instruments	Asset - dollar	Liabilities - CDI	Asset - dollar	Liabilities - CDI	
Swap - Foreign currency - Long position	1,236,368	1,099,301	1,325,291	1,131,679	56,545
Hedged item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
Eurobonds - Senior Unsecured Notes (15.a)	1,233,631		1,325,882		92,251
Tax credit (Note 21.b)					36,901

⁽¹⁾ Net of tax effects in the amount of R\$1,076 on the transaction interest.

Considering the currency risk exposure as well as funding market conditions abroad through Eurobonds - Senior Unsecured Notes, the Bank entered into swap agreements to fully hedge the loans raised and corresponding interest payable, classified according to their nature as market risk hedge. The hedged principal, plus interest expense, is stated at market value, and any changes are recorded as part of the book value, recognized in P&L for the period.

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

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

c.2) Other derivative financial instruments

Specification	12/31/2013				Market value adjustment
	Curve value		Market value		
Hedging instruments	Assets - CDI	Liabilities - fixed rate	Assets - CDI	Liabilities - fixed rate	
Fixed rate - Short position	82,567	84,540	84,390	83,584	2,779

Specification	12/31/2012				Market value adjustment
	Curve value		Market value		
Hedging instruments	Assets - CDI	Liabilities - fixed rate	Assets - CDI	Liabilities - fixed rate	
Fixed rate - Short position	213,189	216,250	218,139	226,698	(5,498)

d) Derivative financial instruments gains (losses)

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
Swap	57,559	108,779	109,979
Total	57,559	108,779	109,979

NOTE 8 - Interbank accounts - Restricted deposits

a) Restricted deposits

Specification	12/31/2013			12/31/2012		
	Gross amount	Provision	Net amount	Gross value	Provision	Net amount
Mandatory payments - Savings accounts	312,541	-	312,541	262,606	-	262,606
Compulsory reserves – Cash funds	38,579	-	38,579	43,768	-	43,768
National Housing System (SFH)	63,321	(24,067)	39,254	60,045	(22,889)	37,156
National Treasury - Rural credit	15,524	(478)	15,046	7,370	(1,176)	6,194
Total	429,965	(24,545)	405,420	373,789	(24,065)	349,724
Current balance	366,090	(478)	365,612	313,741	(1,176)	312,565
Long-term balance	63,875	(24,067)	39,808	60,048	(22,889)	37,159

b) Compulsory investments gains (losses)

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
Income from restricted deposits - Central Bank of Brazil	9,575	16,822	14,559
Income from restricted deposits – SFH	1,720	3,276	3,153
Income from restricted deposits – Rural Credit	24	193	63
Appreciation (Depreciation) of restricted deposits	(90)	(315)	1,733
Total	11,229	19,976	19,508

NOTE 9 - Loan portfolio and allowance for loan losses

a) Loan portfolio and allowance for loan losses

Specification	12/31/2013		12/31/2012	
	Gross amount	Provision	Gross amount	Provision
Loans	11,124,768	(876,385)	11,323,086	(798,757)
Current	4,751,089	(385,214)	5,199,136	(423,675)
Long-term	6,373,679	(491,171)	6,123,950	(375,082)
Other accounts with loan features (Note 10.f)	552,814	(17,389)	699,792	(34,225)
Current	508,210	(17,389)	607,699	(29,913)
Long-term	44,604	-	92,093	(4,312)
Total	11,677,582	(893,774)	12,022,878	(832,982)

a.1) Breakdown of loan portfolio

Specification	12/31/2013	12/31/2012
Advances to depositors	89	273
Loans	4,962,233	5,038,759
Discounted notes	54,190	95,074
Financing	2,093,478	2,019,435
Financing in foreign currency	236,532	334,816
Refinancing with the Federal Government (Note 29.a.1)	384,355	443,895
Rural and agroindustrial financing	1,620,354	1,575,278
Real estate financing ⁽¹⁾	243	243
Infrastructure and development financing	1,773,294	1,815,313
Loans subtotal	11,124,768	11,323,086
Guarantees and sureties honored	-	16
Income receivable from advances	11,181	13,335
Debtors for purchase of assets	6,357	1,545
Securities and receivables	7,002	33,314
Advances on Exchange Contracts (ACC) ⁽²⁾ (Note 11.a)	473,046	540,285
Loans linked to transactions acquired on assignment	55,228	111,297
Other accounts with loan features subtotal	552,814	699,792
Total	11,677,582	12,022,878

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

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

a.2) Income from loans

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
Loans and discounted notes	471,666	869,298	914,713
Financing	276,001	586,678	651,418
Rural and agroindustrial financing	89,658	156,598	499,965
Recovery of loans written off as losses	158,928	238,727	111,356
Other	304	786	726
Total	996,557	1,852,087	2,178,178

b) Breakdown by maturity

b.1) Current loans ⁽¹⁾

Type of Customer/Activity	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2013	Total at 12.31.2012
Rural	6,610	6,733	2,115	22,261	56,478	1,479,868	1,574,065	1,537,264
Manufacturing	58,622	76,388	55,319	144,031	367,264	1,436,719	2,138,343	2,141,798
Government	9,215	15,738	22,789	31,851	79,254	1,211,833	1,370,680	1,365,420
Other services	573,522	563,039	458,731	930,478	448,204	1,497,784	4,471,758	4,366,458
Trading	76,770	88,292	70,763	407,558	330,960	452,213	1,426,556	1,490,195
Financial brokers	2,727	2,654	2,693	7,582	14,697	54,859	85,212	217,446
Housing	1,003	847	709	1,220	289	269	4,337	3,825
Individuals	5,746	3,471	3,294	9,697	3,433	8,058	33,699	53,071
Total	734,215	757,162	616,413	1,554,678	1,300,579	6,141,603	11,104,650	11,175,477

⁽¹⁾ Include loans overdue up to 14 days.

b.2) Past due loans

Falling due installments								
Type of Customer/Activity	within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2013	Total at 12.31.2012
Rural	272	1,762	123	1,418	1,053	5,397	10,025	17,518
Manufacturing	2,694	2,498	2,360	8,880	15,203	43,107	74,742	99,722
Other services	7,144	6,646	5,140	11,170	17,309	170,713	218,122	165,980
Trading	3,978	4,631	3,560	10,150	15,929	29,570	67,818	103,306
Financial brokers	-	-	-	-	-	-	-	2,292
Housing	4	2	2	3	2	1	14	44
Individuals	188	263	178	2,377	3,050	5,213	11,269	4,207
Total	14,280	15,802	11,363	33,998	52,546	254,001	381,990	393,069

Past due installments									
Type of Customer/Activity	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 12.31.2013	Total at 12.31.2012
Rural	76	683	1,153	4,059	10,190	11,499	21,250	48,910	35,369
Manufacturing	562	3,613	2,915	1,800	5,445	12,254	789	27,378	159,609
Other services	747	9,265	7,172	6,441	15,261	27,674	63	66,623	153,701
Trading	1,506	3,513	5,401	3,413	9,182	15,334	406	38,755	95,897
Financial brokers	-	-	-	-	-	-	-	-	4,594
Housing	-	2	5	6	3	14	-	30	22
Individuals	22	685	1,090	1,036	2,339	3,903	171	9,246	5,140
Total	2,913	17,761	17,736	16,755	42,420	70,678	22,679	190,942	454,332

c) Breakdown by risk level

Risk level	12.31.2013				12.31.2012			
	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance
AA	3,956,011	-	3,956,011	-	3,227,863	-	3,227,863	-
A	4,146,203	-	4,146,203	20,731	4,606,780	-	4,606,780	23,034
B	1,979,895	26,162	2,006,057	20,061	2,195,279	30,772	2,226,051	22,260
C	364,117	25,798	389,915	11,697	539,012	162,347	701,359	21,041
D	68,107	20,190	88,297	8,830	140,787	61,917	202,704	20,270
E	133,034	133,034	266,068	79,820	127,966	148,345	276,311	82,893
F	20,924	38,427	59,351	29,676	133,261	64,891	198,152	99,076
G	119,494	22,908	142,402	99,681	13,973	50,194	64,167	44,917
H	316,865	306,413	623,278	623,278	190,556	328,935	519,491	519,491
Total	11,104,650	572,932	11,677,582	893,774	11,175,477	847,401	12,022,878	832,982

(1) Include loans overdue up to 14 days.

d) Changes in the allowance for the period

Specification	12.31.2013	12.31.2012
Opening balance (Allowance for losses on loan portfolio)	832,982	630,060
(+) Net allowance recognized for the period	700,422	614,291
(-) Receivables written off as loss for the period	(639,630)	(411,369)
(=) Allowance for losses on loan portfolio	893,774	832,982
Opening balance (Allowance for losses on other receivables without loan features)	46,569	46,064
(+) Net allowance recognized for the period	431	599
(-) Receivables written off as loss for the period	(523)	(94)
(=) Allowance for losses on other receivables without loan features (Note 10.f)	46,477	46,569
(=) Allowance for loan losses	940,251	879,551

e) Breakdown of the allowance expense balance

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
(+) Expenses on allowance for loan losses	295,555	686,142	581,565
(+) Expenses on allowance for losses on other receivables	8,968	14,280	32,726
(=) Balance of expenses on allowance for losses on operations with loan features	304,523	700,422	614,291
(+) Allowance for losses on other receivables without loan features	131	262	505
(-) reversals of allowance for losses on other receivables without loan features	(94)	(94)	-
(=) Balance of expenses on allowance for loan losses	304,560	700,590	614,796

f) In the course of 2013, receivables that had been written off as loss were recovered in the amount of R\$ 238,726 (R\$ 111,356 at 12.31.2012) and renegotiations amounted to R\$ 914,516 (R\$ 731,498 at 12.31.2012).

g) Recovery of receivables with legal grounds

In conformity with Law No. 11322, of 07.13.2006, Law No. 11775, of 09.17.2008, and Law No. 12249, of 06.11.2010, as well as Law No. 12716, of 09.21.2012, concerning rescheduling of debts arising from rural credit transactions, that provides for rebates in the debt balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of the referred to transactions, a positive effect on the Bank's PL&, referring to 12.31.2013, was recognized in the amount of R\$ 131,958 (R\$ 81,192 at 12.31.2012), shown below. Pursuant to the abovementioned legal provisions, part of these transactions was acquired by the Northeast Constitutional Financing Fund (FNE).

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
Income earned	27,800	50,889	32,052
Recovery of transactions written off of assets	11,409	23,213	28,828
Expenses on discounts	(2,069)	(4,746)	(7,138)
Net effect of allowances	44,182	62,602	27,450
Total	81,322	131,958	81,192

NOTE 10 - Other receivables

Specification	12.31.2013	12.31.2012
a) Receivables for guarantees and sureties honored	-	15
b) Exchange portfolio (Note 11.a)	540,994	592,978
c) Income receivable	27,617	25,434
d) Securities trading	4	4
e) Other receivables	2,493,744	2,364,301
Tax credits – Allowances (Note 21.b)	1,032,755	954,532
Tax credits - marketable securities, derivative financial instruments and hedged item (Note 21.b)	234,509	173,585

Escrow deposits	664,381	683,936
Taxes and contributions to offset	243,490	208,888
From prepayments (Note 21.a.2)	223,033	200,754
Other	20,457	8,134
Options for tax incentives	26,748	26,748
Securities and receivables	7,002	33,314
Loans linked to transactions acquired on assignment	55,228	111,298
Prepaid salaries and advances	2,694	1,650
Refundable payments	8,931	9,905
Recalculation, discounts, waivers and bonuses in BNDES transactions	9,705	3,687
Recalculation, discounts, waivers and bonuses in FAT transactions	20,133	7,793
Other	188,168	148,965
f) Allowance for losses on other receivables	(63,866)	(80,794)
Receivables with loan features (Note 9.a)	(17,389)	(34,225)
Receivables without loan features (Note 9.d)	(46,477)	(46,569)
Total	2,998,493	2,901,938
Current balance	2,004,904	2,100,029
Long-term balance	993,589	801,909

NOTE 11 - Exchange portfolio

a) Breakdown

Specification	12.31.2013	12.31.2012
Asset - Other receivables		
Exchange purchase pending settlement	520,631	561,941
Exchange sales rights	10,057	21,677

Advances received in local currency	(875)	(3,975)
Income receivable from advances	11,181	13,335
Current assets (Note 10.b)	540,994	592,978
Liabilities – other liabilities		
Exchange purchase obligations	473,873	550,656
Exchange sale pending settlement	10,003	21,637
(Advances on exchange contracts - ACC) (Note 9.a.1)	(473,046)	(540,285)
Current liabilities (Note 16.c)	10,830	32,008

b) Exchange gains/losses

Specification	2nd half of 2013	01.01. to 12.31.2013	01.01. to 12.31.2012
Exchange gains	66,988	150,434	166,102
Exchange losses	(269)	(546)	(653)
Total	66,719	149,888	165,449

NOTE 12 - Permanent assets

a) Investments

Specification	12.31.2012	01.01.2013 to 12.31.2013			12.31.2013		
	Book balance	Changes		Book balance	Cost value	Impairment losses	Book balance
		Additions	Exclusions				
Shares and units of interest	652	-	-	652	944	(293)	652
Artworks and valuables	1,068	105	-	1,173	1,173	-	1,173
Total	1,720	105	-	1,825	2,117	(293)	1,825

b) Property and equipment

Specification	12.31.2012	01.01.2013 to 12.31.2013			12.31.2013				
	Book balance	Changes			Book balance	Cost value	Accumulated depreciation	Impairment losses ⁽²⁾	Book balance
		Additions	Exclusions	Depreciation					
Buildings	105,813	7,860	(197)	(9,912)	103,564	248,266	(144,702)	-	103,564
Data processing system	30,833	32,380	(352)	(14,219)	48,642	111,593	(62,951)	-	48,642
Furniture and equipment in use	23,099	10,984	(513)	(5,115)	28,455	64,469	(36,014)	-	28,455
Land	17,025	-	-	-	17,025	17,025	-	-	17,025
Facilities	6,681	1,381	(3)	(1,482)	6,577	18,271	(11,694)	-	6,577
Communication system	114	16	(17)	(23)	90	380	(290)	-	90
Construction in progress ⁽¹⁾	5,209	1,079	-	-	6,288	6,288	-	-	6,288
Security system	6,638	4,508	(88)	(1,378)	9,680	17,901	(8,221)	-	9,680
Transportation system	3,494	2	-	(2,824)	672	16,122	(15,450)	-	672
Total	198,906	58,210	(1,170)	(34,953)	220,993	500,315	(279,322)	-	220,993

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

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

c) Deferred charges

Specification	12.31.2012	01.01.2013 to 12.31.2013			12.31.2013				
	Book balance	Changes			Book balance	Cost value	Accumulated amortization	Impairment losses ⁽¹⁾	Book balance
		Additions	Exclusions	Amortization					
Leasehold improvements	936	-	-	(458)	478	2,008	(1,530)	-	478
Total	936	-	-	(458)	478	2,008	(1,530)	-	478

⁽¹⁾ Provision for impairment of deferred charges was not recorded.

d) Intangible assets

Specification	12.31.2012	01.01.2013 to 12.31.2013			12.31.2013				
	Book balance	Changes			Book balance	Cost value	Accumulated amortization	Impairment losses ⁽¹⁾	Book balance
		Additions	Exclusions	Amortization					
Expenses with intangible assets under development	-	12,308	-	-	12,308	12,308	-	-	12,308
Total	-	12,308	-	-	12,308	12,308	-	-	12,308

⁽¹⁾ Provision for impairment of intangible assets was not recorded.

NOTE 13 - Deposits and open market funding

a) Deposits and open market funding by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total at 12.31.2013	Total at 12.31.2012
Demand deposits	239,768	4,407	8,819	-	-	-	252,994	134,018
Domestic currency deposits	235,298	-	-	-	-	-	235,298	110,836
Foreign currency deposits	4,470	4,407	8,819	-	-	-	17,696	23,182
Savings deposits	1,872,563	-	-	-	-	-	1,872,563	1,615,970
Interbank deposits	458,675	315,980	61,116	41,595	-	-	877,366	672,027
Time deposits	1,593,886	1,425,498	3,076,360	587,128	1,157,310	148,341	7,988,523	7,399,424
Time deposits	793,518	1,363,647	2,537,702	380,814	980,381	126,808	6,182,870	5,411,838
Interest-bearing judicial deposits	777,003	-	-	-	-	-	777,003	741,822
FINOR/cash and cash equivalents and reinvestments – Law No. 8167	-	-	373,723	67,012	67,012	-	507,747	584,007
FAT - Available funds	3,421	9,141	14,096	11,883	9,394	1,840	49,775	101,634
FAT – invested funds	19,536	52,710	150,839	127,164	100,523	19,693	470,465	559,375
Other	408	-	-	255	-	-	663	748
Funds from acceptance and issue of securities	5,106	14,382	727,434	-	740,344	-	1,487,266	1,394,245
Eurobonds	-	9,867	727,434	-	740,344	-	1,477,645	1,326,958
Agribusiness Credit Bills (LCAs)	5,106	4,515	-	-	-	-	9,621	67,287
Hybrid debt/equity instruments	-	78,471	-	-	-	1,194,110	1,272,581	1,202,392
Subordinated debts	-	-	-	-	-	1,455,982	1,455,982	1,332,382
Total	4,169,998	1,838,738	3,873,729	628,723	1,897,654	2,798,433	15,207,275	13,750,458
Current balance							6,008,736	4,922,557
Long-term balance							9,198,539	8,827,901

b) Deposits

Specification	12.31.2013	12.31.2012
Demand deposits	252,994	134,018
Foreign currency deposits in Brazil	17,696	23,182
Government deposits	15,062	14,256
Restricted deposits	143,942	61,875
Legal entities	59,181	21,824
Individuals	15,631	11,548

Other	1,482	1,333
Savings deposits	1,872,563	1,615,970
Free savings deposits – Individuals	1,172,247	987,872
Free savings deposits - Legal entities	699,694	627,331
From related parties and Financial System Institutions	622	767
Interbank deposits	877,366	672,027
Time deposits	7,988,523	7,399,424
Time deposits	6,182,870	5,411,838
Interest-bearing judicial deposits	777,003	741,822
Other time deposits	1,028,650	1,245,764
Remunerated special deposits/FAT - available funds (Notes 27 and 29)	49,775	101,634
Proger Urbano	4,217	4,416
Protrabalho	1,208	2,049
Infrastructure	29,018	37,398
Drought	-	161
National Program for Production-Oriented Microcredit (PNMPO)	15,332	57,610
Remunerated special deposits/FAT - invested funds (Notes 27 and 29)	470,465	559,375
Proger Urbano	37,464	63,028
Protrabalho	110,088	133,046
Infrastructure	174,821	214,391
Drought	-	7,126
National Program for Production-Oriented Microcredit (PNMPO)	148,092	141,784
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	507,747	584,007
Other	663	748
Total	10,991,446	9,821,439
Current balance	5,910,777	4,772,938
Long-term balance	5,080,669	5,048,501

c) Open market funding

Specification	12.31.2013	12.31.2012
Own portfolio	1,124,278	663,719
Financial Treasury Bills (LFT)	1,124,278	663,719
Third-party portfolio	53,317	156,796
Financial Treasury Bills (LFT)	-	156,796

National Treasury Notes (NTN)	53,317	-
Total	1,177,595	820,515
Current balance	1,127,212	738,598
Long-term balance	50,383	81,917

d) Expenses on open market funding

Specification	2nd half of 2013	01.01. to 12.31.2013	01.01. to 12.31.2012
Funding expenses	(527.240)	(976.301)	(923.523)
Time deposits	(272,519)	(468,730)	(402,318)
Savings deposits	(39,472)	(72,255)	(64,939)
Judicial deposits	(29,434)	(52,959)	(47,144)
Interbank deposits	(16,084)	(26,106)	(16,074)
Special deposits	(38,513)	(73,440)	(87,712)
Funds from acceptance and issue of securities	(125,182)	(271,318)	(295,639)
Other deposits	(6,036)	(11,493)	(9,697)
Expenses on open market funding	(50,173)	(83,356)	(68,002)
Third-party portfolio	(3,114)	(7,529)	(10,525)
Own portfolio	(47,059)	(75,827)	(57,477)
Total	(577,413)	(1,059,657)	(991,525)

NOTE 14 - Borrowings and onlending

a) Borrowings and onlending by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total at 12.31.2013	Total at 12.31.2012
Domestic borrowings	-	19,416	-	-	-	-	19,416	35,824
Foreign borrowings	141,904	615,956	-	-	-	-	757,860	808,277
Domestic onlending	43,085	113,757	317,960	362,156	668,282	201,601	1,706,841	1,586,201
Foreign onlending	17,067	84,046	196,547	196,546	352,324	-	846,530	825,195
Total	202,056	833,175	514,507	558,702	1,020,606	201,601	3,330,647	3,255,497
Current balance							1,035,231	1,036,312
Long-term balance							2,295,416	2,219,185

b) Borrowings

Specification	Annual restatement rate (% p.a.)	12.31.2013	12.31.2012
Domestic borrowings – Official institutions/Refinancing	TJLP+3.0 or 7.75	19,416	35,824
Foreign borrowings/Foreign currency payables	USD	757,860	808,277

Total	777,276	844,101
Current balance	777,276	826,189
Long-term balance	-	17,912

c) Domestic onlending - official institutions

Specification	Annual restatement rate (% p.a.)	12.31.2013	12.31.2012
National Treasury	IGP-DI + 2.0 or 6.75	698	809
BNDES		1,528,337	1,435,621
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	TJLP/IGPM/IPCA+1.5	1,173,699	1,060,969
Credit Facility for investment in agriculture	TJLP/IGPM/IPCA+1.5	354,638	374,652
FINAME		177,806	149,771
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)	TJLP/IGPM/IPCA+1.5	159,659	132,471
Agricultural Program	TJLP/IGPM/IPCA+1.5	18,147	17,300
Total (Note 29.a.1)		1,706,841	1,586,201
Current balance		156,842	121,769
Long-term balance		1,549,999	1,464,432

d) Foreign Onlending

Specification	Annual restatement rate (% p.a.)	12.31.2013	12.31.2012
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 2.30	407,281	414,436
BID-Prodetur II	USD + 1.14	432,274	403,862
BID-other programs	USD + 1.14	6,975	6,690
Other programs	USD + 6.0	-	207
Total		846,530	825,195
Current balance		101,113	88,354
Long-term balance		745,417	736,841

e) Expenses on borrowings and onlending

Specification	2nd half of 2013	01.01. to 12.31.2013	01.01. to 12.31.2012
Expenses on borrowings	(927)	(2,332)	(3,594)
Domestic borrowings	(927)	(2,332)	(3,594)
Expenses on onlending	(121,704)	(275,404)	(400,995)

Domestic onlending – Official institutions	(62,103)	(113,647)	(242,529)
National Treasury	(67)	(75)	(27)
BNDES	(58,724)	(107,360)	(236,223)
FINAME	(3,312)	(6,212)	(6,279)
Foreign onlending	(59,601)	(161,757)	(158,466)
Onlending with foreign banks	(50,708)	(130,636)	(141,260)
Expenses on financial and development funds	(300,801)	(541,291)	(451,402)
Total	(474,140)	(949,663)	(997,251)

NOTE 15 - Funds from acceptance and issue of securities

a) Foreign securities payable

Specification	Funding date	Maturity	Annual interest (% p.a.)	Contractual amount in thousands of US dollars	Contractual amount at 12.31.2013 ⁽²⁾	Market value at 12.31.2013	Market value at 12.31.2012 ⁽²⁾
<i>Eurobonds - Senior Unsecured Notes</i> ⁽¹⁾	11/09/2010	11/09/2015	3,625	300,000	706,986	731,640	647,714
<i>Eurobonds - Senior Unsecured Notes</i> ⁽¹⁾	05/03/2012	05/03/2019	4,375	300,000	708,441	746,005	679,244
Total (Note 7.c.1)				600,000	1,415,427	1,477,645	1,326,958
Current balance						9,867	8,607
Long-term balance						1,467,778	1,318,351

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

⁽²⁾ Considering tax effects.

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

b) Agribusiness Credit Bills (LCAs) issued

Specification	Annual interest (% p.a.)	Nominal value	12.31.2013	12.31.2012
Agribusiness Credit Bills ⁽¹⁾ (LCA)	91.05 CDI	9,229	9,621	67,287
Current balance			9,621	66,869
Long-term balance			-	418

⁽¹⁾ Security with average maturity term of 247 days.

NOTE 16 - Other liabilities

Specification	12.31.2013	12.31.2012
a) Collection and transfer of taxes and levies	1,798	3,154
Funds from PROAGRO	-	118
Tax on Financial Transactions (IOF) payable	1,696	2,927
Other taxes and levies	102	109
b) Exchange portfolio (Note 11.a)	10,830	32,008
c) Social and statutory	61,835	95,061
Dividends and bonuses payable	32,580	65,066
Profit sharing	29,255	29,663
Other taxes and levies	-	332
d) Tax and social security	487,475	825,052
Provision for tax contingencies (Note 22.d)	118,073	118,345
Taxes and contributions	84,925	82,258
Tax proceedings	33,148	36,087
Provision for deferred taxes and contributions (Note 21.c)	81,649	227,740
Marketable securities and derivative financial instruments	48,647	219,595
Revaluation of buildings and land	6,616	8,145
Derived from credits recovered	26,386	-
Provision for income and social contribution taxes (Note 21.a)	222,767	401,577
Income tax ⁽¹⁾	135,847	246,087
Social contribution tax ⁽²⁾	86,920	155,490
Taxes and contributions payable	64,986	77,390
e) Securities trading	68	68
f) Financial and development funds	7,087,216	6,679,378
Northeast Constitutional Financing Fund (FNE) - (Note 29.a.1)	6,915,797	6,534,337
Other	171,419	145,041
g) Hybrid debt/equity instruments (Notes 17 and 29.a.1)	1,272,581	1,202,392
b) Subordinated debts eligible for capital (Notes 18 and 29.a.1)	1,455,982	1,332,382
i) Other	3,404,326	3,719,705
Provision for contingent liabilities	2,362,896	2,145,730
Labor claims (Note 22.e.iv)	198,291	179,319

Civil proceedings (Note 22.e.v)	105,499	106,080
Other proceedings (Note 22.e.vi)	663	258
FNE (Note 22.e.vii and 26.c.iii)	2,022,091	1,820,070
Onlending	1,301	1,308
Full risk	100,972	99,149
Shared risk	1,919,818	1,719,613
FDNE (Note 22.e.viii)	515	420
Proagro (Note 22.e.ix)	2,152	3,388
Other contingent liabilities (Note 22.e.xi)	33,685	36,195
Accrued payments	969,159	1,493,127
Post-employment benefit	800,661	1,327,310
Retirement and Defined Benefit (DB) pension plan - Capef (Note 29.a.2 and 25.h)	78,344	576,635
, Retirement and Variable Contribution (VC) pension plan I - Capef (Note 29.a.2 and 25.h)	-	99
Health care plan - Camed - Natural Plan (Note 29.a.2 and 25.h)	722,317	750,576
Personnel expenses	138,690	131,998
Other	29,808	33,819
Other	72,271	80,848
Total	13,782,111	13,889,200
Current balance	5,184,988	3,953,248
Long-term balance	8,597,123	9,935,952

⁽¹⁾ At December 31, 2013, this balance includes a supplementary amount of R\$1,945 referring to the annual adjustment for calendar years from 2009 to 2012. At December 31, 2012, this balance includes a supplementary amount of R\$281 referring to the annual adjustment for calendar year 2011.

⁽²⁾ At December 31, 2013, this balance includes a supplementary amount of R\$1,196 referring to the annual adjustment for calendar years from 2009 to 2012. At December 31, 2012, this balance includes a supplementary amount of R\$162 referring to the annual adjustment for calendar year 2011.

NOTE 17 - Hybrid debt/equity instruments

Specification	Amount issued	Remuneration	Funding date	12.31.2013	12.31.2012
Hybrid debt/equity instruments (Notes 16.h and 29.a.1)	1,000,000	IPCA + 6.5715% p.a.	12/22/2010	1,272,581	1,202,392
Current balance				78,471	74,143
Long-term balance				1,194,110	1,128,249

NOTE 18 - Subordinated debts

Specification	12.31.2013	12.31.2012
Northeast Constitutional Financing Fund (FNE)	1,455,982	1,332,382
Funds available ⁽¹⁾	709,475	433,857
Funds invested ⁽²⁾	746,507	898,525
Total (Note 29.a.1 and 16.i)	1,455,982	1,332,382

⁽¹⁾ Yielding based on extra-market rates disclosed by the Central Bank of Brazil, pursuant to item A, article 9 of Law No. 7827 dated 09.27.1989.

⁽²⁾ Yielding rates as agreed upon with borrowers, less *del credere* commission of the institution, pursuant to item A, article 9 of Law No. 7827 dated 09.27.1989.

NOTE 19 - Equity

a) Capital

The Special General Meeting held on 03.22.2013 approved a capital increase of R\$295,000, resulting from addition of statutory reserves, with no new issue of shares. Capital increased from R\$2,142,000 to R\$2,437,000 represented by 87,001,901 registered, paid-in shares with no par value.

The Special General Meeting held on 08.23.2013 approved the conversion of preferred shares into common shares, at the proportion of one common share to each existing preferred share. The Central Bank of Brazil approved the minutes of that meeting referring to the conversion process, and its completion is scheduled for no later than 02.21.2014.

Breakdown at 12.31.2013					
Shareholders	Common shares	Preferred shares	Total shares	Voting capital (%)	Total capital (%)
Federal Government	45,146,025	29,123,190	74,269,215	93.11	85.37
Operation Guarantee Fund (FGO)	-	6,250,000	6,250,000	-	7.18
National Development Fund (FND)	1,473,704	2,373,264	3,846,968	3.04	4.42
Study and Project Financing Institution - FINEP	1,449,254	-	1,449,254	2.99	1.67
BNB Employees' Pension Fund (CAPEF)	269,723	110,515	380,238	0.56	0.44
BNDES Participações S.A – BNDESPAR	-	373,200	373,200	-	0.43
Other	146,069	286,957	433,026	0.30	0.50
Total	48,484,775	38,517,126	87,001,901	100.00	100.00

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

b) Revaluation reserve

The amount of R\$20,610 (R\$22,904 at 12.31.2012) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its actual realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565, of 05.29.2008. Its realization in the year totaled R\$2,294 (R\$2,294 at 12.31.2012) and was included in the P&L distribution base.

c) Treasury shares - in R\$1.00

The Bank holds 10,232 own common shares acquired on 02.17.2009. These shares, whose market values at December 31, 2013 represent, respectively, R\$28.74 and R\$25.00 per share, are held in treasury to be later disposed of or cancelled.

d) Dividends/interest on equity

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

The Board of Directors proposed to the General Meeting the payment of dividends and interest on equity attributable to the dividend amount of 34.98% on adjusted income, which serves as calculation basis for dividends/interest on equity for the year. Due to this proposal and considering early payment of dividends and interest on equity of the first six-month period, the amount of R\$32,319 was accounted for under "Provision", referring to the minimum mandatory dividend provided for in Charter, and R\$15,374 under "Income reserve - Proposed additional dividends", pursuant to BACEN Circular Letter No. 3516, of 07.21.2011.

Specification	12.31.2013	12.31.2012
1. Net income for the year	360,357	508,363
2. Prior years' adjustments (Note 3.1 and 19.e)	312,129	-
3. Revaluation reserves transferred to retained earnings/accumulated losses	2,294	2,294
4. Adjusted net income	674,780	510,657
5. Legal reserve set up	(18,018)	(25,418)
6. Employees' profit sharing (Note 24)	-	59,184
7. Dividends/interest on equity calculation basis	656,762	544,423
8. Interest on Equity (IOE) proposed in the year	117,819	132,273
9. Withholding income tax on interest on equity	(290)	(144)
10. Interest on equity attributable to dividends (item 8 + item 9)	117,529	132,129
11. Early payment of interest on equity restated by reference to SELIC	(70,126)	(68,827)
12. Supplementary interest on equity (item 10 + item 11)	47,693	63,446
13. Proposed dividends for the year	112,180	58,388
14. Early payment of dividends restated by reference to SELIC	(112,180)	(57,051)
15. Supplementary dividends (item 13 + item 14)	-	1,337
16. Total attributable to shareholders (item 8 + item 13)	229,999	190,661
Total attributable to shareholders in the first six-month period		
IOE of R\$0.746341217377 per common share (at 06.30.2012: IOE of R\$0.740834598495 per common share)	36,180	35,913
IOE of R\$0.820975339155 per preferred share (at 06.30.2012: IOE of R\$0.814918058381 per preferred share)	31,620	31,387
Dividends of R\$1.193929365470 per common share (at 06.30.2012: Dividends of R\$0.614076191098 per common share)	57,878	29,769
Dividends of R\$1.313322302215 per preferred share (at 06.30.2012: Dividends of R\$0.67548381043 per preferred share)	50,582	26,016
Restatement of the total attributable to shareholders in the first six-month period ⁽¹⁾		
IOE of R\$0.025599503756 per common share (at 06.30.2012: IOE of R\$0.016816945386 per common share)	1,241	815

IOE of R\$0.028159454133 per preferred share (at 06.30.2012: IOE of R\$0.018498639925 per preferred share)	1,085	712
Dividends of R\$0.040951777236 per common share (at 06.30.2012: Dividends of R\$0.013939529538 per common share)	1,985	676
Dividends of R\$0.045046954966 per preferred share (at 06.30.2012: Dividends of R\$0.015333482497 per preferred share)	1,735	591
Total attributable to shareholders in the second six-month period		
IOE of R\$0.548249767573 per common share (at 12.31.2012: IOE of R\$0.698407332993 per common share)	47,693	33,857
There was no distribution of IOE per preferred share (at 12.31.2012: IOE of R\$0.768248066168 per preferred share)	-	29,589
There was no distribution of dividends per common share (at 12.31.2012: Dividends of R\$0.014718991832 per common share)	-	713
There was no distribution of dividends per preferred share (at 12.31.2012: Dividends of R\$0.016190890859 per preferred share)	-	623

(1) Updating distribution of earnings into dividends and interest on equity, as provided in paragraph 5 of article 1 of Decree No. 2673, as reworded by Decree No. 3381 of March 13, 2000.

Until June 2013, for preferred shares, dividends and interest on equity were paid 10% higher than those attributed to common shares, as provided for in item "I" of article 17 of Law No. 6404, dated 12.15.1976, and with new wording in Law No. 10303 dated 10.31.2001 and provision in paragraph 2 of article 6 of the Bank's Charter. Supplementary interest on equity for the year will be paid to common shares, which comprise the entirety of the Bank's capital, in view of the conversion of shares approved at the Special General Meeting held on 08.23.2013.

Interest on equity was accounted for under "Expenses", however, for the purposes of disclosure of the financial statements, was reclassified to "Retained earnings (accumulated losses)". Total interest on equity for the year reduced tax expenses amounting to R\$41,260 (R\$52,115 at 12.31.2012).

e) Prior years' adjustments

Considering the change in accounting policy applied to post-employment benefits, under CVM Rule No. 695, of 12.13.2012, which revoked CVM Rule No. 600, of 10.07.2009, and became effective as from 01.01.2013, the actuarial liabilities were recalculated retrospectively to year 2012, and the actuarial losses computed were transferred to "Retained earnings/accumulated losses", as shown below:

Specification	Capef		Camed	Total at 12.31.2012
	DB Plan	VC I Plan	Natural Plan	
Actuarial losses	113,867	100	198,162	312,129

The amount of R\$312,129 referring to prior years' adjustments is included in the dividend and interest on equity (IOE) distribution basis for 2013.

NOTE 20 - Other operating income (expenses)

Specification	2nd half of 2013	01.01. to 12.31.2013	01.01. to 12.31.2012
a) Service revenue	772,826	1,602,674	1,391,602
Investment fund management	11,977	21,398	17,239
Fund and program management	634,982	1,337,693	1,160,600
Service rendering	125,867	243,583	213,763

b) Income from bank fees	17,642	32,603	29,057
c) Personnel expenses	(674,614)	(1,274,551)	(1,149,708)
Salaries	(388,047)	(738,569)	(663,334)
Social charges	(144,306)	(273,376)	(245,330)
Retirement and pension plan – DB and VC I Capef Plans (Note 25.f)	(54,318)	(94,246)	(88,012)
Health care plan - Camed Natural Plan (Note 25.f)	(31,685)	(63,370)	(54,887)
Benefits, training sessions, fees and compensation of interns	(56,258)	(104,990)	(98,145)
d) Other administrative expenses	(441,079)	(825,507)	(824,986)
Data processing	(75,819)	(137,696)	(143,152)
Advertising and publicity	(13,063)	(14,167)	(22,036)
Third-parties services	(176,895)	(335,622)	(299,651)
Rentals, material and public utilities	(21,867)	(43,044)	(41,747)
Travel	(8,021)	(14,597)	(15,475)
Communications	(14,149)	(27,266)	(32,907)
Depreciation and amortization	(18,435)	(35,411)	(29,212)
Asset maintenance and upkeep	(19,895)	(41,011)	(33,470)
Surveillance, security and transportation	(25,658)	(48,722)	(40,274)
Promotions, public relations and publications	(7,100)	(13,285)	(21,874)
Financial system services	(11,337)	(21,063)	(18,327)
Specialized technical services	(19,715)	(36,594)	(37,139)
Insurance	(2,204)	(4,452)	(4,395)
Court, notary and attorney fees	(8,851)	(20,630)	(38,088)
Worker' union dues and Associations	(834)	(2,098)	(1,327)
Condominium fees, catering, kitchen and meals	(2,093)	(4,114)	(3,955)
FUNDECI (Science and Technology Development Fund)	(6,400)	(9,400)	(19,200)
Other	(8,743)	(16,335)	(22,757)
e) Tax expenses (Note 21.d)	(112,228)	(218,792)	(215,202)
COFINS and PIS/PASEP	(102,357)	(200,275)	(198,161)
ISS and IPTU/Improvement tax	(8,673)	(16,733)	(15,027)
Other	(1,198)	(1,784)	(2,014)
f) Other operating income	657,918	1,377,743	1,431,569
Financial (<i>Del credere</i>) commission on fund management	517,689	1,007,596	926,764
Exchange loss on borrowings	23,654	121,282	205,221

Reversal of operating provision on FNE transactions	-	93	-
Recovery of charges and expenses	4,432	8,642	8,644
Reversal of operating provisions	10,528	21,258	119,515
Interest and commissions	4,222	4,575	814
Monetary restatement	634	1,313	9,041
Mark-to-market adjustment	-	9,528	9,368
Monetary restatement of taxes	-	-	-
FNE – Recovery of amounts settled by the Bank	56,243	102,968	64,621
Other	40,516	100,488	87,581
g) Other operating expenses	(519,074)	(1,143,129)	(1,301,411)
Exchange losses on exchange area	(400)	(2,166)	(4,750)
Exchange loss on loans granted	(26,648)	(86,093)	(187,509)
Negative monetary restatement of loans	(71)	(118)	(83)
Discounts granted in renegotiations	(2,792)	(3,838)	(6,229)
Loan charges	(1,606)	(8,524)	(12,449)
Tax contingencies	(6,377)	(9,016)	(8,916)
Risks on FNE transactions	(169,404)	(560,932)	(699,670)
Risks on FDNE transactions	(16)	(98)	(322)
Labor claims	(11,929)	(26,457)	(26,188)
Civil proceedings	(9,704)	(9,704)	(25,786)
Other proceedings	(18)	(405)	(158)
Other contingent liabilities	(140,977)	(145,271)	(56,097)
Hybrid debt/equity instruments	(70,882)	(146,202)	(137,139)
FNE remuneration - available funds - item A, article 9 of Law No. 7827	(24,991)	(40,732)	(27,980)
FNE remuneration - invested funds - item A, article 9, Law No. 7827	(40,606)	(82,867)	(88,083)
Other	(12,653)	(20,706)	(20,052)
Total	(298,609)	(448,959)	(639,079)

NOTE 21 - Taxes and contributions

a) Income and social contribution taxes

The Bank is subject to the taxable profit regime, whereby taxes are computed based on the Bank's accounting records, and income and social contribution taxes are paid monthly on an estimated basis. Income and social contribution tax expense for 2013 totaled R\$132,946 (R\$244,850 at 12.31.2012) and R\$85,150 (R\$154,755 at 12.31.2012), respectively.

a.1) Specification of the provision for income and social contribution tax expense	Income tax		Social contribution tax	
	01.01 to 12.31.2013	01.01 to 12.31.2012	01.01 to 12.31.2013	01.01 to 12.31.2012
Income before income taxes and profit sharing	556,284	253,203	556,284	253,203
Statutory profit sharing	(29,456)	(65,619)	(29,456)	(65,619)
Interest on Equity (IOE)	(117,819)	(132,273)	(117,819)	(132,273)
Income before income taxes, less statutory profit sharing and interest on equity	409,008	55,311	409,008	55,311
Permanent additions/exclusions	(43,070)	(37,152)	(43,364)	(37,382)
Temporary additions/exclusions	205,848	1,017,589	205,848	1,017,589
Taxable income	571,786	1,035,748	571,492	1,035,518
Expenses with provision for IRPJ (25%) ⁽¹⁾ and CSLL (15%) – before tax incentives and revaluation reserve	(142,923)	(258,913)	(85,724)	(155,328)
Deductions (tax incentives)	9,021	13,106	-	-
Provision for IRPJ/CSLL on revaluation reserve released to retained earnings	956	957	574	573
Current IRPJ/CSLL expenses – after tax incentives and revaluation reserve	(132,946)	(244,850)	(85,150)	(154,755)
Provision for deferred taxes and contributions - arising from tax credits recovered and derivative financial instruments	(7,725)	(14,165)	(4,635)	(8,497)
Provision for income and social contribution taxes	(140,671)	(259,015)	(89,785)	(163,252)
IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	39,991	464,405	23,995	278,641
Total income and social contribution taxes	(100,680)	205,390	(65,790)	115,389
% of total tax expenses in relation to income before income taxes and profit sharing	18.10%	(81.12%)	11.83%	(45.57%)
a.2) Specification of the provision for income and social contribution taxes	Income tax		Social contribution tax	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Expense with provision for income and social contribution taxes	132,946	244,850	85,150	154,755
Provision for taxes on revaluation reserve released	956	956	574	573
Provision for income and social contribution taxes (Note 16.d)	133,902	245,806	85,724	155,328
Taxes recoverable on prepayments, including withholding taxes ⁽²⁾ (Note 10.e)	(140,065)	(138,400)	(83,732)	(64,323)
Taxes payable (to offset) for the period	(6,163)	107,406	1,992	91,005

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

⁽²⁾ Including withholding taxes in the following amounts 12.31.2013 - IRPJ: R\$704 and CSLL: R\$60; and 12.31.2012 - IRPJ: R\$1,918 and CSLL: R\$51.

b) Tax credits on temporary differences

Income and social contribution tax credits on temporary differences of allowances for loan losses and provisions for post-employment benefits are recorded in conformity with the following major standards:

CMN Resolution No. 3059, of 12.20.2002 (amended by CMN Resolution No. 3355, of 03.31.2006) and BACEN Circular No. 3171, of 12.30.2002; and are based on technical studies conducted every six months determining the probable realization of tax credits for a period of five years.

In accordance with BACEN Circular Letters No. 3068 of 11.08.2011 and No. 3082 of 01.30.2002, the Bank recognized tax credits on market value adjustments to marketable securities classified under 'available-for-sale securities' and on derivative financial instruments (DFI).

Specification	12.31.2013		12.31.2012		12.31.2013	12.31.2012
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Provisions						
Opening balance	596,574	357,958	156,634	93,995	954,532	250,629
Set up	299,839	179,918	496,202	297,735	479,757	793,937
Realization/ reversal	(250,950)	(150,584)	(56,262)	(33,772)	(401,534)	(90,034)
Closing balance (Note 10.e)	645,463	387,292	596,574	357,958	1,032,755	954,532
b) Derivative financial instruments						
Opening balance	1,402	841	-	-	2,243	-
Set up	11,309	6,785	1,402	840	18,094	2,242
Realization/ reversal	(12,698)	(7,619)	-	-	(20,317)	-
Closing balance (Note 7.c)	13	7	1,402	840	20	2,242
c) Hedged item						
Opening balance	23,063	13,838	-	-	36,901	-
Set up	12,538	7,523	23,063	13,838	20,061	36,901
Realization/ reversal	(20,047)	(12,028)	-	-	(32,075)	-
Closing balance (Note 7.c.1)	15,554	9,333	23,063	13,838	24,887	36,901
Effect on equity						
d) Marketable securities						
Opening balance	84,026	50,416	14,658	8,795	134,442	23,453
Set up	18,961,840	11,377,104	6,974,740	4,184,844	30,338,944	11,159,584
Realization/ reversal	(18,914,865)	(11,348,919)	(6,905,372)	(4,143,223)	(30,263,784)	(11,048,595)
Closing balance (Note 7.a.2)	131,001	78,601	84,026	50,416	209,602	134,442

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

Specification	Income tax		Social contribution tax	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
1. Other temporary differences	4,544,276	4,687,741	4,544,276	4,687,741
2. Tax credits on temporary differences	1,136,069	1,171,935	681,641	703,161
3. Tax credits recognized in assets on Provisions	645,463	596,574	387,292	357,958

4. Tax credits recognized in assets due to mark-to-market of marketable securities, derivative financial instruments and hedged item	146,568	108,491	87,941	65,094
5. Total tax credits recognized in assets (item 3+ item 4) ⁽¹⁾	792,031	705,065	475,233	423,052
6. Tax credits not recognized in assets (item 2- item 5) ⁽²⁾	344,038	466,870	206,408	280,109

⁽¹⁾ Tax credits are recognized in assets under "Other receivables - Other".

⁽²⁾ Not recognized in assets as they do not meet the realization requirements provided for in CMN Resolution No. 3355, of 03.31.2006.

Estimated realization of tax credits on temporary differences of provisions at December 31, 2013 is as follows:

Period	Goal for over-Selic rate - average (1)	Realization of income tax credit		Realization of social contribution tax credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2014	10.57	51,408	48,742	30,845	29,245	82,253	77.987
2015	11.07	245,076	204,197	147,045	122,518	392,121	326.715
2016	10.31	74,074	61,616	44,445	36,970	118,519	98.586
2017	9.90	122,677	91,582	73,606	54,949	196,283	146.531
2018	9.52	152,228	104,742	91,351	62,854	243,579	167.596
Total		645,463	510,879	387,292	306,536	1,032,755	817,415

⁽¹⁾ For present value calculation purposes, we considered the goal for average Over-Selic rates projected by BACEN at 12.31.2013.

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

Period	Realization of income tax credit	Realization of social contribution tax credit	Total
2014	30,058	18,035	48,093
2015	7,844	4,707	12,551
2016	65,341	39,205	104,546
2017	2	1	3
2018	7,338	4,403	11,741
2019 to 2021	9,398	5,639	15,037
2022 to 2024	1	1	2
2025 to 2027	391	235	626
2050 to 2052	26,195	15,715	41,910
Total	146,568	87,941	234,509

c) Provision for deferred taxes

Specification	12.31.2013		12.31.2012		12.31.2013	12.31.2012
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						

a) Derivative financial instruments						
Opening balance	14,165	8,497	-	-	22,662	-
Set up	133,403	80,042	14,165	8,497	213,445	22,662
Realization/ reversal	(142,169)	(85,302)	-	-	(227,471)	-
Closing balance (Note 7.c)	5,399	3,237	14,165	8,497	8,636	22,662
b) Revaluation reserve						
Opening balance	5,090	3,056	6,048	3,628	8,146	9,676
Set up	-	-	-	-	-	-
Realization/ reversal	(956)	(574)	(958)	(572)	(1,530)	(1,530)
Closing balance	4,134	2,482	5,090	3,056	6,616	8,146
c) From taxes recovered ⁽¹⁾						
Opening balance	-	-	-	-	-	-
Set up	16,491	9,895	-	-	26,386	-
Realization/ reversal	-	-	-	-	-	-
Closing balance (Note 16.d)	16,491	9,895	-	-	26,386	-
Effect on equity						
d) Marketable securities						
Opening balance	123,082	73,851	35,553	21,332	196,933	56,885
Set up	701,784	421,071	783,546	470,128	1,122,855	1,253,674
Realization/ reversal	(799,861)	(479,916)	(696,017)	(471,609)	(1,279,777)	(1,113,626)
Closing balance (Note 7.a.2)	25,005	15,006	123,082	19,851	40,011	196,933

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

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

Period	Income tax	Social contribution tax	Total
2014	22,233	13,340	35,573
2015	3,160	1,896	5,056
2016	564	339	903
2017	532	318	850
2018	1,604	962	2,566
2019 to 2021	2,311	1,388	3,699
Total	30,404	18,243	48,647

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

Period	Income tax	Social contribution tax	Total
2014	827	496	1,323
2015	827	496	1,323
2016	827	496	1,323
2017	827	496	1,323
2018	826	498	1,324
Total	4,134	2,482	6,616

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

Period	Income tax	Social contribution tax	Total
2014	2,425	1,455	3,880
2015	2,813	1,688	4,501
2016	2,403	1,442	3,845
2017	1,502	901	2,403
2018	890	534	1,424
2019 to 2022	3,163	1,898	5,061
2023 to 2027	3,148	1,889	5,037
2028 to 2032	147	88	235
Total	16,491	9,895	26,386

d) Tax expenses

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
COFINS and PIS/PASEP	(102,357)	(200,275)	(198,161)
ISS and IPTU/Improvement tax	(8,673)	(16,733)	(15,027)
Other	(1,198)	(1,784)	(2,014)
Total (Note 20)	(112,228)	(218,792)	(215,202)

e) Provisional Executive Order (MP) No. 627

On November 11, 2013, Provisional Executive Order No. 627 was published, which amends the Federal Tax Legislation on IRPJ, CSLL, PIS/PASEP and COFINS. Said MP has a significant number of proposed amendments. In addition, according to said MP, the Brazilian Internal Revenue Service (IRS) shall provide for various matters, and therefore some of its provisions may be amended and/or regulated. However, based on the prevailing wording of this legal provision, Banco do Nordeste do Brasil S/A expects that MP No. 627 of 11.11.2013 will entail no significant accounting effects on its financial statements.

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

- a) Banco do Nordeste is party to various administrative and legal proceedings involving civil, tax, labor and other matters. To recognize provision and contingent liabilities, contingencies are classified in accordance with CMN Resolution No. 3823 of 12.16.2009 and BACEN Circular Letter No. 3429, of 02.11.2010.
- b) The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing claims are made by the Legal Department, case by case, and are classified according to the likelihood of loss, as probable, possible and remote. Such classification is based on analysis of the following factors: i) reasonableness of the factual and legal arguments of the other party; ii) arguments and legal basis developed by the Bank; iii) history of losses in similar cases; iv) understanding of higher courts and supervisory authorities on the matters in litigation; v) decisions already rendered on each proceeding (decision, award, injunction, interim relief, writ of payment, writ of attachment, etc.); and vi) existence of procedural defects in administrative and legal proceedings.
- c) Contingencies classified as probable losses are accounted for and represented by Civil proceedings (claiming compensation for pain and suffering and property damage, including, among others, protest of notes, return of checks, and provision of information to credit reporting agencies), Labor claims (claiming labor rights, in light of specific professional category legislation, such as overtime pay, salary equalization, job reinstatement, transfer allowance, severance pay, retirement supplementation, including enforcement notices issued by Regional Labor Offices and others), Tax and Social Security proceedings (represented by legal and administrative proceedings involving federal and municipal taxes) and Other proceedings (such as enforcement notices issued by Regional Councils that regulate the exercise of professions). Taking into consideration that the procedures adopted by Banco do Nordeste are in compliance with legal and regulatory provisions, management understands that the provisions recorded are sufficient to cover losses arising from the respective legal and administrative proceedings.
- d) At December 31, 2013 and 2012, the Bank set up full provision for lawsuits classified as probable losses, as well as for those classified as Legal obligations, pursuant to the terms of BACEN Circular Letter No. 3429, of 02.11.2010, regardless of the legal advisor's assessment of loss, and provisions are not applicable to lawsuits classified as possible and remote losses, as follows:

Specification	12.31.2013		12.31.2012	
	Base value	Provision	Base value	Provision
a) Provision for tax contingencies (Note 16.d)				
a.1) Taxes and contributions – legal obligations	84,925	84,925	82,258	82,258
a.2) Tax proceedings	1,167,404	33,148	989,961	36,087
i) Legal obligations	281	281	655	655
ii) Other liabilities - Other	1,167,123	32,867	989,306	35,432
Probable	32,867	32,867	35,432	35,432
Possible	894,405	-	730,784	-
Remote	239,851	-	223,090	-
b) Provision for contingent liabilities (note 16.i)				
b.1) Labor claims	346,068	198,291	287,462	179,319
Probable	198,291	198,291	179,319	179,319
Possible	71,541	-	35,504	-
Remote	76,236	-	72,639	-

b.2) Civil proceedings	3,343,767	105,499	2,970,422	106,080
Probable	105,499	105,499	106,080	106,080
Possible	627,358	-	504,709	-
Remote ⁽¹⁾	2,610,910	-	2,359,633	-
b.3 Other proceedings	2,208	663	1,382	258
Probable	663	663	258	258
Possible	1,543	-	1,091	-
Remote	2	-	33	-

⁽¹⁾ Contingent liabilities relating to civil claims rated as remote loss and the respective estimated financial loss are concentrated on the following cases: a) payment of additional contribution to the supplementary pension plan (CAPEF) - R\$828,765 (R\$696,964 at 12.31.2012); b) refund of unduly paid amount - R\$314,491 (R\$264,477 at 12.31.2012); c) compensation for pain and suffering and property damage - R\$221,358 (R\$186,155 at 12.31.2012); and d) payment of fine and compensation for pain and suffering - R\$178,996 (R\$150,530 at 12.31.2012). These claims represent contingent liabilities summing up to R\$1,543,611 (R\$1,298,126 at 12.31.2012).

e) Changes in provisions

Specification	12.31.2013	12.31.2012
i) Taxes (Legal obligation)		
Opening balance	82,258	82,269
Set up	6,178	1,742
Reversal/use/write-off	(3,511)	(1,753)
Closing balance	84,925	82,258
ii) Tax proceedings (legal obligation)		
Opening balance	655	1,063
Set up	56	157
Reversal/use/write-off	(430)	(565)
Closing balance (Note 22.d)	281	655
iii) Tax claims (Other liabilities - Other)		
Opening balance	35,431	29,246
Set up	4,272	6,269
Reversal/use/write-off	(6,836)	(84)
Closing balance (Note 22.d)	32,867	35,431
iv) Labor claims (Other liabilities - Other)		
Opening balance	179,319	182,824
Set up	34,861	33,983
Reversal/use/write-off	(15,889)	(37,488)
Closing balance (Note 16.i)	198,291	179,319

) Civil proceedings (Other liabilities - Other)		
Opening balance	106,080	106,653
Set up	36,040	52,148
Reversal/use/write-off	(36,621)	(52,721)
Closing balance (Note 16.i)	105,499	106,080
vi) Other proceedings (Other liabilities - Other)		
Opening balance	258	140
Set up	470	207
Reversal/use/write-off	(65)	(89)
Closing balance (Note 16.i)	663	258
vii) FNE		
Opening balance	1,820,070	1,386,807
Set up	560,930	699,670
Reversal/use/write-off	(358,909)	(266,407)
Closing balance (Note 16.i)	2,022,091	1,820,070
viii) FDNE		
Opening balance	420	1,593
Set up	103	340
Reversal/use/write-off	(8)	(1,513)
Closing balance (Note 16.i)	515	420
ix) Proagro		
Opening balance	3,388	3,299
Set up	185	155
Reversal/use/write-off	(1,421)	(66)
Closing balance (Note 16.i)	2,152	3,388
x) Other contingent liabilities		
Opening balance	36,195	86,551
Set up	11,696	61,615
Reversal/use/write-off	(14,206)	(111,971)
Closing balance (Note 16.i)	33,685	36,195

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

g) Tax proceedings classified as Legal Obligation pursuant to the terms of BACEN Circular Letter No. 3429, of 02.11.2010, whose amounts were presented in letter “d”, subitems a.1 and a.2.1, discuss, respectively, the IRPJ 1999 and Service Tax (ISS).

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

Tax proceeding filed to annul a tax delinquency notice relating to ISS on service revenue. The estimated possible financial loss totaled R\$438,790 at 12.31.2013. At December 31, 2012, the estimated possible financial losses for that proceeding was of R\$328,645, with a possible risk of loss. Two tax proceedings filed to annul tax delinquency notices referring to ISS on service revenue. The estimated possible financial loss totaled R\$216,367 and R\$146,734, respectively, at 12.31.2013. At December 31, 2012, those proceedings represented R\$191,019 and R\$129,544, respectively, both with possible risk of loss.

Civil proceeding filed to claim loss of profits and payment of administration fees under the allegation of losses incurred due to interruption of financial onlending contracted for the construction of commercial establishment. The estimated possible financial loss for this claim totaled R\$118,225 at 12.31.2013 (R\$99,423 at 12.31.2012).

Civil proceeding filed to annul contractual clauses as well as to remove the plaintiff's name of credit reporting agencies. At December 31, 2013, the estimated possible financial loss amounts to R\$47,963. At December 31, 2012, there was no financial loss in connection with this proceeding.

Civil proceeding for refund of overpayment under the allegation of undue collection and withholding. Estimated possible financial loss totaled R\$47,963 at 12.31.2013 (R\$38,732 at 12.31.2012).

Civil proceeding claiming compensation for property damage and pain and suffering, under the allegation of amounts unduly transferred from the savings deposits. Estimated possible financial loss for this proceeding totaled R\$33,182 at 12.31.2013 (R\$27,905 at 12.31.2012).

- i) Escrow and appeal deposits made to guarantee legal and administrative proceedings, recognized for contingent liabilities assessed as probable, possible and/or remote losses are set out as under:

Specification	12.31.2013	12.31.2012
Labor claims	392,741	434,226
Tax proceedings	210,037	207,801
Civil proceedings	41,381	31,145
Total	644,159	673,172

- j) At December 31, 2013, the amount R\$16,141 (R\$21,464 at 12.31.2012) recorded as "Other contingent liabilities" refers to the provision to cover the Bank risk on loans granted with indication of irregularities, which are the subject of inquiry proceedings carried out by the internal audit area. This account also includes the amounts of R\$12,776 (R\$14,731 at 12.31.2012) for loan risk on securitized transactions under Law No. 9138, of 11.29.1995, currently recorded in memorandum accounts, and R\$4,767 (no amounts for 12.31.2012) for accrued operating risks arising from the Loan Inventory.

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

a) Monthly employee compensation

Gross compensation ⁽¹⁾	01.01 to 12.31.2013	01.01 to 12.31.2012
Maximum	30,744,54	28,467,55
Minimum	1,148,97	1,040,44
Medium	8,230,65	7,617,03

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

b) Compensation paid to the Executive Board, Board of Directors and Supervisory Board for the period

Specification	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Gross compensation ⁽¹⁾	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation ⁽²⁾	642,179,04	443,222,77	46,132,41	34,504,30	46,132,41	34,504,30
Lowest individual compensation ⁽³⁾	545,150,28	388,561,82	46,132,41	34,504,30	46,132,41	34,504,30
Average individual compensation ⁽⁴⁾	608,911,77	401,151,81	45,324,23	33,451,94	44,803,63	33,906,58
Number of officers/directors ⁽⁵⁾	7	7	6	6	6	6

⁽¹⁾ Amounts approved at the 60th Annual General Meeting and the 93rd Special General Meeting of Banco do Nordeste, both held on 03.22.2013.

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

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

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

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

December 31, 2013, the Bank had 6,479 employees (6,169 at 12.31.2012), a headcount increase of 5.03%.

NOTE 24 - Profit sharing

The provision for employees' profit sharing for the year corresponds to R\$28,876 (R\$59,184 at 12.31.2012), equivalent to 5.00% of net income for the year (8.64% at 12.31.2012) and 7.85% (23.04% at 12.31.2012) of dividends and interest on equity, as well as 3% on net income for the year, referring to achievement of social goals.

The profit sharing expense for 2013 amounts to R\$29,456, out of which R\$28,876 for employees and R\$580 for officers/directors.

NOTE 25 - Post-employment benefits

Pursuant to CVM Rule No. 695, of de 12.13.2012, which approved CPC 33 (R1) - Employee Benefits, the post-employment benefit information is presented below. Actuarial evaluations are conducted by enabled independent actuary, based on information provided by Capef, Camed and the Bank:

a) General description of the benefit plan characteristics

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

The Bank sponsors two benefit plans managed by *Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil* (CAPEF), a closed-ended private pension plan entity that provides the payment of supplementary pension plan benefits to participants and beneficiaries.

The pension plans sponsored by the Bank offer supplementary retirement benefits to its participants based on the years of contribution, age and disability, as well as supplementary pension and lump-sum payments to participants' beneficiaries.

The Defined Benefit (DB) plan is not open to new participants since 11.26.1999. In general terms, the DB plan benefits are calculated based on the difference between the employees' contribution salary and the INSS retirement benefit, including any working hours extension, all calculated, set and projected in accordance with the Plan regulation since the date of its restructuring up to the date of the member's retirement, as weighted by the number of contributions paid to the plan, limited to 360. In addition, a rate equivalent 21.50% is discounted out of the benefit as a special contribution, resulting on average in 78.50% of the average contribution salary.

The Variable Contribution (VC I) plan, authorized to operate through Administrative Ruling MPS/PREVIC/DETEC 189, of 03.25.2010, started operations on 05.19.2010, when it received the first contributions. The scheduled retirement (CD portion) benefits of VC I plan are calculated based on the balance in the individual account of each member, existing on the retirement date. In addition, the plan provides coverage for risk benefits such as disability and death during the member's working life, and

these benefits are classified by the Bank as defined benefit. The plan also offers life annuity benefit to retirees.

The plans are mainly exposed to investment risk, interest rate risk, longevity risk and salary risk.

a.1.1) Actuarial method within CAPEF

Classified as defined benefit, the DB plan adopts the fully funded financial system in the actuarial calculation of reserves related to all benefits offered to its participants and their beneficiaries. VC I plan combines the characteristics of the defined contribution plan and the defined benefit plan, and is classified, under CVM Rule No. 695, of 12.13.2012, as a defined benefit plan. This plan adopts the fully funded financial system in the actuarial calculation of reserves for planned benefits and the shared risk coverage regime for the other benefits offered to its participants and their beneficiaries.

a.1.2) Past due obligations and contributions due

At December 31, 2013, the Bank has no past due obligations or contribution debts referring to DB and VC I plans, neither informal practices that originate constructive obligations included in the measurement of the plans' defined benefit obligation.

a.1.3) Contribution Ratio (Participants/Sponsor)

At December 31, 2013, the ratio of participants' contributions to Bank contributions meets the parity set by Constitutional Amendment 20, of 12.15.1998, with a contribution ratio of 1:1 (1:1 at 12.31.2012).

a.2) Health care plan

The Bank is the sponsor of a 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 associate participants and beneficiaries participating in the Natural Plan, through granting of subsidies to cover or reimburse expenses incurred in connection with health promotion, protection and recovery.

a.2.1) Past due obligations and contributions due

At December 31, 2013, the Bank has no past due obligations or contribution debts referring to this plan, neither informal practices that originate constructive obligations included in the measurement of the plans' defined benefit obligation.

a.2.2) Contributions

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

b) Actuarial liability analysis

Pursuant to CVM Rule No. 695, dated 12.13.2012, at December 31, 2013, the present value of the actuarial liabilities of the plans administered by Capef and Camed, recorded as "Liabilities" in the Bank, are as follows:

b.1) Private pension plans

- i. Defined Benefit Plan (DB Plan): the present value of the actuarial obligation amounting to R\$2,913,366 is partially funded by plan assets amounting to R\$2,835,022, resulting in a present value of the uncovered actuarial liabilities of R\$78,344. The obligation referring to assisted participants amounts to R\$2,223,627 and that referring to active participants amounts to R\$689,739;
- ii. VC I Plan: for risk benefits (DB portion) that have characteristics of the defined benefit plan, the present value of the actuarial obligation amounting to R\$7,675 is lower than the fair value of plan assets amounting to R\$9,019, resulting in a surplus of R\$1,344, which has not been recognized as it is intended for building up a solvency fund and the plan mutual fund.

b.2) Health care plan: the present value of the actuarial obligation amounting to R\$763,013 is partially based on plan assets amounting to R\$40,696, resulting in a present value of the uncovered actuarial obligations of R\$722,317. The obligation referring to assisted participants amounts to R\$506,076 and that referring to active participants amounts to R\$256,937.

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

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
1. Present value of actuarial obligation at the beginning of period	(3,934,869)	(3,129,990)	(9,151)	(5,513)	(807,485)	(601,318)
2. Interest expense	(320,491)	(346,120)	(787)	(590)	(66,534)	(64,636)
3. Current service cost	(18,354)	(16,026)	(364)	(453)	(17,680)	(11,057)
4. Benefits paid by the plan ⁽¹⁾	284,066	270,247	37	40	52,685	38,787
5. Assisted participants contributions (retirees and pensioners)	(58,350)	(58,127)	-	-	(13,611)	(12,116)
6. Administrative expenses paid by the plan	10,862	8,250	-	-	15,244	5,805
7. Remeasurements of actuarial gains and losses	1,123,770	(573,103)	(2,590)	(2,635)	74,368	(162,950)
8. Present value of actuarial obligation at the end of the period	(2,913,366)	(3,934,869)	(7,675)	(9,151)	(763,013)	(807,485)

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

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

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
1. Fair value of plan assets at the beginning of the period	3,358,234	2,762,074	6,159	3,019	56,909	73,826
2. Interest income	274,096	296,898	573	373	5,077	7,936
3. Employer's contributions ⁽¹⁾	60,184	57,873	559	471	35,956	29,965
4. Active participants' contributions	1,882	2,523	509	478	15,767	12,870
5. Assisted participants contributions	58,350	58,127	-	-	13,611	12,116
6. Administrative expenses paid by the plan	(10,862)	(8,250)	-	-	(15,244)	(5,805)
7. Benefits paid by the plan ⁽²⁾	(284,066)	(270,247)	(37)	(40)	(52,685)	(38,787)
8. Return on plan assets ⁽³⁾	(622,796)	459,236	1,256	1,858	(18,695)	(35,212)
9. Fair value of plan assets at the end of the period	2,835,022	3,358,234	9,019	6,159	40,696	56,909

⁽¹⁾ Capef – DB Plan: contributions related to active and assisted participants; Camed – Natural Plan: contributions related to associate participants and co-participations paid by the employer;

⁽²⁾ Camed – Natural Plan: net of co-participations paid by associate participants; and

⁽³⁾ Except for interest income recognized under "Equity adjustments".

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

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
1. Present value of the Defined Benefit obligation	(2,913,366)	(3,934,869)	(7,675)	(9,151)	(763,013)	(807,485)

2. Fair value of plan assets	2,835,022	3,358,234	9,019	6,159	40,696	56,909
3. Surplus (deficit) of the plan (item 1 - item 2)	(78,344)	(576,635)	1,344	(2,992)	(722,317)	(750,576)
4. Asset ceiling effect	-	-	(1,344)	-	-	-
5. Liability recognized in the balance sheet (Note 25.h)	(78,344)	(576,635)	-	(2,992)	(722,317)	(750,576)

f) Amounts recognized in P&L for the period

Specification	Capef					
	DB Plan			VC I Plan		
	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
1. Current service cost, net	(8,532)	(16,472)	(13,503)	247	145	25
1.1. Service costs	(9,177)	(18,354)	(16,026)	(119)	(364)	(453)
1.2. Active participants' contributions	645	1,882	2,523	366	509	478
2. Net interest	(23,387)	(46,395)	(49,222)	(225)	(214)	(217)
2.1. Interest expense	(160,245)	(320,491)	(346,120)	(760)	(787)	(590)
2.2. Interest income	136,858	274,096	296,898	535	573	373
3. Total (item 1 + item 2) ⁽¹⁾	(31,919)	(62,867)	(62,725)	22	(69)	(192)

⁽¹⁾ Including employees' contribution granted to be refunded - DB Plan: 2nd half of 2013: R\$5; 01.01 to 12.31.2013: R\$5 and 01.01 to 12.31.2012: R\$287.

Specification	Camed		
	Natural Plan		
	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
1. Current service cost, net	(956)	(1,913)	1,813
1.1. Service cost	(8,840)	(17,680)	(11,057)
1.2. Active participants' contributions	7,884	15,767	12,870
2. Net interest	(30,729)	(61,457)	(56,700)
2.1. Interest expense	(33,267)	(66,534)	(64,636)
2.2. Interest income	2,538	5,077	7,936
3. Total (item 1 + item 2) ⁽¹⁾	(31,685)	(63,370)	(54,887)

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

Specification	2 nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
1. Contributions (DC portion)	(16,590)	(29,471)	(25,209)

⁽¹⁾ Including employees' contribution granted to be refunded: 2nd half of 2013 - R\$137; 01.01 to 12.31.2013 - R\$370 and 01.01 to 12.31.2012 - R\$107.

In the 2nd half of 2013, the VC I plan was adjusted due to adoption of the Projected Unit Credit (PUC) method on risk benefits, which were segregated from programmed benefits. These benefits have characteristics of the defined benefit plan. These adjustments were recorded in expenses for the 2nd half of 2013 and in "Equity adjustments" as mentioned in item "g" to this Note.

Specification	2nd half of 2013	12.31.2013	12.31.2012
Debt balance at 01.01.2012 of DB portion	(2,494)	(2,494)	-
2012 adjustments: made in the 2 nd half of 2013	280	280	(280)
Supplemental expenses for the 1 st half of 2013 referring to the contributions of the DC portion	(3,759)	-	-
Total	(5,973)	(2,214)	(280)

g) Amounts for the period recognized in equity

For DB, Natural and VC I plans, actuarial gains (losses) arising from experience adjustments for 2013 amounted to R\$370,572, R\$ (378) and R\$(461,020), respectively. Actuarial gains (losses) for 2013, arising from changes in biometric assumptions related to DB and Natural plans amounted to R\$(2,693) and R\$30,014, respectively, and derived from the change in the AT2000 Basic actuarial table (12/2012) for RP2000, downrated by 15% (12/2013). Actuarial gains (losses) for 2013, arising from changes in financial assumptions amounted to R\$755,891 (DB plan), R\$2,698 (VC I plan) and R\$505,374 (Natural plan), and refer to changes in interest rates in relation to prior period, from 8.46% (12/2012) to 12.33% (12/2013), in DB and Natural plans, and from 8.62% (12/2012) to 12.36% (12/2013), in the VC I plan.

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
1. Return on plan assets	(622,796)	459,236	1,256	1,858	(18,695)	(35,212)
2. Actuarial gains (losses) on liabilities	1,123,770	(573,103)	2,590	(2,635)	74,368	(162,950)
3. Asset ceiling effect	-	-	(1,344)	-	-	-
4. Total (item 1 + item 2 + item 3)	500,974	(113,867)	2,502	(777)	55,673	(198,162)

In the 2nd half of 2013, the VC I plan was adjusted due to the adoption of the Projected Unit Credit (PUC) method on risk benefits, which were segregated from programmed benefits. These benefits have characteristics of the defined benefit plan. These adjustments were recorded in expenses for the 2nd half of 2013, as mentioned above in letter "f" to this Note, and in "Equity adjustments", in the amount of R\$679.

h) Reconciliation of changes in (liabilities)/assets net of the defined benefit recognized in the period

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
1. (Liabilities)/assets recognized at the beginning of the period	(576,635)	(457,916)	(2,992)	(2,494)	(750,576)	(527,492)
2. Employer contributions	60,184	57,873	559	471	35,956	29,965
3. Amounts recognized in P&L	(62,867)	(62,725)	(69)	(192)	(63,370)	(54,887)
4. Amounts recognized in equity	500,974	(113,867)	2,502	(777)	55,673	(198,162)

5. (Liabilities)/assets recognized at the end of the period (Note 16.i)	(78,344)	(576,635)	-	(2,992)	(722,317)	(750,576)
---	----------	-----------	---	---------	-----------	-----------

VC I plan liabilities recognized in 2012 were adjusted due to the adoption of the Projected Unit Credit (PUC) method on risk benefits, which were segregated from programmed benefits. These benefits have characteristics of the defined benefit plan. The adjustments were recorded in expenses and equity adjustments, resulting in a change in liabilities, as follows:

Specification	Capef	
	VC I Plan	
	12.31.2012	
1. Balance at December 31, 2012, without adjustments	(99)	
2. Adjustments arising from the adoption of PUC method recognized in expenses	(2,214)	
3. Adjustments arising from the adoption of PUC method recognized in equity	(679)	
4. Adjusted debt balance at December 31, 2012	(2,992)	

i) Allocation of plan fair values and investment policy

The investment policies for DB and VC I plans are annually prepared for a 5-year period, subject to approval from the Capef's Decision-Making Board and are mainly intended for defining guidance procedures for management of assets compared with benefit expenses, aiming at the actuarial balancing of each plan. The DB plan goal to be reached in its investments is represented by INPC + 5.75% p.a., and VC I plan represented by IPCA +5.5% p.a.

For policy formulation, the investment fund objectives and criteria of the funding and benefit plan are analyzed, as follows: a) the expected return rate; b) capital preservation; c) diversification; d) risk tolerance; e) stability; f) liquidity and g) benefits adjustment rules. Based on these criteria, investment mechanism and the best strategy on portfolio diversification are defined: fixed income, variable income, structured investments, investments abroad, properties and operations with participants.

For allocation of funds and limits per segment of application, the guidelines of CMN Resolution No. 3792 dated 09.24.2009 and its amendments, are taken into consideration, in addition to safety, liquidity, profitability and maturity criteria of the plan. The proposal of fund allocation is reviewed at any time, due to any significant event that may substantially change the macroeconomic assumptions regarded.

Resolutions on natural plan investments are approved by the Camed's Executive Board and submitted to its Decision-Making Board. For investments associated with financial guarantees with the Brazilian Agency for Supplementary Health (ANS), the limits and conditions set forth by this agency are observed.

Specification	Capef				Camed	
	DB Plan (%)		VC I Plan (%)		Natural Plan (%)	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Fixed income	82.53	87.94	82.85	67.59	9.53	5.59
Variable income	4.43	4.12	9.91	27.44	89.27	93.54
Real estate investments	9.66	5.17	-	-	1.2	0.87
Structured investments	0.31	0.01	6.13	4.19	-	-
Loans and financing to participants	3.05	2.75	1.11	0.78	-	-
Other	0.02	0.01	-	-	-	-
Amounts included in the fair value of plan assets						

In financial instruments at the Bank	0.37	0.22	-	-	9.53	5.6
In properties/other assets used by the Bank	1.44	0.7	-	-	1.2	0.87

j) Assumption used

j.1) Demographic assumptions

Demographic assumptions used are based on those adopted in actuarial valuations in the scope of Capef and Camed, based on statistical studies prepared by specialized advisory firms engaged by those entities. Upon actuarial calculations for DB and Natural plans, the retirement postponement time in relation to each active participant was estimated at the 50 percentile in relation to the effective retirement postponement time verified for the set of current active participants, who were already eligible for the programmed retirement benefit on the actuarial valuation date.

Specification	BD (Capef) and Natural (Camed) Plans		CV I Plan (Capef)	
	2013	2012	2013	2012
Mortality tables				
Assets/Retirees' survival period	RP2000 – downrated by 15%	AT2000-men	AT2000 M Basic	AT2000 M Basic
Disabled people's survival period	Winklevoss	IAPC experience - weak ⁽¹⁾	IAPC experience - weak	IAPC experience - weak
Disability table	Álvaro Vindas – (A10)	Capef experience - weak ⁽²⁾	Capef experience - weak	Capef experience - weak
Turnover Table	-	-	-	-

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

(2) Disability table used results from the application of a 0.5 ratio on the original Capef experience table rates.

j.2) Financial assumptions

Specification	Capef (% p.a.)				Camed (% p.a.)	
	DB Plan		VC I Plan		Natural Plan	
	2013	2012	2013	2012	2013	2012
Statutory discount rate for the actuarial liability	12.33	8.46	12.36	8.62	12.33	8.46
Effective discount rate for the actuarial liability	6.47	3.79	6.50	3.94	6.47	3.79
Average annual inflation rate	5.50	4.50	5.50	4.50	5.50	4.50
Nominal rate of salary increase ⁽¹⁾	6.56	5.55	-	5.55	6.56	1.00
Nominal rate of benefit increases	5.50	4.50	5.50	4.50	-	-
Rate of increase in medical costs	Not applicable				3.51	3.28
Rate of increase in health costs (HCTR)	Not applicable				4.65	4.74

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

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

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

j.5) The discount rate is equivalent to the expected return of the National Treasury Notes (NTN-B), for the "duration" of the plans, in accordance with the methodology provided for in item 83 of CVM Rule No.

695, dated 12.13.2012. The “duration” calculated for the Capef DB and Camed Natural plans is 14.08 years whereas for Capef VC I plan is 27 years.

k) Sensitivity analysis of main assumptions

The sensitivity analysis presents the effect of the change in the actuarial table and the increase or decrease of 0.25% in interest rates for DB, VC I and Natural plans, as well as the growth rate of health costs for the Natural plan. The calculation was done based on the PUC method, estimating the present value of the obligation as at 12.31.2013:

Capef – DB Plan	Current parameters	Actuarial table (AT 2000 M & F)	Interest rate	
	12.31.2013		+ 0.25%	-0.25%
Present value of actuarial obligation	(2,913,366)	(3,050,663)	(2,852,520)	(2,976,662)
Assets' fair value	2,835,022	2,835,022	2,835,022	2,835,022
Technical surplus (deficit)	(78,344)	(215,641)	(17,498)	(141,640)
Variations:				
Increase/decrease in actuarial obligation (%)		4.71	(2.09)	2.17
Increase/decrease in technical surplus (deficit) - %		175.25	(77.67)	80.79

Capef – VC I Plan	Current parameters	Actuarial table (AT 2000 M & F)	Interest rate	
	12.31.2013		+ 0.25%	-0.25%
Present value of actuarial obligation	(7,675)	(7,288)	(7,475)	(7,675)
Assets' fair value	9,019	9,019	9,019	9,019
Technical surplus (deficit)	1,344⁽¹⁾	1,731	1,544	1,344
Variations:				
Increase/decrease in actuarial obligation (%)		(5.04)	(2.60)	2.76
Increase/decrease in technical surplus (deficit) - %		28.76	14.87	(15.78)

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

Camed - Natural Plan	Current parameters	Actuarial table (AT 2000 M & F)	HCTR		Interest rate	
	12.31.2013		+ 0.25%	-0.25%	+ 0.25%	-0.25%
Present value of actuarial obligation	(763,013)	(835,230)	(913,375)	(639,084)	(741,173)	(786,055)
Assets' fair value	40,696	40,696	40,696	40,696	40,696	40,696
Technical surplus (deficit)	(722,317)	(794,534)	(872,679)	(598,388)	(700,477)	(745,359)
Variations:						
Increase/decrease in actuarial obligation (%)		9.46	19.71	(16.24)	(2.86)	3.02
Increase/decrease in technical surplus (deficit) - %		10.00	20.82	(17.16)	(3.02)	3.19

l) Impact on future cash flows

l.1) Expected contributions for 2014

Specification	Capef		Camed
	DB Plan	VC I Plan	Natural Plan
1. Employer contributions	67,169	711	41,338
2. Administrative expenses	13,286	-	17,208
3. Employees' contributions	1,668	711	22,352
4. Contributions from assisted participants	65,501	-	18,986
5. Expected benefits	299,690	37	65,114

l.2) Expected payments of benefits

Specification	Capef ⁽¹⁾		Camed ⁽¹⁾
	DB Plan	VC I Plan ⁽²⁾	Natural Plan
Within 1 year	260,913	687	132,418
From 1 to 2 years	270,011	795	138,377
From 2 to 5 years	824,086	2,951	453,626
Over 5 years	5,409,687	329,746	35,870,425
Total	6,764,697	334,179	36,594,846

⁽¹⁾ The amounts of expected benefits were calculated without present value discount.

⁽²⁾ Including programmed benefits with characteristics of the defined contribution plan.

m) Estimated expenses for 2014

Specification	Capef		Camed
	DB Plan	VC I Plan	Natural Plan
1. Current service cost, net	(9,744)	343	9,027
2. Net interest	(5,416)	-	(85,135)
3. Total unrecognized (expenses)/revenues	(15,160)	343	76,108

NOTE 26 - Northeast Constitutional Financing Fund (FNE)

- a) The total assets of FNE, amounting to R\$47,642,592 (R\$42,848,126 at 12.31.2012), are recorded in the Bank's memorandum accounts (Net assets of managed public funds).
- b) The Fund's cash and cash equivalents, totaling R\$6,908,697 (R\$6,532,248 at 12.31.2012), recorded in 'Other liabilities/Financial and development funds' bear interest at extra-market rate. The interest expense on cash and cash equivalents totaled R\$525,559 (R\$437,196 at 12.31.2012).
- c) The provision to cover the risk on FNE transactions is recognized pursuant to the following criteria:
- c.1) Transactions contracted until 11.30.1998 are risk-free;
 - c.2) For operations contracted beginning 12.01.1998, excluding Land Program financing lines and transactions under PRONAF (groups A, B, A/C, Forest, Semi-arid Region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012-Funding), the Bank's risk is 50% of the amount calculated pursuant to CMN Resolution No. 2682, of 12.21.1999; and
 - c.3) The Bank assumes all the risks on renegotiated and reclassified FNE loan transactions, as set forth by Law No. 11775, of 09.17.2008, and transactions recognized in the Fund's 'Interbank accounts', as prescribed by Ministry of Integration Administrative Ruling No. 616, of 05.26.2003. Loans funded by

FNE, under Law No. 12716, of 09.21.2012, for the purpose of settling BNB transactions with other funds, will maintain the same risk position of the transaction to be settled. The balances of financing and allowances accounted for in the Bank's Contingent liabilities are as follows:

Risk level	Balances	Allowance at 12.31.2013	Allowance at 12.31.2012
AA	6,181,781	-	-
A	11,916,297	29,781	30,863
B	9,301,591	47,060	45,937
C	909,869	13,469	16,678
D	710,923	35,478	33,787
E	530,644	80,081	67,542
F	206,525	52,022	144,175
G	302,370	114,631	96,118
H	3,270,188	1,649,569	1,384,970
Total	33,330,188	2,022,091	1,820,070

- d) The Bank's *del credere* commission on transactions entered as agreement by 11.30.1998 is nil. The Bank's financial commission on transactions entered as agreement after this date is 3% p.a., when the risk is 50%, and 6% p.a. when the Bank is a direct party to the transaction backed by onlending based on article 9- A of Law No. 7827, of 09.27.1989. In operations reclassified for FNE based on No. Law 11775, of 09.17.2008, financial commission is 3% p.a. or 6% p.a., as regulated by Interministerial Ruling No. 245, of 10.14.2008, of the Ministry of Finance and Ministry of National Integration. Income from *del credere* totaled R\$1,002,891 (R\$923,019 at 12.31.2012).
- e) The administration fee of 3% p.a. is calculated on the Fund's net asset, less the amounts under the onlending agreement entered into with the Bank, balances of onlending to other institutions with the risk fully assumed by the Bank, and the balances of PRONAF investments (Groups B, A/C, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Funding), and is limited to 20% of the transfers made by the National Treasury each fiscal year. The administration fee totaled R\$1,209,296 (R\$1,037,396 at 12.31.2012).
- f) In 2013, the Bank refunded to FNE the amount of R\$318,289 deriving from the recalculation of financial (*del credere*) commissions, as the *pro rata temporis* basis criterion was not applied to the calculation of this compensation, in compliance with the recommendation of the Brazil's Federal Audit Court (TCU), which understood in its previous inspection completed in 2013 that the calculation methodology used by the Bank required an adjustment.
- g) Also in 2013, and in compliance with recommendations of the Brazil's Federal Audit Court, FNE refunded BNB for amounts that had been unduly refunded to the Fund in 2007, referring to financial (*del credere*) revenues and administration fee amounting to R\$116,282.
- h) In the same period, the Bank changed its *del credere* calculation methodology charged on FNE transactions with shared or full risk for the Bank, starting using as calculation basis for this compensation the book balances before the allowance for loan losses. This action takes into consideration that the risk assumed by the Bank impacts the total financing balances as restated by charges provided for by law, and not balances deducted from the allowances recorded in books. The change in this methodology implied recalculating *del credere* commissions, resulting in payment of R\$61,030 to the Bank.

NOTE 27 - Workers' Assistance Fund (FAT)

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

Specification	TADE	12.31.2013	12.31.2012
Special Program to Fight Drought Effects	16/2006	441	1,073
Proger-Urbano – Investment	17/2006	21,671	22,817
FAT – Infrastructure	18/2006	245,254	268,446
Pronaf – Investment	19/2006	-	139
Proger-Rural – Funding	20/2006	-	1,757
Pronaf – Funding	01/2007	3	207
Proger-Rural – Investment	02/2007	129	26,944
Protrabalho – Investment	04/2007	163,923	161,139
National Program for Production-Oriented Microcredit (PNMPO)	01/2010	172,798	155,249
Total		604,219	637,771

Funds derived from the Workers' Assistance Fund (FAT), recorded under 'Remunerated special deposits', totaling R\$520,240 (R\$661,009 at 12.31.2012), are subject to SELIC (Central Bank overnight rate) while they are not used in loans, and to TJLP after they are released to final borrowers. Available funds remunerated by reference to the SELIC interest rate totaled R\$49,775 (R\$101,634 at 12.31.2012).

Pursuant to CODEFAT (FAT Board) Resolution No. 439, of 06.02.2005, these funds began to be reimbursed to FAT on a monthly basis, with a minimum amount equivalent to 2% calculated on the total balance of each FAT Special Deposit Allocation Statement (TADE), plus cash to meet the following conditions, considering the period they remain in the Bank's cash:

- after 2 months, with respect to the reimbursements of the final borrowers, not reused in new financing; and
- after 3 months, with respect to the new deposits made by FAT and not released to final borrowers.

Specification	TADE	Return of FAT funds			12.31.2013		
		Form ⁽¹⁾	R.A.	SELIC remuneration	Available TMS ⁽²⁾	TJLP ⁽³⁾ invested	Total
Special Program to Fight Drought Effects	16/2006	RA	7,463	137	-	-	-
Proger – Urbano - Investment	17/2006	RA	28,256	572	4,218	37,464	41,682
FAT - Infrastructure	18/2006	RA	57,419	2,554	29,017	174,821	203,838
Pronaf - Investment	19/2006	RA	-	-	-	-	-
Pronaf - Funding	01/2007	RA	-	-	-	-	-
Protrabalho-Investment	04/2007	RA	29,709	81	1,208	110,088	111,296
National Program for Production-Oriented Microcredit (PNMPO)	01/2010	RA	43,775	1,647	15,332	148,092	163,424
Total (Note 13.b)			166,622	4,991	49,775	470,465	520,240

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

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

(2) Funds yielding SELIC rate;

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

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

NOTE 28 - Risk management and Basel ratio

a) Risk and capital management

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

Risk management structure

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

Information related to risk management, focusing on matters related to Referential Equity (RE) and Required Referential Equity (RRE), pursuant to Circular Letter No. 3477, of 12.28.2009, issued by the Central Bank of Brazil, is available at www.bnb.gov.br, clicking the link "Relação com Investidores".

Capital management structure

The Executive Board is responsible for approving the capital management structure of the Bank, including the Capital Plan for the period from 2014 to 2016, which was also approved by the Board of Directors, on 12.20.2013. The Control and Risk Executive Board is responsible for Capital Management, and a specific administrative unit has been structured for this purpose, as required by CMN Resolution No. 3988, of 06.30.2011. The Capital Management Structure information is available at www.bnb.gov.br, clicking the link "Relações com Investidores".

b) Credit risk

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

Exposure by Industry	Exposure	
	12.31.2013	12.31.2012
Loans, co-obligations and guarantees given	30,618,909	29,435,172
Public sector	1,422,455	1,482,348
Private sector	29,196,454	27,952,824
Trading	3,399,551	2,947,052
Foreign trade	743,824	905,124
Housing	242	242
Manufacturing	8,445,949	7,593,036
Infrastructure	3,563,125	4,128,723
Financial brokers	84,113	214,950
Urban micro-financing	2,184,415	1,637,913
Individuals	224,311	210,694
Rural	6,494,519	6,441,335
Other services ⁽¹⁾	4,056,405	3,873,755
Market transactions	22,078,166	19,862,617
Government securities	18,489,953	17,062,177
Repurchase agreements	9,912,872	7,871,834
Other	8,577,081	9,190,343
Interbank deposits	83,709	107,020
Other marketable securities	1,929,804	1,158,626
Other transactions	1,574,700	1,534,794
Other assets	3,257,853	2,945,858
Total	55,954,928	52,243,647

⁽¹⁾ The amount of other co-obligations not related to FNE loans was transferred to "Other services" account, and is no longer included in "Other assets" account, as in the prior year.

The Bank uses the constant information flow to identify, measure, control and mitigate risks, thus ensuring that credit risk exposure is within acceptable parameters. Accordingly, the Bank uses instruments, such as: credit policies, managerial reports, risk rating system and performance indicators by macro sectors.

Furthermore, any approval in terms of risk limits is based on the level of authority by body. In accordance with their characteristics and amount, the limits may be analyzed and defined by the branches' credit assessment committees, or by the Operational Supporting Centers' risk limit approval committees, or also be decided by the customer risk limit approval committee of the General Executive Board, Executive Board or Board of Directors.

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

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

The collaterals for loans are determined based on their quality, capacity to be removed and sufficiency. Balances exposed to credit risk above R\$5,000 amount to R\$4,717,354 (R\$5,366,682 at 12.31.2012). They are backed by collaterals totaling R\$3,714,495 (R\$3,286,241 at 12.31.2012), which are assessed at least once every three years, or within a shorter period, as long as there are material events involving the client or the transaction. In addition to typical collaterals (including, among others, mortgage, pledge and leased chattels), and other personal securities (guarantee and collateral security) these transactions are also backed by other types of guarantees, including, among others, unsecured bonds, guarantee of notes, guarantee funds, risk fund (FGPC), collateralization of FPM/FPE shares and bank guarantees.

c) Liquidity risk

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

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

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

Specification	12.31.2013 (%)	12.31.2012 (%)	
Liquidity ratio	At reporting date	314.25	349.87
	Average for the last 12 months	349.68	274.75
	Maximum for the last 12 months	404.61	382.42
	Minimum for the last 12 months	287.74	195.93

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

Specification	12.31.2013				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank deposits	91,230	368,450	321,107	141,923	-
Time deposits	25,011	781,923	1,457,064	3,666,526	4,467,958
Repurchase agreements	1,128,001	-	-	77,203	-
Agribusiness Credit Notes (LCAs)	3,614	1,523	4,657	-	-
Subordinated debts eligible for capital	-	-	-	-	1,455,982
Hybrid debt/equity instruments	78,471	-	-	313,884	3,783,649

Total	1,326,327	1,151,896	1,782,828	4,199,536	9,707,589
Available funds (Note 5)	7,709,183				

Specification	12.31.2012				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank deposits	67,206	90,545	439,746	98,457	-
Time deposits	39,302	229,897	788,330	3,995,990	2,720,447
Repurchase agreements	738,999	-	-	119,223	-
Agribusiness Credit Notes (LCAs)	33,318	11,267	23,042	455	-
Subordinated debts eligible for capital	-	-	-	-	1,332,382
Hybrid debt/equity instruments	-	-	148,433	222,650	3,652,738
Total	878,825	331,709	1,399,551	4,436,775	7,705,567
Available funds (Note 5)	6,456,087				

d) Market risk

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

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

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

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

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

Risk exposure limits	Control procedure
<ul style="list-style-type: none"> Trading portfolio: 1% of Referential Equity Non-trading portfolio: 5% of Referential Equity 	If the exposure level exceeds 80% of the limit, the risk management area issues a warning to the area responsible for the financial operations.

Sensitivity analysis

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

Portfolio/risk factor	Type of risk	Scenario 1 (probable)	Scenario 2 (variation of 25%)		Scenario 3 (variation of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest	Increase in interest rate	6,506,311	6,499,422	(6,889)	6,492,695	(13,616)
Non-trading portfolio						
Dollar coupon	Reduction in coupon	22,180	24,851	2,671	27,483	5,302
Euro coupon	Increase in coupon	263	260	(3)	258	(5)
IGP coupon	Increase in coupon	874,500	813,619	(60,882)	759,701	(114,800)
IPCA coupon	Reduction in coupon	(423,792)	(477,963)	(54,171)	(541,499)	(117,707)
TJLP coupon	Increase in coupon	559,171	493,298	(65,873)	437,590	(121,581)
TR coupon	Increase in coupon	(1,947,935)	(1,948,000)	(64)	(1,946,230)	1,705
Fixed interest	Increase in interest rate	4,042,950	3,929,231	(113,719)	3,829,004	(213,946)

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

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

Nature of transaction	Type of risk	Financial instrument	Scenario 1 (probable)	Scenario 2 (variation of 25%)	Scenario 3 (variation of 50%)
<i>Other derivatives</i>	Increase in Referential Rate - BM&FBOVESPA DI x fixed rate	<i>DI x Fixed Rate Swap</i>	(83,599)	(80,907)	(78,407)
		Fixed-rate assets	82,910	76,694	71,113
		Net exposure	(689)	(4,213)	(7,294)
<i>Hedging derivatives</i>	Increase in Referential Rate - BM&FBOVESPA DI x dollar	<i>Dollar x DI Swap</i>	1,463,458	1,424,624	1,388,458
		Liabilities in FM	(1,499,140)	(1,466,345)	(1,435,632)
		Net exposure	(35,682)	(41,721)	(47,174)

At December 31, 2013, market value losses were considered in the net exposure of scenarios 2 and 3 and, as regards scenario 1, arising from increase in opportunity costs, in fixed-rate operations, and those arising from exchange coupon increase, in foreign currency transactions.

DI x Fixed Rate Swap

The method used to prepare the sensitivity analysis of DI x fixed-rate swap transactions was to determine the balances of fixed-rate asset transactions and hedge (swap) transactions exposed to this type of risk

(scenario 1), and then determine the net exposure. The adverse stresses related to scenarios 2 and 3 were applied to this result, as detailed below:

Scenario 1 – refers to the current situation of risk exposure factors based on market information (BM&FBOVESPA). Under this scenario, 100% of the DI x fixed-interest *swap* rate was applied.

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

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

Dollar x DI Swap

The method used to prepare the sensitivity analysis of dollar x DI swap transactions was to determine the balances of fixed-rate liability transactions indexed to the dollar and *hedge* (swap) transactions exposed to this type of risk (scenario 1), and determine the net exposure thereto. The adverse stresses related to scenarios 2 and 3 were applied to this result, as detailed below:

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

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

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

e) Operating risk

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

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

The corporate operating risk management system aims at ensuring compliance with the corporate policy and strategic planning of the Bank in accordance with governance principles and the policies set by the National Monetary Council (CMN), based on the timetable defined by the banking supervisory body. Management is made of processes and subprocesses carried out on a dynamic and ongoing basis which ensure, through mitigating measures, acceptable risk exposure levels.

The Bank's corporate operating risk management is strengthened through a specific organizational structure designed to support assessment and compliance related to adoption of controls for all processes and operations carried out, mainly based on the provisions set forth in the institutional regulatory system. The qualitative approach comprises methodologies, control tools, mitigating measures and managerial reports that describe the control over processes carried out in all institutional areas. This analysis describes management by process and architecture design - macroprocesses, processes and subprocesses - identification of risk, control, mitigation and corrective plan. Another methodology used is the RCSA (Risk and Control Self-Assessment) that allows knowing risks inherent to activities and procedures, as well as defining their impact. RCSA further allows building a Risk Matrix and defining indicators, aiming at reaching an expanded vision of the processes and improved management.

f) Foreign exchange exposure

Transactions under agreements that provide for currency adjustment clause presented net balance of currency exposure sold, in the amount of R\$89,995 (R\$8,539 at 12.31.2012 – short position), as follows:

Specification	12.31.2013	12.31.2012	Specification	12.31.2013	12.31.2012
Cash and cash equivalents	2,787	3,611	Deposits	17,696	23,182
Interbank investments	46,764	23,802	Interbranch accounts	5,399	15,578
Loans	804,445	820,813	Borrowings and onlending - domestic	73,237	104,096
			Borrowings and onlending - foreign	2,324,175	2,152,154
Other receivables	768,343	942,868	Other liabilities	767,864	829,914

Total assets in foreign currency, excluding derivatives	1,622,339	1,791,094	Total liabilities in foreign currency	3,188,371	3,124,924
Swap transactions	1,476,037	1,325,291	Swap transactions	-	-
Total long position in foreign currency	3,098,376	3,116,385	Total short position in foreign currency	3,188,371	3,124,924

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

g) Operating limits - Basel Accord

In March 2013, BACEN disclosed the standards that regulate the implementation in Brazil of recommendations from the Basel Committee on Banking Supervision, referring to capital structure of financial institutions, known as a whole as Basel III, effective from October 2013.

Basically, these standards introduced the following changes in relation to the requirements in force until then:

- i. new calculation methodology for regulatory capital that in Brazil is known as Referential Equity (RE), which will continue to be divided into Tiers I and II;
- ii. calculation of required capital maintenance, adopting minimum requirements for Referential Equity (RE) Tier I and Principal Capital, and introduction of the Additional Principal Capital; and
- iii. review of some weightings and adjustments in the calculation of credit risk exposure.

Calculation of minimum required capital is established as a percentage of the amount of Risk-Weighted Assets (RWA). The new standards establish three independent capital requirements to be observed on a continuous basis by financial institutions, as follows:

- i. 4.5% for Principal Capital, which primarily comprises shares, units of interest, reserves and retained profits;
- ii. 5.5% for Tier I, represented by Principal Capital and other instruments able to absorb losses with the financial institution in operation; and
- iii. 8% for total RE, which is comprised of Tier I and other funding instruments able to absorb losses upon the institution's windup.

In addition to the aforementioned requirements, BACEN also established the creation of a supplementary requirement known as Additional Principal Capital, which corresponds to the so-called conservation capital (fixed) and countercyclical capital (variable), as set out in Basel III. At the end of the implantation period, the Additional Principal Capital must be at least 2.5% and at most 5% of the RWA amount, and its exact amount must be established by BACEN according to the macroeconomic context.

At December 31, 2013, already taking into consideration the standards in force for Basel III, the Bank presented an Extended Basel Ratio (including capital for RBAN coverage) of 15.76%, and both indexes of Tier I and Principal Capital remained at 8.94%. The RE, as determined, amounted to R\$5,524,588, Tier I and Principal Capital presented the same amount of R\$3,039,352 while RWA totaled R\$34,015,667. At December 31, 2012, when Basel II standards were effective, the Extended Basel Ratio was 16.24%, determined RE amounted to R\$5,184,271 and the Required Referential Equity (RRE), presently RWA, amounted to R\$3,366,123. It should be stressed that at December 31, 2012, the amounts comprising the RRE were multiplied by the capital requirement of 11%, which was ceased upon commencement of Basel III implementation.

The tables below present the Bank's position before and after the inception of new minimum capital requirements required by Basel III.

i. Position at 12.31.2012 – Matching of RE with RRE (Basel II)

Specification	12.31.2012
Referential Equity (RE)	5,184,271
Tier I	2,611,406
Tier II	2,572,865
Required Referential Equity (RRE) ⁽¹⁾	3,366,123
PEPR	2,872,393
PJUR	3,707
PCOM	350
POPR	489,673
RBAN amount	146,338
Margin (RE-RRE-RBAN)	1,671,810
Basel Index (Bacen Circular Letter No. 3477 of 12.28.2009)	16.94%
Extended Basel Ratio (including RBAN amount)	16.24%

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

- . PEPR: amount related to credit risk exposures.
- . PJUR: amount related to exposures subject to change in interest rates.
- . PCOM: amount related to exposures subject to change in commodity prices.
- . POPR: amount related to operating risk.
- . RBAN: capital to cover risk in transactions subject to change in interest rates not classified in the trading portfolio.

ii. Position at 12.31.2013 – Referential Equity (Basel III)

Specification	12.31.2013
Referential Equity (RE)	5,524,588
. Tier I	3,039,352
. Principal Capital	3,039,352
. Additional Capital	-
. Tier II	2,485,236
Risk-Weighted Assets (RWA)	34,015,667
. RWACPAD	28,947,518
. RWAJUR	55,036
. RWACOM	2,900
. RWAOPAD	5,010,213
RBAN amount	1,047,966
Margin in Minimum Referential Equity (RE – [RWA * 11%])	1,782,865

Margin on Minimum Referential Equity considering RBAN (RE – ([RWA + RBAN]* 11%))	1,667,588
Basel ratios:	
.Principal Capital ratio - Minimum requirements 4.5%	8.94%
.Tier I ratio - Minimum requirements 5.5%	8.94%
.Basel ratio - Minimum requirements 11%	16.24%
.Basel ratio including RBAN	15.76%

in which:

- . RWACPAD: amount related to credit risk exposures.
- . RWAJUR: amount related to exposures subject to change in interest rates.
- . RWACOM: amount related to exposures subject to change in commodity prices.
- . RWACPAD: amount related to operating risk.
- . RBAN: capital to cover risk in transactions subject to change in interest rates not classified in the trading portfolio.

iii. Breakdown of Referential Equity – Position at 12.31.2012 (Basel II)

Specification	12.31.2012
Referential Equity (RE)	5,184,271
. Tier I	2,611,406
Equity	2,683,751
Revaluation reserves	(22,904)
Tax credits excluded	(6,633)
Deferred permanent assets	(942)
Market value adjustment - marketable securities and derivative financial instruments	(41,866)
. Tier II	2,572,865
Revaluation reserves	22,904
Hybrid equity-debt instruments classified as Tier II of RE	1,202,392
Subordinated debt instruments	1,332,382
Market value adjustment - marketable securities and derivative financial instruments	41,866
Excess subordinated debt instruments	(26,679)

iv. Breakdown of Referential Equity - Position at 12.31.2013 (Basel III)

Specification	12.31.2013
Referential Equity (RE)	5,524,588
RE - Tier I	3,039,352
Principal Capital	3,039,352
Capital	2,437,000
Capital reserve, revaluation reserve and income reserve	611,259

Unrealized losses - Equity valuation and marketable securities	(8,045)
Treasury shares and other Bank's instruments	(384)
Prudential valuation adjustment – Deferred assets	(478)
RE - Tier II	2,485,236
Instruments eligible to Tier II	2,538,135
Investment in other entities deducted from Tier II	(52,899)

The Subordinated Debt Instruments entered into with the FNE - authorized to comprise Tier II of RE before CMN Resolution No. 4192 of 03.01.2013 came into effect - will remain eligible until their amortization, pursuant to its article 23, paragraph 2. Therefore, these instruments are not subject to the limits listed in article 28 of said Resolution.

Concerning the Hybrid Equity/Debt Instrument, the authorization for continued use of the full contracted amount under Additional Capital will be required of BACEN after signing an addendum thereto, whose bases have already been negotiated with the National Treasury Office (STN). Meanwhile, the limits defined in article 28 of Resolution No. 4192/13 are currently applied.

v. Investment index

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

Specification	12.31.2013	12.31.2012
Referential Equity (RE) for investment limit	5,524,588	5,184,271
Investment limit	2,762,294	2,592,135
Status	208,915	(200,619)
Margin	2,553,379	2,391,516
Investment index	3.78%	3.87%

NOTE 29 - Transactions with related parties

a) Transactions with related parties

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

Specification	12.31.2013	12.31.2012
Assets		
Loans - Refinancing with the Federal Government (Note 9.a.1)	384,355	443,895
Total	384,355	443,895

Specification	12.31.2013	12.31.2012
Liabilities		
Time deposits - FAT (Note 13.b. and Note 27)	520,240	661,009
Domestic onlending – Official institutions (Note 14.c.)	1,706,841	1,586,201
National Treasury	698	809
BNDES	1,528,337	1,435,621
FINAME	177,806	149,771

Other liabilities	9,644,360	9,069,111
Northeast Constitutional Financing Fund (FNE) - (Note 16.f)	6,915,797	6,534,337
Hybrid debt/equity instruments (Notes 16.g and 17)	1,272,581	1,202,392
Subordinated debts eligible for capital (Notes 16.h and 18)	1,455,982	1,332,382
Total	11,871,441	11,316,321

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

Specification	12.31.2013	12.31.2012
Liabilities		
Post-employment benefits CAPEF DB Plan (Note 16.i)	78,344	576,635
Post-employment benefits CAPEF VC I Plan (Note 16.i)	-	99
Post-employment benefits Camed Natural Plan (Note 16.i)	722,317	750,576
Total	800,661	1,327,310

b) Management compensation

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

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01 to 12.31.2012
Fees	2,023	3,756	2,801
Executive Board	1,747	3,245	2,392
Board of Directors	147	261	206
Supervisory Board	129	250	203
Other	128	236	174
Profit sharing	-	530	10
Total short-term benefits	2,151	4,522	2,985
Post-employment benefits	144	252	233
Total	2,295	4,774	3,218

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

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

NOTE 30 - Statement of comprehensive income

Specification	2nd half of 2013	01.01 to 12.31.2013	01.01. to 12.31.2012
Net income	160,329	360,357	820,492
Other comprehensive income	451,133	212,641	(266,247)
Equity adjustment to available-for-sale securities	(243,801)	(580,206)	72,647
Tax effect on equity adjustment to available-for-sale securities	97,520	232,082	(29,059)
Realization of revaluation reserve	1,912	3,824	3,824
Tax effect on revaluation reserve released to retained earnings	(765)	(1,530)	(1,530)
Actuarial gains (losses)	596,267	558,471	(312,129)
Comprehensive income	611,462	572,998	554,245

NOTE 31 - Other information**a) Guarantees given**

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

Specification	12.31.2013	12.31.2012
Import financing	54,614	23,804
Guarantee beneficiaries		
- Individuals or non-financial legal entities	20,450	82,669
- FNE	16,869,908	15,153,541
- Other entities	83,801	64,584
Credit assignment co-obligations	22,660	24,786

b) Approval of financial statements

The financial statements were approved by the Board of Directors at a meeting held on February 14, 2014.

Fortaleza, February 14, 2014.

The Executive Board

Note: See accompanying notes.



Av. Presidente Juscelino Kubitschek, 1830
Torre I - 8º Andar - Itaim Bibi
04543-900 - São Paulo - SP - Brasil
Tel: (5511) 2573-3000
ey.com.br

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

Independent auditor's report on financial statements

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

We have audited the accompanying financial statements of Banco do Nordeste do Brasil S.A. ("Bank"), which comprise the balance sheet as at December 31, 2013 and the related income statement, statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Bank's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A. as at December 31, 2013, its operating performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Emphasis of matter

Restatement of prior-year corresponding figures

As mentioned in Note 3I), due to a change in accounting policy, with the adoption of revised standard CPC 33 (R1) - Employee Benefits, approved by the Brazilian Financial Accounting Standards Board (CPC), the corresponding figures in the balance sheet for the prior year, presented for comparative purposes, were adjusted and are being restated as provided for under CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors, and CPC 26 (R1) - Presentation of Financial Statements. Our opinion is not modified in relation to this matter.



Other matters

Statement of value added

We have also audited the statement of value added (SVA) for the year ended December 31, 2013, whose presentation is required by the Brazilian Corporation Law for publicly-held companies. This statement was subject to the same audit procedures previously described and, based on our opinion, it is fairly presented, in all material respects, in relation to the overall financial statements.

São Paulo, February 14, 2014

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

Flávio Serpejante Peppe
Accountant CRC-1SP172.167/O-6

Guilherme Portella Cunha
Accountant CRC-1RJ106036/O-5



SUPERVISORY BOARD'S OPINION

The Supervisory Board of Banco do Nordeste do Brasil S.A., in compliance with its legal and statutory duties, audited the Management Report, Balance Sheets, Income Statements, Statements of Changes in Equity, Statements of Cash Flows and Statements of Value Added of Banco do Nordeste do Brasil S.A., for the year ended December 31, 2013, which were approved at that date by the Board of Directors.

Based on the audit performed, information and clarifications received in the course of 2013, as well as the Independent Auditor's Unqualified Opinion - **ERNST & YOUNG AUDITORES INDEPENDENTES S.S.**, issued on this date, the Supervisory Board believes that the Management Report and the Financial Statements can be submitted to approval by the Annual General Meeting.

Fortaleza (CE), February 14, 2014.

SUPERVISORY BOARD



SUMMARY OF THE AUDIT COMMITTEE REPORT

Second half of 2013

The Audit Committee of Banco do Nordeste do Brasil S.A. ("BNB" or the "Bank") is an entity set up according to National Monetary Council (CMN) Resolution No. 3198/2004, whose duties and requirements are set out in the Bank's Chart. The Bank's internal regulations are available at www.bnb.gov.br, in the Investor/Shareholder Relations area.

Among the activities carried out by the Committee, we emphasize the following: a) meeting the Board of Directors' demands; b) monitoring compliance with the recommendations made by internal and external audits and by the controlling agencies; c) scheduling meetings with Management to approach issues requiring the Bank's attention; and d) participating in the meetings of the Supervisory Board whenever necessary. These activities were determined in biweekly meetings held with the audit superintendence and others of the Bank's superintendence areas in order to obtain clarifications on significant issues.

The following are responsible for the activities listed below: a) the external audit reviews the financial statements and other work pursuant to the guidelines edited by Brazil's National Monetary Council (CMN), Central Bank of Brazil (BACEN) and, when not in conflict with these, pursuant to the guidelines of the Brazilian Securities and Exchange Commission (CVM), Brazilian National Association for State Boards of Accountancy (CFC) and Independent Auditors Institute (IBRACON), in addition to infralegal rules; and b) the internal audit (Audit Superintendence) monitors, evaluates and determines the environment's adequacy with the internal controls and the rules and procedures determined by competent authorities.

The Audit Committee reviewed the financial statements and evaluated the effectiveness of the internal and external audit procedures and of the internal control system, as follows:

Internal Control System – Management took significant measures to streamline the internal controls, with emphasis on reviewing and optimizing the structures, processes and systems supporting the granting and administration of credit, and implemented a program for promotion by merit and the enhancement of the decision-making process. The Bank's internal controls system are constantly being improved and are efficient in identifying factors that could lead to unfavorable outcomes, thus enabling corrective measures.

Internal audit – The internal audit satisfactorily carried out its activities, observing the Annual Plan of Internal Audit Activities, prepared under the instructions from federal controlling bodies, and approved by the Bank's Board of Directors and Brazil's Comptroller General's Office.

External Audit – The Bank is not aware of any significant event that could adversely affect the activities of ERNST & YOUNG TERCO AUDITORES INDEPENDENTES during the provision of the audit services.

Financial Statements – The practices used for the preparation of the Financial Statements comply with the Corporation Law and the standards of Brazilian National Monetary Council, Central Bank, and Securities and Exchange Commission (CVC).

Fortaleza (Ceará) – February 14, 2014.

Audit Committee



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

Financial Statements

F N E

In thousands of Reais

Position as of 12.31.2013

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

(Law No. 7827 of 09.27.1989)

BALANCE SHEETS

Years ended at December 31, 2013 and 2012
(In thousands of Reals)

ASSETS				LIABILITIES AND EQUITY	
		12.31.2013	12.31.2012		
CURRENT ASSETS		14.353.661	13.988.633	CURRENT LIABILITIES	
CASH AND CASH EQUIVALENTS	(Note 4.b.1)	1.766.402	990.358	Other obligations	27
FUNDS COMMITTED FOR LOANS		5.142.295	5.541.890	Accrued liabilities allowance	27
LINKED CREDITS		5.997	4.551		4
Rural credit – PROAGRO receivable		5.997	4.551	EQUITY	47.642.592
ONLENDING DEBTORS		74.794	76.655	FEDERAL GOVERNMENT TRANSFER:	
Onlending debtors – Other institutions		74.794	76.655	For the year	5.578.343
LOANS	(Note 4.b.2 and Note 6)	7.356.782	7.372.860	In prior years	43.156.154
Financing		2.991.815	2.457.606	PRIOR-YEAR INCOME (LOSS)	(335.015)
Export financing		57.339	98.427	INCOME (LOSS) FOR THE YEAR	(756.890)
Infrastructure and development financing		577.125	537.684		(73.321)
Agribusiness financing		213.622	231.616		
Rural financing		4.314.088	4.939.554		
(Allowance for loan losses)		(797.207)	(892.027)		
OTHER RECEIVABLES	(Note 4.b.7)	7.100	2.090		
Rights on goods received from loan transactions		7.100	2.090		
Other receivables and assets	(Note 4.b.8)	291	229		
PROAGRO securities		4	4		
Agribusiness debt securities		326	275		
(Provision for impairment of securities)		(39)	(50)		
LONG-TERM RECEIVABLES		33.288.958	28.859.497		
LINKED CREDITS		359	2.662		
Rural credit – PROAGRO receivable		359	2.662		
ONLENDING DEBTORS		1.593.004	1.474.980		
Onlending debtors – Banco do Nordeste - Law 7827- article 9-A	(Note 8)	1.455.982	1.332.382		
Onlending debtors – Other institutions		137.022	142.598		
LOANS	(Note 4.b.2 and Note 6)	31.694.549	27.380.714		
Financing		13.804.297	10.848.481		
Export financing		-	28.465		
Infrastructure and development financing		4.885.706	5.172.319		
Agribusiness financing		898.896	935.334		
Rural financing		12.105.650	10.396.115		
OTHER RECEIVABLES AND ASSETS	(Note 4.b.8)	1.046	1.141		
Agribusiness debt securities		1.549	1.652		
(Allowance for devaluation)		(503)	(511)		
TOTAL ASSETS		47.642.619	42.848.130	TOTAL LIABILITIES AND EQUITY	
					47.642.619
					42.848.130

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE
(Law No. 7827 of 09.27.1989)

INCOME STATEMENTS

Years ended December 31, 2013 and 2012 and six-month period ended December 31, 2013
(In thousands of Reais)

		2nd half of 2013	Year 2013	Year 2012
INCOME				
Loans	(Note 6.i)	280.272	747.487	1.286.403
Cash and cash equivalents yield.....	(Note 4.b.1)	293.866	525.559	437.196
Reversal of operating provisions		18	86	86
EXPENSES	(Note 4.a.8)			
Management		(612.664)	(1.209.296)	(1.037.396)
PRONAF – compensation of the financial agent / performance bonus		(107.009)	(190.829)	(100.393)
Allowance for loan losses and devaluation		(305.262)	(629.787)	(659.116)
Audit expenses.....		(47)	(110)	(101)
LOSS FOR THE SIX-MONTH PERIOD/YEAR		(450.826)	(756.890)	(73.321)

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2013 and 2012 and six-month period ended December 31, 2013
(In thousands of Reais)

EVENTS		FEDERAL GOVERNMENT TRANSFER	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
BALANCES AT 12.31.2011		37.969.173	(221.712)	37.747.461
Transfers from the Federal Government for the year	(Note 7)	5.186.981	-	5.186.981
Prior-year adjustments		-	(12.995)	(12.995)
Loss for the year		-	(73.321)	(73.321)
BALANCES AT 12.31.2012		43.156.154	(308.028)	42.848.126
CHANGES FOR THE YEAR		5.186.981	(86.316)	5.100.665
BALANCES AT 12.31.2012		43.156.154	(308.028)	42.848.126
Transfers from the Federal Government for the year	(Note 7)	5.578.343	-	5.578.343
Prior-year adjustments		-	(26.987)	(26.987)
Loss for the year		-	(756.890)	(756.890)
BALANCES AT 12.31.2013		48.734.497	(1.091.905)	47.642.592
CHANGES FOR THE YEAR		5.578.343	(783.877)	4.794.466
BALANCES AT 06.30.2013		46.139.314	(622.828)	45.516.486
Transfers from the Federal Government for the six-month period		2.595.183	-	2.595.183
Prior-year adjustments		-	(18.251)	(18.251)
Loss for the six-month period.....		-	(450.826)	(450.826)
BALANCES AT 12.31.2013		48.734.497	(1.091.905)	47.642.592
CHANGES FOR THE SIX-MONTH PERIOD		2.595.183	(469.077)	2.126.106

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE
(Law No. 7827 of 09.27.1989)
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012 and six-month period ended December 31, 2013
(In thousands of Reais)

	2nd half of 2013	12.31.2013	12.31.2012
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) for the six-month period/Year.....	(450.826)	(756.890)	(73.321)
Expenses (revenue) not affecting cash:			
Allowance for loan losses and devaluation	305.262	629.787	659.116
Reversal of operating provisions	(18)	(86)	(86)
Accrued liabilities allowance	(15)	23	4
Adjusted income (loss)	(145.597)	(127.166)	585.713
Linked credits	(290)	857	(118.408)
Onlending debtors	(69.371)	(116.162)	(6.062)
Loan transactions	(2.189.860)	(4.927.479)	(3.679.066)
Other receivables	(4.966)	(5.011)	(72)
Other receivables and assets	(166)	54	(50)
Prior-year adjustments	(18.251)	(26.987)	(12.995)
CASH USED IN OPERATING ACTIVITIES	(2.428.501)	(5.201.895)	(3.230.940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Federal Government transfers	2.595.183	5.578.343	5.186.981
CASH FROM FINANCING ACTIVITIES	2.595.183	5.578.343	5.186.981
Increase in cash and cash equivalents	166.682	376.449	1.956.041
CHANGES IN CASH AND CASH EQUIVALENTS:			
At beginning of period	6.742.015	6.532.248	4.576.207
At end of period	6.908.697	6.908.697	6.532.248
Increase in cash and cash equivalents	166.682	376.449	1.956.041

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

In thousands of reais, unless otherwise stated

Contents of the Notes to Financial Statements

NOTE 1 – History	NOTE 6 – Financing transactions and onlending and allowance for loan losses
NOTE 2 – Basis of preparation and presentation of the financial statements	NOTE 7 - Prior-year adjustments
NOTE 3 – Management	NOTE 8 - Onlendings to BNB under article 9-A of Law No. 7827 of 09.27.1989
NOTE 4 - Summary of significant accounting practices	NOTE 9 – Repayments to FNE as management fee and financial (<i>del credere</i>) commissions
NOTE 5 – Supervisory agencies	NOTE 10 - Registration with the Federal Government Integrated Financial Management System (SIAFI)

NOTE 1 – History

Fundo Constitucional de Financiamento do Nordeste - FNE was established by the Federal Constitution of 1988 (Article 159, item I, letter “c”), and is regulated by Law No. 7827, of 9/27/1989, amended by Supplementary Law No. 125, of 1/3/2007, Laws No. 9126, of 11/10/1995, No. 9808, of 7/20/1999, and No. 10177, of 1/12/2001, Provisional Executive Order No. 2196-1, of 6/28/2001, as republished, and Article 13 of Provisional Executive Order No. 2199-14, of 8/24/2001. The purpose of the FNE is to foster the economic and social development of the Northeast region, through Banco do Nordeste do Brasil S.A., by offering financing to production sectors, in conformity with regional development plans, giving priority to activities developed by small farmers, small companies and staple food producers, and to irrigation projects. Non-refundable aid is prohibited.

NOTE 2 – Basis of preparation and presentation of the financial statements

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

NOTE 3 – Management

Banco do Nordeste is responsible for: allocating funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting credit, formalizing agreements for onlendings to other institutions authorized to operate by the Central Bank of Brazil, observing the guidelines established by the Ministry of National Integration, reporting on the results achieved, performing other activities related to the use of funds and recovery of credits, including renegotiating and settling debts, pursuant to Articles 15-B, 15-C, and 15-D of Law No. 7827, of 9/27/1989.

NOTE 4 - Summary of significant accounting practices

FNE has its own accounting records and uses the accounting system of Banco do Nordeste to record its transactions in specific subtitles, and the results of operations are determined separately.

For determination of the results of operations, FNE’s fiscal year coincides with the calendar year.

Significant accounting practices are as follows:

a) Income and expenses recognition

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

a.2) Beginning January 1, 2008, financial charges on financing granted with funds from FNE range between 5% and 10% per annum, according to the activity and size of the borrowers, including BNB’s financial (*del credere*) commission, pursuant to legislation.

Provisional Executive Order No. 581, of 09.20.2012, converted into Law No. 12793 dated 4/2/2013 which in Article 3 amended Article 1 of Law No. 10177 dated 1/12/2001 attributing to the National Monetary Council, through a proposal from the National Integration Ministry, responsibility for defining financial charges and bonus for timely payment in FNE operations which can be differentiated in accordance with the purpose of the loan, the size of the beneficiary, the sector of activity and the location of the venture. Based on this legal provision, the National Monetary Council, through Resolution No. 4149, dated 10/25/2012, defined financial charges on financing using FNE funds at 2.94% p.a. as well as bonus for timely payment of 15% calculated on such charges, for operations contracted from October 1, 2012, to December 31, 2012, except for beneficiaries of financing based on Article 8-A of Law No. 10177, dated 1/12/2001 and Article 15 of Law No. 12716 dated 9/21/2012, and family farms classifying under National Family Farming Strengthening Program – PRONAF.

Also based in this legal instrument the National Monetary Council through (CMN) Resolution No. 4181 dated 1/7/2013 set financial charges at 3.53% p.a. for financing with FNE funds contracted between 1/1/2013 to 6/30/2013 and at 4.12% p.a. for charges on financing contracted from 7/1/2013 to 12/31/2013

establishing a bonus of timely payment of 15% on these charges for installments paid up to the date of maturity. Such financing charges do not apply to loan beneficiaries based on Article 8-A of Law No. 10177 dated 1/12/2001 and Article 15 of Law No. 12716 dated 9/21/2012 and family farms classifying under the National Family Farming Strengthening Program (PRONAF).

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 contractually agreed default charges, and the portion of these charges that exceeds the rates established by legislation is recorded as the Fund's unearned income.

On the financial charges established by law, a bonus for timely payment 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. Recognition of the bonus expenses is carried out concurrently with the payment of charges by the borrower.

Financing transactions under the National Family Farming Strengthening Program (PRONAF) are subject to financial charges established by the National Monetary Council, pursuant to the legislation and regulation of the Program set forth in Chapter 10 of the Rural Loan Manual of the Central Bank of Brazil.

- a.3)** Provisional Executive Order No. 2196-1 of 6/28/2001, as republished, which created the Support Program for Federal Financial Institutions, sets out the following as regards the BNB's financial commission on financing with funds from FNE:
- For transactions contracted up to 11.30.1998, BNB's financial commission was reduced to zero, and the charges agreed to with borrowers remained unchanged;
 - For transactions contracted with a risk of 50% for Banco do Nordeste, BNB's financial commission will be 3% per annum;
 - For transactions resulting from onlendings to Banco do Nordeste, in its name and at its own risk, to grant loans, the financial commission will be 6% per annum.
- a.4)** Decree 5818 of 6/26/2006, combined with National Monetary Council (CMN) Resolution No. 3293, of 6/28/2005, established that, for PROFROTA transactions with large companies, with shared risk, BNB's financial commission is 2.5% per annum.
- a.5)** Administrative Ruling No. 616, of 5/16/2003, of the Ministry of National Integration, establishes that, for onlendings to institutions authorized to operate by the Central Bank of Brazil, BNB is entitled to the financial commission agreed to with the institutions, observing the limit established by legislation.
- a.6)** For financing under PRONAF (Groups A, B, A/C, Semiarid, Forest, PRONAF-Emergency, PRONAF-Flooding, PRONAF-Drought, PRONAF-Semiarid-Drought -2012 and PRONAF-Drought -2012-Funding), BNB is not entitled to any commission, according to the legislation and regulation of the Program.
- a.7)** For loans reclassified under Article 31 of Law No. 11775 of 09.17.2008, Administrative Ruling No. 245 of 10.14.2008 sets BNB's financial commission at 3% per annum in the cases defined in Article 1, items I to IV, and sets a financial commission of 6% per annum in the cases defined in Article 1, Sole Paragraph.
- a.8)** FNE's expenses refer to management fee payable to Banco do Nordeste as the Fund manager, to financial charges payable to BNB on financing under PRONAF (Groups: A, B, A/C, Forest, Semiarid, PRONAF-Emergency, PRONAF-Flooding, PRONAF-Drought, PRONAF-Semiarid-Drought-2012 - Group B, PRONAF-Semiarid Drought-2012 - Other Groups, PRONAF-Drought-2012-Funding - Group B and PRONAF- Drought-2012-Funding - Other Groups, and other PRONAFs with shared risk, to financial charges payable to BNB on disbursement under Pronaf Groups B, Semiarid, Forest and other PRONAFs with shared risk, to performance Premium on reimbursement under PRONAF A, B, A/C, Semiarid, Forest, PRONAF-Semiarid-Drought-2012 - Other Groups, PRONAF-Drought-2012-Funding - Other Groups and other PRONAFs with shared risk, to allowance for loan losses recognized pursuant to Administrative Ruling No. 11, of 12.28.2005, of the Ministry of Finance and Ministry of National Integration, and to independent audit services, in addition to bonuses and discounts established by legislation.
- The management fee of 3% per annum, paid to Banco do Nordeste by FNE, is recorded on a monthly basis of 0.25% on the Fund's equity, less amounts to transferred to the Bank, amounts transferred to other institutions according to the Brazilian Integration Ministry Ruling No. 616 of 5/26/2003 and balances of investments in PRONAF Group B, A/C, Forest, Semiarid, PRONAF-Emergency, PRONAF-Flooding, PRONAF-Drought, PRONAF-Semiarid-Drought-2012 - Group B, PRONAF-Semiarid Drought-2012 - Other Groups, PRONAF-Drought-2012-Funding - Group B and PRONAF- Drought-2012-Funding - Other Groups, and is limited each year to 20% of the transfer amount made by the National Treasury Department in accordance with Decree No. 5641 dated 12/26/2005.
- The Bank's remuneration on PRONAF financing, remuneration on disbursement and performance bonus on reimbursements comply with percentages and criteria defined by legislation and by the Program Regulation.

b) Current assets and long-term receivables

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

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

Specification	12.31.2013	12.31.2012
Cash and cash equivalents	1,766,402	990,358
Funds committed for loans	5,142,295	5,541,890
Total cash and cash equivalents	6,908,697	6,532,248

b.2) Total loans are stated at the amount of principal plus financial charges, less unearned income and allowance for loan losses (Note 6).

b.3) Law No. 11322, of 07/13/2006, provides for the renegotiation of debts arising from rural credit transactions contracted in the area under the jurisdiction of the Superintendency for the Development of the Northeast (SUDENE), and grants decrease on debit balance, bonuses for timely payment, decreased interest rates and extension of payment periods.

b.4) Law No. 11775, of 9/17/2008, provides for the settlement, regularization, renegotiation or reclassification of debts arising from loans classified, among others, under Laws No. 9138 of 11/29/1995, No. 10437 of 4/25/2002 and No. 11322 of 07/13/2006, Provisional Executive Order No. 2196-3 of 8/24/2001, CMN Resolution No. 2471 of 2/26/1998, of the National Family Farming Strengthening Program (PRONAF), in the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (PRODECER) - Stage III, and contracted with FAT funds by financial agents, and grants discounts, bonuses for timely payment on debit balances, waivers, and maintenance or rescheduling of payment periods.

b.5) Law No. 12249, of 6/11/2010, provides for, in Articles 69 and 70, the remission of agricultural debts renegotiated based on Article 2 of Law No. 11322, of 7/13/2006, or classified under said Article, as well as the granting of discounts for settlement of not remitted agricultural debts renegotiated based on Article 2 of Law No. 11322, backed by FNE funds or FNE funds along with other sources of funds. Articles 71 and 72 of said Law provide for the remission of debts relating to agricultural activities with producers classified under Group B of PRONAF, as well as the granting of discounts for not remitted debts, backed by FNE funds.

b.6) Law No. 12716, dated 9/21/2012, authorized the Executive Branch to introduce special credit lines using FNE funds, to rural, industrial, commercial and service sectors of municipalities under emergency conditions or going through public calamities acknowledged by the Federal Executive Branch. Article 5 of said law authorized the introduction of rural credit line with FNE funds for settlement, until December 31, 2013, of rural loans for costs and investments, with shared risks or risks fully borne by the National Treasury Department, FNE or official federal financial institutions. Said credit line was regulated by the National Monetary Council, through Resolution No. 4147, dated 10/25/2012.

b.7) The account "Other receivables" includes FNE's rights on chattels and properties received by BNB as payment of debts. After assets are sold, the sale proceeds are apportioned between the Fund and BNB, proportionally to the risk assumed, pursuant to Article 7 of Administrative Ruling No. 11, of 12/28/2005.

b.8) Securities recorded under line account "Other Assets" are stated at their face value, plus expected yield on each security, including, when applicable, the effects of adjustments of assets to market or realizable value.

c) Equity

The equity of FNE is originated as follows:

- Transfers from the Federal Government at the proportion of 1.8% of the collection of Income Tax (IR) and Federal VAT (IPI) on a 10-day period basis;
- Returns and operating results;
- Returns and results of transactions Interest paid by Banco do Nordeste on FNE's temporarily not invested cash.

d) Tax exemption

FNE is entitled to tax exemption, and its results, income and financing operations are free of any tax, contribution or other lien, as provided for by Law No. 7827, of 9/27/1989, as amended.

NOTE 5 – Supervisory agencies

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

NOTE 6 - Financing transactions and onlending and allowance for loan losses**a) Breakdown of credit portfolio****a.1) Total portfolio**

Financing	12.31.2013			12.31.2012		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	16,421,414	374,698	16,796,112	13,018,155	287,932	13,306,087
Export financing	53,562	3,777	57,339	125,084	1,808	126,892
Infrastructure and development financing	5,462,831	-	5,462,831	5,710,003	-	5,710,003
Agribusiness	1,070,731	41,787	1,112,518	1,132,967	33,983	1,166,950
Rural financing	15,484,280	935,458	16,419,738	14,378,327	957,342	15,535,669
Subtotal	38,492,818	1,355,720	39,848,538	34,364,536	1,281,065	35,645,601
Onlendings to BNB	1,455,982	-	1,455,982	1,332,382	-	1,332,382
Onlendings to other entities	211,816	-	211,816	219,253	-	219,253
Total portfolio	40,160,616	1,355,720	41,516,336	35,916,171	1,281,065	37,197,236
Allowance for loan losses	(456,037)	(341,170)	(797,207)	(595,642)	(296,385)	(892,027)
Total net⁽¹⁾	39,704,579	1,014,550	40,719,129	35,320,529	984,680	36,305,209

a.2) Full Risk Portfolio for BNB

Financing	12.31.2013			12.31.2012		
	Normal	Past due	Balance	Normal	Past due	Balance
Agribusiness	1,375	-	1,375	-	-	-
Rural financing	242,751	8,909	251,660	225,748	10,000	235,748
Subtotal	244,126	8,909	253,035	225,748	10,000	235,748
Onlendings to BNB	1,455,982	-	1,455,982	1,332,382	-	1,332,382
Onlendings to other institutions	158,693	-	158,693	161,903	-	161,903
Total portfolio	1,858,801	8,909	1,867,710	1,720,033	10,000	1,730,033
Total net⁽¹⁾	1,858,801	8,909	1,867,710	1,720,033	10,000	1,730,033

a.3) Shared risk portfolio

Financing	12.31.2013			12.31.2012		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	16,357,524	363,266	16,720,790	12,943,996	270,460	13,214,456
Export financing	53,562	3,777	57,339	125,084	1,808	126,892
Infrastructure and development financing	5,462,831	-	5,462,831	5,710,003	-	5,710,003
Agribusiness	1,000,474	33,918	1,034,392	1,094,017	27,485	1,121,502
Rural financing	9,203,911	437,098	9,641,009	8,857,872	481,057	9,338,929
Subtotal	32,078,302	838,059	32,916,361	28,730,972	780,810	29,511,782
Total portfolio	32,078,302	838,059	32,916,361	28,730,972	780,810	29,511,782
Allowance for loan losses	(65,875)	(196,685)	(262,560)	(127,985)	(159,502)	(287,487)
Total net⁽¹⁾	32,012,427	641,374	32,653,801	28,602,987	621,308	29,224,295

a.4) FNE Full Risk Portfolio

Financing	12.31.2013			12.31.2012		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	63,890	11,432	75,322	74,159	17,472	91,631
Agribusiness	68,882	7,869	76,751	38,950	6,498	45,448
Rural financing	5,940,521	381,953	6,322,474	5,189,272	367,651	5,556,923
Subtotal	6,073,293	401,254	6,474,547	5,302,381	391,621	5,694,002
Onlendings to other entities	53,123	-	53,123	57,350	-	57,350
Total portfolio	6,126,416	401,254	6,527,670	5,359,731	391,621	5,751,352
Allowance for loan losses	(390,162)	(144,485)	(534,647)	(467,657)	(136,883)	(604,540)
Total net⁽¹⁾	5,736,254	256,769	5,993,023	4,892,074	254,738	5,146,812

a.5) Procera Full Risk Portfolio

Financing	12.31.2013			12.31.2012		
	Normal	Past due	Balance	Normal	Past due	Balance
Rural financing	97,097	107,498	204,595	105,435	98,634	204,069
Subtotal	97,097	107,498	204,595	105,435	98,634	204,069
Total portfolio	97,097	107,498	204,595	105,435	98,634	204,069
Total net⁽¹⁾	97,097	107,498	204,595	105,435	98,634	204,069

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

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

b.1) Transactions contracted until 11/30/1998:

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

b.2) Transactions contracted beginning 12/1/1998:

- In financing under Programa da Terra, the risk lies with PROCERA;
- In transactions under PRONAF, Groups A, B, A/C, Forest, Semiarid, Emergency, Flooding, Drought, Semiarid-Drought-2012 and Drought-2012-Costing, the risk lies totally with FNE;
- In onlendings to Banco do Nordeste whose funds are used in BNB's own lending operations, the risk is fully assumed by Banco do Nordeste;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted until 11/30/1998, the risk is fully assumed by FNE. Under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the lender;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted after Administrative Ruling No. 616 of 5/26/2003 becomes effective, the risk lies totally with BNB. Under referred Administrative Ruling and under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the lender;
- In the transactions addressed by Article 31 of Law No. 11775 of 9/17/2008, the risk lies 100% with Banco do Nordeste, if the risk of the original transaction is fully attributed to the Bank, or shared, when the renegotiated transaction involves this type of risk; and
- In other transactions, the risk is 50% for FNE and 50% for BNB.

c) Pursuant to sole paragraph of Article 3 of Interministerial Administrative Ruling No. 11, of 12/28/2005, the allowance for loan losses is recorded by FNE in accordance with the criteria set forth in item I, letters "a" and "b" of the same Article, pursuant to which an allowance must be recorded for amounts past-due for more than 180 days, according to the risk assumed. Changes in the allowance for loan losses in the year are as follows:

Specification	12.31.2013	12.31.2012
Allowance for loan losses at the beginning of the year	892,027	890,885
. Full FNE Risk	604,540	688,544
. Shared risk	287,487	202,341
(+) Net allowance recognized in the year	629,758	659,144
Net provision for discounts–Acquired Transactions under Law No. 11322	38	130
. Full FNE Risk	38	130
Allowance for loan losses - expenses	629,720	659,014
. Full FNE Risk	304,084	314,491
. Provision for past due payment /Renegotiations	315,915	320,217
. Allowance Adjustments due to Negative Goodwill	(11,831)	(5,726)
. Shared risk	325,636	344,523
. Provision for past due payment /Renegotiations	366,801	281,698
. Adjustments of provision for operations indicating irregularities	(41,165)	62,825
(-) Receivables written off as loss in the period	724,578	658,002
. Full FNE Risk	374,015	398,625
. Shared risk	350,563	259,377
(=) Allowance for loan losses at the end of the period	797,207	892,027
. Full FNE Risk	534,647	604,540
. Shared risk	262,560	287,487

- d) Considering that PROCERA is responsible for the risk of financing transactions under “Programa da Terra” with FNE’s funds, no allowance for loan losses is recognized.
- e) Under Interministerial Administrative Ruling No. 46, of 3/07/2007, an allowance for loan losses is recorded for transactions renegotiated under Law No. 11322, of 7/13/2006, as described below:
- e.1) For transactions with other sources of funds acquired by FNE: in an amount equal to the negative goodwill determined on acquisition by the Fund, recorded as a contra entry to loan transactions. The amounts for the year are described in subaccount “Net Provision for Negative Goodwill - Acquired Transactions Law No. 11322” in the table in item “c” of this Note; and
- e.2) For renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts eventually written off from assets as a loss, recorded as a contra entry to “Expenses on allowance for loan losses”. In the year, the allowance decreased by R\$ 53,279 (R\$ 39,191 at December 31, 2012), R\$ 45,840 (R\$ 29,478 at December 31, 2012) of which referred to full FNE risk transactions and R\$ 7,439 referred to shared risk transactions. These decreases include R\$ 37,638 (R\$ 9,501 at December 31, 2012) arising from discounts and waivers of transactions classified under Law No. 12249, of 06/11/2010 and Law No. 12716 of 9/21/2012, of which R\$ 32,130 (R\$ 8,189 at December 31, 2012) refers to transactions whose full risk lies with the Fund and R\$ 5,508 (R\$ 1.312 at December 31, 2012) refers to shared-risk transactions. These amounts are included in subtitle “Allowance for loan losses” in the table in item “c” of this note.
- f) Interministerial Administrative Ruling No. 244 of 10/14/2008, establishes that an allowance for loan losses is recorded for transactions renegotiated under Law No. 11775 of 09/17/2008, as described below:
- f.1) For renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts written off from assets as a loss, recorded as a contra entry to “Expenses on Operating Provisions”; and
- f.2) For renegotiated FNE transactions, the allowance was reduced by R\$ 33,367, of which R\$ 19,862 refers to transactions whose full risk lies with the Fund and R\$ 13,505 refers to shared risk. These amounts include a decrease of R\$ 18,528 arising from discounts and waivers of transactions classified under Law No. 12249, dated 6/11/2010 and Law No. 12716, dated 9/21/2012, with R\$ 12.090 referred to transactions whose full risk lies with the Fund and R\$ 6,438 refers to shared risk transactions. In that period in 2012, the allowance was reduced by R\$ 50,396, with R\$ 35,425 referring to transactions whose full risk lies with the Fund and R\$ 14,971 referring to shared-risk transactions. These amounts are included in subtitle “Allowance for Loan Losses” in the table in item “c” of this Note.
- g) At 12/31/2013, the amount of R\$ 21,659, is recorded as Allowance for Loan Losses, related to an extraordinary allowance set up in the year to cover the Fund’s risk on loan transactions granted with evidence of irregularities, which are subject to inquiry by the Bank’s Internal Audit Area. In such case, transaction balances were considered, according to the risk attributed to FNE, by supplementing those of which already recorded provision for past payments under Interministerial Administrative Ruling No 11, of 12/28/2005.
- h) The renegotiations, documented in the year based on Law No. 11775, dated 9/17/2008, Law No. 9138, dated 11/29/1995, Law No. 10437, dated 4/25/2002 and Law No. 11322, dated 7/13/2006, Provisional Executive Order No. 2196-3, of 8/24/2001 and the waivers and discounts granted in conformity with Law No. 12249, dated 6/11/2010 and Law No. 12716, dated 9/21/2012, reduced the Fund’s income by R\$ 216,231 (R\$ 25,443 increase at December 31, 2012). This effect includes costs on renegotiation of transactions contracted between

the Fund and other funding sources, mixed funding sources, acquired or reclassified to the Fund, as authorized by referred to Laws, as shown below

Specification	12.31.2013	12.31.2012
Recovery of operations written off of assets	70,604	58,752
Expenses - bonuses and waivers	(420,363)	(149,495)
Net effect on allowances	133,528	116,186
Total	(216,231)	25,443

i) the income statements, “Income from loans” is recorded at the net amount as follows:

Specification	12.31.2013	12.31.2012
Income from loans	2,953,939	2,929,492
Expenses on BNB’s financial commission	(768,287)	(923,020)
Expenses on BNB’s financial commission from other institutions	(3,589)	(3,761)
Expenses on negative monetary adjustment	(8,494)	(6,721)
Expenses on discounts granted in renegotiations	(377,173)	(114,708)
Expenses on rebates/bonuses for timely payment - Transactions contracted by Banco do Nordeste	(1,004,659)	(552,504)
Expenses on Rebates/bonuses for timely payment - Onlendings Law No. 7827 - Article 9 A	(13,312)	(14,244)
Expenses on rebates/ bonuses for timely payment - Onlendings to other institutions	(2,148)	(86)
Expenses on principal rebates - Receivables from FAT - BNDES - Law No. 10193, of 02.14.2001	(6)	(13)
Expenses on transactions - Other sources - Acquisitions Law No. 11322, of 07.13.2006	(327)	(39)
Expenses on other transactions BNB - Remission Law No. 12249, of 06.11.2010	(155)	(3,001)
Expenses on other transactions BNB - Rebate Law No. 12249/12844, of 06.11.2010 and 07.19.2013	(2,597)	(8,522)
FNE’s expenses honored by the Bank - Remission No. Law No. 12249, of 06.11.2010	(78)	(696)
FNE’s expenses honored by the Bank - Rebate Law 12249/12844, of 6.11.2010 and 7.19.2013	(25,612)	(15,740)
Adjustments referring to disposal of assets	-	(29)
Write-down of excess book value – receipt of assets	(15)	(5)
Total	747,487	1,286,403

j) Recognition of Losses and Return of BNB’s Share of Risk

- j.1)** Regardless of the provisions set forth in sole paragraph of Article 3, Administrative Ruling No. 11, based on which losses can be recorded in FNE’s accounting books at the amounts of principal and charges past-due for more than 360 days, according to the risk percentage assumed by the Fund, the Bank recognized losses on these transactions considering the amounts of principal and charges past due for more than 329 days.
- j.2)** Funds related to BNB’s share of risk are returned to FNE on the second business day after losses are recognized by the Fund, according to the criterion set forth in item II, letter “a”, Article 5 of Administrative Ruling No. 11, of 12.28.2005.
- j.3)** In the year, BNB returned to FNE the amount of R\$ 358,817 (R\$ 266,408, in year 2012), related to BNB’s share of risk in transactions that were written off as loss.

k) Renegotiation and reclassification of loans

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

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

The same statute authorized the replacement of financial charges on outstanding rural and non-rural transactions, contracted until 1/14/2001, subject to post fixed rates and backed with resources FNE, by fixed rates set by legislation applicable to this kind of transaction.

In the year, credits were reclassified to FNE or new operations were contracted to settle financings with funds from other sources, with full risk for the Fund, totaling R\$ 779 (R\$ 3,229, in 2012), under referred to law, as follows:

Specification	12.31.2013	12.31.2012
Article 7 (Cocoa Farming Operations in Bahia)	294	15
Article 19 (Operation whose risk lies with the Federal Government – funds from FAT)	485	1,753
Article 31 (Prodecerc transactions - Stage III/Res 2471/98 transactions)	-	1,461
Total	779	3,229

Also under Law No. 11775, de 9/17/2008, credits were reclassified to FNE or new operations were contracted to settle financings with funds from other sources, with full risk for Banco do Nordeste, in the amount of R\$ 18,532 (R\$ 52,558 in 2012), as follows:

Specification	12.31.2013	12.31.2012
Article 31 (Mixed Funds from Other Sources/FNE's transactions)	16,226	6,131
Article 31 (Prodecer's transactions - Stage III)	-	42,078
Article 31 (FAT transactions)	2,306	4,349
Total	18,532	52,558

NOTE 7 - Prior-year adjustments

The net negative adjustment as at 12/31/2013, of R\$ 26,987 (R\$ 12,995 as at 12/31/2012), refers to recalculations of charges on lending transactions

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

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

Specification	12.31.2013	12.31.2012
Available funds	709,475	433,857
Invested funds	746,507	898,525
Total	1,455,982	1,332,382

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

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

Note 9 – Repayments to FNE as management fee and financial (*del credere*) commissions

a) In 2013, the Bank refunded to FNE the amount of R\$318,289 deriving from the recalculation of financial (*del credere*) commissions, as the *pro rata temporis* basis criterion was not applied to the calculation of this compensation, in compliance with the recommendation of the Brazil's Federal Audit Court (TCU), which understood in its previous inspection completed in 2013 that the calculation methodology used by the Bank required an adjustment.

b) Also in 2013, and in compliance with recommendations of the Brazil's Federal Audit Court, FNE refunded BNB for amounts that had been unduly refunded to the Fund in 2007, referring to financial (*del credere*) revenues and administration fee amounting to R\$116,282.

c) In the same period, the Bank changed its *del credere* calculation methodology charged on FNE transactions with shared or full risk for the Bank, starting using as calculation basis for this compensation the book balances before the allowance for loan losses. This action takes into consideration that the risk assumed by the Bank impacts the total financing balances as restated by charges provided for by law, and not balances deducted from the allowances recorded in books. The change in this methodology implied recalculating *del credere* commissions, resulting in payment of R\$61,030 to the Bank.

NOTE 10 - Registration with the Federal Government Integrated Financial Management System (SIAFI)

In compliance with Administrative Ruling No. 11, of 12/28/2005, the accounting information related to FNE is available on SIAFI, considering the Fund's specific characteristics.

Fortaleza – February 14, 2014.

Executive Board

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



Av. Presidente Juscelino Kubitschek, 1830
Torre I - 8º Andar - Itaim Bibi
04543-900 - São Paulo - SP - Brasil
Tel: (5511) 2573-3000
ey.com.br

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

Independent auditor's report on financial statements

The Management of
Fundo Constitucional de Financiamento do Nordeste – FNE
(Managed by Banco do Nordeste do Brasil S.A.)

We have audited the accompanying financial statements of Fundo Constitucional de Financiamento do Nordeste ("FNE or the "Fund"), which comprise the balance sheets at December 31, 2013, and the related income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the Fund's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste (FNE) at December 31, 2013, the performance of its operations and cash flows for the year then ended, in accordance with the accounting practices presented in Notes 2, 4, and 6.

Emphasis of matter

Basis for preparation of the financial statements

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

São Paulo, February 14, 2014

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

Flávio Serpejante Peppe
Accountant CRC-1SP172.167/O-6

Guilherme Portella Cunha
Accountant CRC-1RJ106036/O-5

MANAGEMENT COUNCIL:: Dyogo Henrique de Oliveira (President) – Ary Joel de Abreu Lanzarin – Demetrius Ferreira e Cruz – Fabrício da Soller – Isaias Matos Dantas – Martim Ramos Cavalcanti.

BOARD OF DIRECTOR: Ary Joel de Abreu Lanzarin (Presidente) – Fernando Passos (Director Financial and Credit) – Manoel Lucena dos Santos (Director of Control and Risk) – Nelson Antonio de Souza (Director of Strategy, Management and Information Technology) – Paulo Sérgio Rebouças Ferraro (Director of Business) Stélio Gama Lyra Junior (Director of Sustainable Development and Microfinance).

SUPERVISORY BOARD: Maria Teresa Pereira Lima (Acting President) – Helano Borges Dias – Manuel dos Anjos Marques Teixeira – Marco Antônio Fiori – Raimundo Lourival de Lima

AUDIT'S COMMITTEE: Otho Cezar Miranda de Carvalho (President) – Josélia Cristina Nogueira de Araújo Almeida (Full Member) – José Wilkie Almeida Vieira (Full Member in Exercise)

SUPERINTENDENT: José Jurandir Bastos Mesquita (Financial Control)

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