Banco do Nordeste

FINANCIAL STATEMENTS

Bank and FNE

In thousands of Reais

Position as of 06.30.2014

Financial Statements

BANK

In thousands of Reais

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MANAGEMENT REPORT

First half of 2014

A WORD FROM THE PRESIDENT

In the first quarter of 2014, Banco do Nordeste carried out 2.2 million loan transactions aimed at various regional industries and economy segments, which corresponds to R$ 9 billion in financing granted.
Out of the total transactions contracted, 214 thousand, equivalent to R$ 4 billion, was funded by the Constitutional Financing Fund for the Northeast Region (FNE), the Bank’s major source of funds.
Worth mentioning, the funding of ventures by the FNE has a positive impact on the increase in the Gross Domestic Product (GDP) per capita at the municipal and micro-regional level, significantly contributing to the agribusiness industry.
This is the preliminary conclusion drawn by the project for monitoring and assessing the social and economic impacts of constitutional funds used for inducing regional development, conducted by Brazil’s Ministry da National Integration and the Institute for Applied Economic Research.
Given the above, the Institution and particularly its 6,863 employees gladly acknowledge that Banco do Nordeste fulfills its corporate mission to promote sustainable regional development as a competitive and profitable public bank.
Also worth stressing, Banco do Nordeste prioritizes micro and small entrepreneurship, as well as farm enterprises and small-scale farm enterprises.
In a six-month period marked by the impacts of a two year long drought, Agroamigo exceeded the mark of R$ 2 billion in its active portfolio and recorded an increase by 19.7% as compared with last December.
As regards Crediamigo, the largest guided microcredit program in Latin America, R$ 3.3 billion was granted, an amount which corresponds to 69.4% of the total volume of short-term transactions and represents an increase by 24.5% as compared with the first half of 2013.
Also, the Bank spared no efforts to improve its customer relationships, having opened 41 new branches in the first half of the year.
In its systematic search for service excellence, the agreement entered into with Caixa Econômica Federal is of the utmost importance, in order to expand the range already obtained by the Bank and guarantee easier access to customers, who will be able to carry out bank transactions also in “casas lotéricas” (lottery outlets).
Totally dedicated to corporate governance, the Bank endeavored to recover credit, as a way to refeed the regional economy’s funding system, based on the assumption that public money lent as loans must return.
Huge challenges certainly remain to be overcome, since there is still inequality between the regions. Aware of its role, however, the organization believes in the potential for entrepreneurship of the northeastern people and is committed to dedicating all its strength to this task.

Nelson Antônio de Souza
President of Banco do Nordeste do Brasil S.A.

INTRODUCTION

Banco do Nordeste do Brasil is a full-service financial institution created by Federal Law No. 1649, of July 19, 1952, organized as a mixed-capital publicly-held entity, whose capital is 98.63% held by the Federal Government. With head offices in Fortaleza (CE), the Bank operates in the nine States of the Northeast Region, North of the Minas Gerais State (Vale do Mucuri and Vale do Jequitinhonha) and in the north region of the State of Espírito Santo, comprising 1,990 municipalities and 273 branches.

In the first half of 2014, the Bank carried out 2.2 million loan transactions intended to the rural, industrial, infrastructure, trading and service industry, corresponding to R$ 9.0 billion in financing granted. This represents an increase by 8.9% in the number of transactions carried out and a decrease by 23.1% in the amount financed as compared with the first half of 2013, which indicates a better distribution of credit, whose priority is to provide services to micro and small entrepreneurs. Constitutional Financing Fund for the Northeast Region (FNE) loans were granted in approximately 214 thousand transactions and amounted to R$ 4.0 billion. The rural segment received R$ 1.6 billion in loans, equivalent to 41% of the total amount contracted by the FNE.

As at June 30, 2014, the credit portfolio managed by BNB, including loan transactions carried out on behalf of the FNE, totaled R$ 52,540.6 million, not including the provision amounts recorded, which represents an increase by 2.0% as compared with the balance of R$ 51,526.1 million as at December 31, 2013.

Banco do Nordeste, through its Crediamigo and Agroamigo programs, provides services to the microfinance segment in urban and rural areas, respectively. Supporting the production activities of informal micro-entrepreneurs, the Bank contracted 192,250 transactions by means of Agroamigo and grew 0.47% as compared with the same period of 2013, amounting to R$ 664.9 million in financing, which represents an increase by 32.87% as compared with the first half of 2013. In the Crediamigo program, the Bank contracted 1,851,349 transactions, amounting to R$ 3.3 billion and which represents an increase by 24% as compared with the first half of 2013. The actions included in both programs are integrated into the Brasil Sem Miséria Plan, launched by the Federal Government and aimed at increasing the earnings and improving the well-being of the Northeast population.

In order to continually support the granting of credit to micro and small companies (MPE), 29,250 transactions were contracted, totaling R$ 1.2 billion. Through the Brazilian Small-scale Farm Enterprise Support Program (Pronaf), the Bank applied R$ 818.8 million in the family farming segment this half-year, including the transactions contracted through Agroamigo.

Banco do Nordeste, as the main financing agent of the production industry in its area of expertise, continued to take measures which aim at improving the socio-economic indicators and reducing regional differences as well as the integrated programs which render it possible to reach these objectives. The support given by the Bank to the Growth Acceleration Program (PAC) and the 2014 World Cup are examples of these integrated measures.

2014 HIGHLIGHTS

The Bank is recognized as a corporate citizenship company

Banco do Nordeste was recognized as one of Brazil's "100 Best Corporate Citizenship Companies" by Gestão RH magazine. This award evaluates and honors companies in the areas of socio-environmental responsibility, ethics and relationships with stakeholders, quality of life at work and inclusive policies.

In both electronic and print formats, Gestão RH magazine is intended for professionals working in people and business management and addresses current issues and the development of people management in the companies.

FNE has a positive impact on the growth of GDP per capita

FNE, BNB's major source of funds, had a positive impact on the increase in the Gross Domestic Product (GDP) per capita at the municipal and micro-regional level, significantly contributing to the agribusiness industry. This is one of the preliminary findings of the project for monitoring and evaluating social and economic impacts of the application of constitutional funds for regional development. This is an initiative by Brazil's Ministry of National Integration (MI) and the Institute for Applied Economic Research (Ipea).

Active portfolio of Agroamigo exceeds R$ 2 billion

The active portfolio of Agroamigo exceeded the mark of R$ 2 billion in the first half of 2014. This represents an increase by 19.71% as compared with December 2013. Created in 2005, the Rural Micro-Credit Program of the Banco do Nordeste (Agroamigo) was rendered operational by joint partnership with the Instituto Nordeste Cidadania (INEC) and the Ministry of Rural Development (MDA). Over eight years, Agroamigo became the largest program in terms of rural micro financing in Brazil.

BNB is one of the best companies according to the Human and Organizational Development Index

Banco do Nordeste is one of the best companies in terms of the Human and Organizational Development Index (HODI), according to a survey conducted by Gestão RH magazine. BNB was also included in the Corporate Governance Highlights, one of the items comprising this index, holding a position among the 10 best companies in this area. Conducted yearly, this survey is based on Human Development Index (HDI), which is used for measuring the countries' human development. Gestão RH magazine evaluates, by means of the HODI, the significant practices adopted by the companies concerning corporate governance, human capital, transparency, sustainability and corporate citizenship. Analyses are based on the level of involvement of the company with the community or the society as a whole.

BNB is honored for supporting the Millennium Goals

Banco do Nordeste was honored by the Secretary General of Brazil's Presidency for the support provided to the Millennium Development Goals (MDG).

The MDGs aim at eradicating extreme poverty and hunger, universalizing basic education, promoting gender equality and women's autonomy, improving maternal health, reducing child mortality, fighting the HIV/AIDS, malaria and other diseases, ensuring environmental sustainability and establishing global partnership towards development.

Since 2013, BNB has been contributing to the project for capacity building, sustainable economic justice and promotion of best practices to achieve the MDGs.

Fitch renews the rating of Banco do Nordeste - stable outlook

Fitch, one of the world's most renowned risk rating agencies, published a report in which it renews rating BBB – Stable Outlook for Banco do Nordeste. The document emphasizes the strengthening of credit model used by BNB, as well as the partnerships developed with Banco do Brasil and Caixa Econômica Federal to better distribute loans for development, as examples of good measures adopted in 2013. According to the Agency, Banco do Nordeste also counts on a comfortable reserve in order to expand its loan activities, in addition to the success obtained in recovering doubtful amounts.

STRATEGIC PLANNING

In the light of the institutional mission and vision, strategic positioning, values and the analysis of the external and internal environments of the Bank, twenty-four strategic objectives were established for the period 2014-2017, classified into institutional, financial, customers, process and competence perspectives, and formatted in the strategic map, according to the balanced scorecard methodology. These strategic objectives are measured and analyzed by use of 38 performance indicators.

Under an institutional perspective, through which the Bank aims at contributing to sustainable regional development, four strategic objectives were set. The analysis of these objectives, in the first half of 2014, demonstrates how committed Banco do Nordeste is with the economic, social and environmental policies of the Federal Government. The Bank's participation for the goals set in the 2012-2015 Pluriannual Plan (PPA) to be achieved, through insertion in twelve theme programs, should be highlighted.

Under a financial perspective, focused on achieving competitive operational goals, the results obtained through the strategic objectives were aligned with the strengthening of the Bank as a solid and sustainable financial institution. In terms of operating performance, in the first half of 2014, the number of financed transactions increased, meaning better distribution of credit and more support to micro and small businesses. The Bank's operational efficiency improved, characterized by joint management of financial intermediation margin and revenue from services rendered balanced against administrative expenses. A significant decrease in expenses with provisions for loan losses recorded was noted, meaning an improvement in the quality of risk in connection with loan transactions.

Concerning the customer perspective, which aims at service excellence, in the first half of 2014, the Bank focused on consolidating the Bank's leading position in microfinance; increasing the number of transactions with Micro and Small Companies; providing support to structuring ventures; expanding the customer base and improving the Bank's relationship with customers. In the microfinance segment, despite the drought, investments approximated the goals set. The good performance presented by long-term investments and by micro and small companies tends to improve results in light of the new units focused on these segments and on improving operational processes. The funding suffered restriction in the period due to the uncertain economic scenario and to the expected decrease in financial profitability.
The process perspective, designed as six strategic objectives, focuses on operational efficiency, communication and information technology (CIT) agility, improvement of products and services, increase in the number of service centers, mitigation of corporate risks and efficiency in recovering and regularizing debt. In the first half of 2014, priority was given to measures in favor of new localities as new branches were opened, partnership agreements were entered into and terminals began to be shared. The Bank systematically dedicated to mitigating corporate risks, disclosing legal instruments and applying renegotiation best practices, which included process automation and simplification.

Under a competence perspective, designed as five strategic objectives, priority is given to valuing human competences. In 2014, key measures were directed to continuous learning and skill-based management, life quality and well-being in the workplace, in addition to improvement of processes which allow for organizational alignment, decision-making based on strategic information and scenario studies, and innovation. The Bank's Corporate University designed measures in order to improve presencial and online learning.

ECONOMIC AND FINANCIAL RESULTS

Total assets

At the end of the first half of 2014, total assets of Banco do Nordeste amounted to R$ 36.4 billion, which represents a 7.7% increase as compared with the end of 2013. The increase in assets of BNB (R$ 2,589.7 million) from December 2013 to June 2014 refers mostly to the increase in the joint balances of cash and cash equivalents, interbank investments and marketable securities.

Table 1 – TOTAL ASSETS (R$ Million)

Specification	BNB			FNE		
	06.30.2013	12.31.2013	06.30.2014	06.30.2013	12.31.2013	06.30.2014
Cash and cash equivalents,(*) interbank investments and marketable securities	20,022.2	19,897.0	22,248.6	899.0	1,766.4	2,915.5
Funds committed for loans.............	-	-	-	5,843.0	5,142.3	5,962.6
Interbank accounts..........................	393.0	412.1	615.3	1,604.5	1,674.2	1,743.4
Loan transactions (Adjusted by Allowances)	10,085.4	10,248.4	10,454.1	37,166.7	39,051.3	40,085.1
Other loans (Adjusted by Allowances)	3,039.3	2,998.5	2,836.4	2.1	7.1	7.1
Other assets	25.3	25.9	25.5	1.2	1.3	1.1
Permanent assets............................	229.0	235.6	227.3	-	-	-
Total	**33,794.2**	**33,817.5**	**36,407.2**	**45,516.5**	**47,642.6**	**50,714.8**

(*) Cash and cash equivalents of BNB include funds available and funds committed for FNE loan transactions.

Total assets referring to FNE reached R$ 50.7 billion. FNE increased by 6.4%, due mostly to the inflow of funds from the National Treasury.

Marketable securities

As at June 30, 2014, the marketable securities portfolio amounts to R$ 12.2 billion, which represents an increase by R$ 585.8 million (5.0%) as compared with December 31, 2013, when such portfolio amounted to R$ 11.6 billion. This increase occurred mostly in Financial Bills (LF) and Financial Treasury Bills (LFT).

Pursuant to Circular No. 3068, of November 08, 2002, issued by the Central Bank of Brazil, Banco do Nordeste prepared a projected cash flow for purposes of classification of the securities portfolio. This cash flow statement shows the availability of funds to honor all obligations and to apply the Bank's loan-granting policies, with no need to sell the securities classified as "Held to Maturity". As such, BNB management represents that the Institution has the financial capacity and the intention to maintain these securities classified into this category until maturity thereof.

Cash and cash equivalents - FNE

The cash and cash equivalents balance of FNE increased from R$ 1.77 billion in 2013 to R$ 2.92 billion in June 2014, which represents a positive variation of 65%. Funds compromised with the purpose of loan transactions increased by R$ 820.3 million (16%), presenting a balance of R$ 5.1 billion in 2013 and R$ 6.0 billion in June 2014. These changes are explained by the increase in the volume of transfers made by the National Treasury Secretariat (STN), from R$ 3.0 billion in the first half of 2013 to R$ 3.3 billion in the first half of 2014, and by the decrease in the volume of disbursements, from R$ 5.6 billion in the first half of 2013 to R$ 4.0 billion in the first half of 2014.

Equity and P&L

As at June 30, 2014, the equity of Banco do Nordeste amounted to R$ 3.21 billion. Capital amounted to R$ 2.844 billion, represented by 86,371,464 paid-up book-entry common shares, with no par value. As at June 30, 2014, Return on Average Equity (profitability) was 22.2% p.a.

In the first half of 2014, net income amounted to R$ 326.0 million, representing earnings of R$ 3.77 per share.

FNE recorded equity amounting to R$ 50.7 billion.

OPERATING PERFORMANCE

Volume of Transactions

In the first half of 2014, BNB's total loan transactions amounted to approximately 2.2 million, totaling R$ 9.0 billion. Out of the contracted amount, R$ 4.2 billion (47.1%) was allocated to long-term financing, turned to investments, whereas R$ 4.8 billion (52.9%) was allocated to short-term loans.

Table 2 – GLOBAL TRANSACTIONS

* Amounts in millions of reais

Type	2013.1		2014.1		Value Variation
	Number	Amount*	Number	Amount*	
Loans	2,046,027	11,677.9	2,228,341	9,012.2	-22.8%
Long-term	266,351	7,160.7	220,530	4,245.3	-40.7%
Short-term	1,779,676	4,517.2	2,007,811	4,766.9	5.5%
Capital Markets	1	38.0	-	-	-100.0%
Total	2,046,028	11.715,9	2,228,341	9,012.2	-23.1%

Out of the amount of long-term loans (which comprise financing of a rural, industrial, agro-industrial, infrastructure, trading and services nature), R$ 2.5 billion was allocated to small-scale customers, which corresponds to 58.8% of the volume invested in this type of business.

Referring to short-term loans (which comprise foreign exchange, working capital, secured accounts, microcredit and discounts), there was a 5.5% increase in the volume contracted as compared with the first half of 2013.

Table 3 – SHORT-TERM LOANS

* Amounts in millions of reais

Product	2013.1		2014.1		Value Variation
	Number	Amount*	Number	Amount*	
Crediamigo	1,614,214	2,658.1	1,851,349	3,308.3	24.5%
CDC/Working Capital	22,101	875.4	14,831	594.8	-32.1%
Overdraft facilities	15,673	414.5	15,537	280.8	-32.3%
Exchange	107	402.6	103	373.1	-7.3%
Discount	127,581	166.6	118,185	170.9	2.6%
Credit Card	0	-	7,806	39.0	-
Total	1,779,676	4,517.2	2,007,811	4,766.9	5.5%

Through the Crediamigo program, R$ 3.3 billion was granted, which corresponds to 69.4% of the total short-term volume and represents a 24.5% expansion as compared with the first half of the prior year. These figures reinforce the commitment of Banco do Nordeste with the region's micro and small-sized entrepreneurs.

Table 4 – GLOBAL TRANSACTIONS PER SIZE

* Amounts in millions of reais

Size	2013.1		2014.1		Value Variation
	Number	Amount*	Number	Amount*	
Small	2,021,099	6,086.4	2,205,114	6,475.4	6.4%
Medium	21,524	2,110.2	19,798	858.7	-59.3%
Large	3,404	3,481.3	3,429	1,678.1	-51.8%
Total	2,046,027	11,677.9	2,228,341	9,012.2	-22.8%

Generally speaking, the amounts allocated to small-scale customers increased by 6.4% as compared with the first half of the prior year reached R$ 6.5 billion, which corresponds to 71.9% of the total volume contracted.

In analyzing global transactions per economic segment, there was a 5% increase in the trading and a decrease in the other segments, as compared with the first half of 2013.

Table 5 – GLOBAL TRANSACTIONS PER ECONOMIC SEGMENT

* Amounts in millions of reais

Segment	2013.1		2014.1		Value Variation
	Number	Amount*	Number	Amount*	
Rural	255,371	2,543.2	204,515	1,659.1	-34.8%
Manufacturing	28,316	2,132.4	54,840	1,982.6	-7.0%
Infrastructure	22	910.5	-	-	-
Trading	1,738,338	4,416.8	1,952,141	4,638.4	5.0%
Services	23,980	1,	16,845	732.1	-56.3%
Total	2,046,027	11,677.9	2,228,341	9,012.2	-22.8%

The amounts allocated to the rural segment totaled R$ 1.7 billion, representing 18.4% of the contracted volume. The industrial segment received 22.0% of the funds (R$ 2,0 billion); the service segment 8.1% (R$ 732.1 million) and the trading segment received R$ 4.6 billion, which corresponds to 51.5% of the total volume of transactions in the six-month period.

Out of the total volume contracted in the first half of 2014, R$ 4.0 billion (44.4% of total) was funded by FNE. Out of these, R$ 2.4 billion was contracted with small customers, which corresponds to 58.9% of the amounts contracted from referred to source of funds.

Table 6 – TRANSACTIONS USING FNE FUNDS, PER SIZE

* Amounts in millions of reais

Size	2013.1		2014.1		Value Variation
	Number	Amount*	Number	Amount*	
Small	264,252	2,801.4	213,946	2,357.9	-15.8%
Medium	466	881.0	381	531.2	-39.7%
Large	106	2,596.0	65	1,114.6	-57.1%
Total	264,824	6,278.4	214,392	4,003.7	-36.2%

Under an economic segment perspective, most of the funds contracted from FNE in the 1st half of 2014 was allocated to the rural segment (R$ 1.6 billion, which corresponds to 41.0% of the volume contracted from referred to source).

Table 7 – FNE TRANSACTIONS, PER SEGMENT

* Amounts in millions of reais

Segment	2013.1		2014.1		Value Variation
	Number	Amount*	Number	Amount*	
Rural	483,855	2,513.7	204,028	1,640.8	-34.7%
Manufacturing	3,189	1,510.7	1,492	1,056.5	-30.1%
Infrastructure	1	76.8	-	-	-
Trading	7,139	819.1	7,257	654.1	-20.1%
Services	1,814	1,358.1	1,615	652.3	-52.0%
Total	495,998	6,278.4	214,392	4,003.7	-36.2%

R$ 1.1 billion (26.4% of total) was allocated to the industrial segment; R$ 652.3 million (16.29% of total) to the services segment and R$ 654.1 million (16.34% of total) to the trading segment.

OPERATIONAL EFFICIENCY

Banco do Nordeste improved its operational efficiency, characterized by joint management of financial intermediation margin and revenue from services rendered balanced against the management of administrative expenses. By comparing the first half of 2014 with the same period of 2013, an improvement by 14.5 percentage points is found (68.7% in 1H14 against 83.2% in 1H13).

With respect to management of the financial margin, in 2014, a significant decrease in expenses with the recording of allowances for loan losses amounting to R$ 386.9 million was identified, which represents an improvement in the quality of risk in connection with loan transactions, and directly impacts the increase in the financial intermediation margin.

BNB also presented an increase in revenue from services rendered, which amounted to R$ 938.5 million in the first half of 2014, a R$ 93.6 million increase as compared with the same period of 2013.

In the first half of 2014, administrative expenses presented a 20% increase (R$ 201.6 million) as compared with the same period of 2013. This increase is explained by the following factors:

- Personnel expenses - A 32.1% increase in expenses with salaries, charges and benefits, which corresponds to a R$169.4 million increase, due to: mostly the Voluntary Dismissal Incentive Program (PID) launched in February 2014, whose expenses amounting to R$ 101.5 million have been provided for; the impact of the salary agreement which increased by 8%, effective as from September 2013; and the entry of 849 new employees, in the period from June 2013 to June 2014; and the R$ 4 million increase in expenses with training.

- Other administrative expenses – This group of expenses increased by 10.4% in the first half of 2014, as compared with the same period of 2013, corresponding to R$ 40 million. Major increases were as follows: i) Data processing, increase by R$ 14.1 million, ii) Third-party services, R$13.3 million increase, iii) Advertising and publicity, increase by R$ 11.9 million, iv) Surveillance and Security services, R$ 3.1 million increase, v) Services referring to the Financial System, R$ 2.6 million increase, vi) Rent expenses, R$ 2.3 million increase, vii) Depreciation expenses, R$ 2.2 million expenses, and viii) extraordinary allocation to CAMED amounting to R$ 2.0 million. Major decreases were as follows: i) Development Funds (Fundeci, FDR and FASE), R$ 6.5 million decrease; ii) Promotions and Public Relations, R$ 3.4 million decrease, and iii) Maintenance and upkeep of assets, decrease by R$2.7 million.

Despite the increase in administrative expenses, operating efficiency improved, since the performance of margin and revenues far exceeded this increase amount.

Also worth stressing, the positive result obtained by the management of expenses, taking the following facts into consideration:

- The Bank implemented a dismissal incentive program, which was responsible for additional expenses by R$ 101.5 million.
- In the past twelve months, 57 new branches were opened.
- The amount saved totaled R$ 162.4 million in the budget for the period.

OPERATION STRATEGY PER SEGMENT

Small-scale farm enterprises

The Brazilian Small-scale Farm Enterprise Support Program (Pronaf) was implemented by Brazil's Federal Government in order to support the small-scale farm enterprise segment. In the Northeast of Brazil, this segment represents 92.7% of the rural establishments, corresponding to 2.2 million family enterprises and 6.8 million people working in agriculture.

Banco do Nordeste is Pronaf's major financial agent in the Northeast, relying on an active portfolio amounting to R$ 6.6 billion and which corresponds to 1.42 million transactions.

In the first half of 2014, the Bank contracted 199,837 transactions with small-scale farm enterprises, which involved funds totaling R$ 818.8 million, 66.8% of which were allocated to Brazil's Semiarid. Transactions carried out through Agroamigo are also included in this group.

Rural Credit Programs

Banco do Nordeste finances the acquisition of rural property for small-scale farmers who are not land owners or who are tenant farmers, land partners, sharecroppers, squatters and other by means of financing programs, such as Fighting Rural Poverty (CPR) and Consolidating Family Agriculture (CAF), part of Brazil's Rural Credit Program.

The Fighting Rural Poverty program is comprised of two subprojects: the Land Acquisition Subproject (SAT), which finances the acquisition of rural property, and the Community Investment Subproject (SIC), which finances supplementary community investments and whose expenses are not reimbursable. The Consolidating Family Agriculture Program (CAF) finances the acquisition of rural property including the existing improvements, as well as investments in basic and productive infrastructure.

In the first half of 2014, 242 transactions were contracted through CPR Program, amounting to R$ 3.5 million. Among these transactions, there are cases of credit increase with purpose of individualization of transactions. Thirteen SIC transactions were contracted, totaling R$ 3.1 million.
In the same period, 50 transactions were contracted through CAF, amounting to R$ 345 thousand. Among these transactions, there are cases of credit increase with purpose of individualization of transactions.

Rural Microfinance

Agroamigo, a microfinance program launched in 2005, aims at improving the social and economic profile of small-scale farm enterprises classified as Group B Pronaf.
Using its own methodology, adapted to rural conditions, the main characteristic of which is the strong presence of the Microcredit Advisor in the communities, this Program encourages the development of productive activities whether or not linked to the agribusiness industry.

In 2012, Agroamigo's methodology was extended to borrowers classified into the other groups of Pronaf, and offers two types of 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.

Table 8 – AGROAMIGO – AMOUNTS CONTRACTED IN 1H14

Agroamigo	2013.1		2014.01		Value Variation
	Number	Amount	Number	Amount	
Total	191,349	500,383.80	192,245	664,088.60	32.72%

* Amounts in R$ thousands of reais

Agroamigo also focuses on financial inclusion and environmental awareness of micro-entrepreneurs. In the first half of 2014, over 162 thousand farmers participating in the Program have a current and/or savings account with Banco do Nordeste.

Urban Microfinance

By means of Crediamigo, Banco do Nordeste financed R$ 3.3 billion in the first half of 2014, which corresponds to 1.8 million transactions carried out in the period. As at June 30, 2014, Crediamigo reached the mark of 1,764,347 customers with active loans. The operating capacity of Crediamigo reached the average of 15,175 daily disbursements.

Table 9 – CREDIAMIGO - INDICATORS

Indicators	1H13	1H14	Variation
Transactions contracted	1,614,214	1,851,349	15%
Amount Disbursed R$*	2,658,089	3,308,334	24%
Active customers	1,499,840	1,764,347	18%
Active portfolio R$*	1,831,485	2,333,635	27%

* Amounts in R$ thousands of reais

The default was 0.96%, which represents loans overdue from 1 to 90 days in relation to the active portfolio.

Mini and Small Rural Producers (PMPR)

This segment is comprised of rural producers whose annual gross revenue is up to R$ 3.6 million.

Table 10 - PMPR – CONTRACTED AMOUNTS - FNE (In millions of reais)

Description	2013.1	2014.1	Variation
FNE contracted	391.7	341.3	-13%

In the first half of 2014, rural credit transactions amounting to R$ 341.3 million were entered into, only using funds from FNE, intended for financing costs and investments agribusiness and which reached 37% of the annual target (R$ 926.0 million).

Micro and Small Companies

This segment is comprised of customer whose annual gross revenue up to R$ 3.6 million.

Table 11 - MPE – CONTRACTED AMOUNTS - FNE and RECIN (In millions of reais)

Position	2013.1	2014.1	Variation
Number of customers	12,945.0	13,085.0	1.1%
RECIN contracted	240.7	340.9	41.6%
FNE contracted	746.8	854.3	14.4%
Total contracted	987.5	1,195.2	21.0%

In the first half of 2014, Banco do Nordeste financed R$ 1,195.2 million referring to transactions with micro and small companies, through its short and long-term credit facilities, R$ 854.3 million of which used funds from FNE related to long-term loan transactions, and R$ 340.9 million in short-term loan transactions using internal funds.

Individuals

This segment refers to customers who are partners or employees in publicly or privately-held companies, members of cooperative entities and trade unions, self-employed professionals, Social Security Institute (INSS) retired professionals and other individuals in general.
The active portfolio of this segment is comprised of approximately 116 thousand customers with an asset position of R$ 731,5 million as at June 30, 2014.

Table 12 - PF– CONTRACTED AMOUNTS - FAT (In millions of reais)

Description	2013.1	2014.1	Variation
FAT contracted	6.5	2.1	-68% (*)

(*) Funds contingent on approval of FAT Decision-making Board (Codefat).

In the first half of 2014, Banco do Nordeste carried out transactions in the amount of R$ 2,158.8 thousand using funds from FAT Proger Investimento to finance self-employed professionals and members of cooperative entities, thus contributing to the development of urban transportation and tourism.

Business

The Business segment comprises small-medium, medium and large sized customers, i.e. legal entities whose annual gross revenue ranges from R$ 3.6 million to R$ 200 million.

As at June 30, 2014, the results obtained by the Bank in the Business segment were as follows:

- Total assets amounting to R$ 14,741.6 million.
- Foreign exchange and short-term loans contracted amounting to R$ 1,325.2 million.
- Specialized loan transactions, including transactions using funds from FNE, amounting to R$ 846.8 million.

Agribusiness

Agribusiness - Individuals segment is comprised of small-medium, medium and large sized rural producers, i.e. all customers whose annual gross revenue is over R$ 3.6 million.

As at June 30, 2014, the results obtained by the Bank in the Agribusiness - Individuals segment were as follows:

- Total assets amounting to R$ 2,107.8 million.
- Foreign exchange and short-term loans contracted amounting to R$ 155.1 million.
- Specialized loan transactions, including transactions using funds from FNE, amounting to R$ 263.2 million.

Corporate

The Corporate segment is comprised of customers whose annual gross revenue exceeds R$ 200.0 million.

As at June 30, 2014, the results obtained by the Bank in the Corporate segment were as follows:

- Investment transactions contracted using funds from FNE, amounting to R$ 850.6 million.
- Short-term loans contracted amounting to R$ 101.3 million.
- Financing transactions using funds from Agribusiness Credit Bills (LCA) amounting to R$ 9.0 million.
- Advances on Foreign Exchange Contract (ACC) and import transactions financed using foreign funds amounting to R$ 258.4 million.

Government

This segment is represented by members of the public entities direct and indirect administration, with all their respective bodies, except for the so-called 'nondependent' companies pertaining to indirect public administration, under current legislation.

In the first half of 2014, the transactions carried out by the Bank in the Government Segment, through loan transactions and funding, reached R$ 1.3 billion in debt balance and R$ 1.03 billion in investments respectively, with a total 1,964 customers.

CUSTOMER RELATIONS

This area of Banco do Nordeste involved measures whose purpose is to improve and expand service channels, brand management, sponsorship, ombudsman's services and the loan-granting process.

The Bank launched the Agribusiness Card, which is available at BNB branches and aims at providing customers with funds intended for agribusiness financing. By using this card, which has a defined limit, BNB customers may purchase inputs in establishments authorized by Cielo. This card is intended for producers of any size for funding of up to R$ 1,000,000.00 (one million reais), to be used exclusively for the purchase of inputs and may not be used for other transactions, such as withdrawals or purchases in establishments other than the authorized ones. Use of this card allows for rationalization concerning the funding granted, with a reduced flow of documents and the elimination of the traditional credit-granting procedure, resulting in less time used and lower operating costs for the Bank.

Concerning the expansion of service channels, 41 branches were opened in the first half of 2014.

The Customer Relations Center registered 722,405 cases of assistance in referred to period, providing services such as: business guidance, credit administration, monitoring of business and relationship opportunities, monitoring of bank safety, insurance renewal and electronic services.

In this period, the Bank issued the first request for proposals aimed at selecting projects in consonance with the Bank's operations, in all its areas, to be sponsored by the Bank and implemented up until December 2014. The projects selected will have been launched by 2015. The Cultural Centers of Banco do Nordeste in Fortaleza (CE), Juazeiro do Norte (CE) and Souza (PB) hosted 1,228 events, having received 275,809 visitors.

As set forth in CMN (BACEN) Resolution No. 3849/10, the ombudsman of Banco do Nordeste is the communication channel between customers and users of the Bank's products and services and the Bank, acting as a stage of appeal for resolving these customers' and users' claims, including with respect to any conflict mediation.
In the first half of 2014, the Ombudsman's Office received 313 inquiries distributed as follows:

Table 13 – Communication with the Ombudsman

Type	Total	%
Complaints	188	60.0
Whistleblowing	106	33.9
Information	14	4.5
Suggestions	5	1.6
Total	313	100.0

TECHNOLOGY

Various measures were taken by the IT department, among which we highlight:

- Full implementation of the infrastructure required for the 41 new branches opened in the first half of 2014, which contributed to the expansion of the activity of Banco do Nordeste.
- Implementation of a Service Management system in all branches in order to improve the management of lines, rendering it possible to reduce customers' waiting time, thus complying with the legislation.
- Modernization of the ATMs with acquisition of 530 terminals aiming at providing a better customer service.
- Offering credit cards to customers, thus expanding the product portfolio to the retail segment and increasing revenue from bank services and products.
- Converting the Bank's preferred shares into common shares, with a view to increasing the level of corporate governance, the liquidity of BNB shares in the market and rendering the rights of all shareholders equal.
- Adequacy by the Management System for Agreements and Transfer Contracts (Siconv) with the requirements set out by the Ministry of Planning, Budget and Management (MP), providing for the possibility of withdrawal of financial amounts and termination of agreements.
- Developing a budget management tool.
- Measures carried out in order to comply with Decisions No. 748/2014 and 754/2014, in which the Federal Audit Court (TCU) sets out that these measures must be disclosed in this report:
    - Completion, in June 2014, of the pilot phase (monitoring the major indicators of the IT Strategic Planning - Peti) of the Management by Indicators project.
    - Standardization of the information to be included in the basis for contracting IT products and service, such as alignment with Peti and rationale reporting the results to be obtained.

DEVELOPMENT AND SUSTAINABILITY

Regional Development

The Technical Office for Economic Studies (ETENE) prepares, promotes and provides studies, research and socioeconomic information, coordinates and evaluates policies and programs. Additionally, ETENE publishes its own technical works as well as works prepared by other institutions involved with regional development and other matters of interest for the Bank.

Worth stressing, the analyses on the structural changes faced by the Northeastern economy as a result of the implementation of large suppliers of raw material, which will allow the Northeast to depend less on these inputs, currently bought in other Regions of Brazil. These projects relied on the support of Banco do Nordeste and the analyses prepared by Etene under a Development perspective.

Etene grants and monitors the Fund for Scientific and Technological Development (FUNDECI), the Northeast Socio-Economic Activity Support Fund (FASE) and the Regional Development Fund (FDR). These funds are provided for socioeconomic studies, research experiment, technology diffusion, research projects, and social projects.

The funds allocated to Fundeci were directed to an alcohol microprocessing plant implementation project, of low cost and high added value, in the family agriculture context in the municipality of Palmeira do Piauí, using sugarcane and sweet potatoes as sources of raw material for producing energy (alcohol fuel), as a clean renewable energy production alternative, as well as to a project for analyzing, organizing and strengthening the local fish-farming productive arrangement of Barragem do Castanhão, in the State of Ceará.

Concerning Fase, various events were approved, among which we highlight: "III Conferência Internacional sobre Adaptação a Mudanças Climáticas - *Adaptation Futures* 2014", which aimed at contributing to the debate efforts made globally and to development of research on Climate Change Adaptation; "*II Inovagri International Meeting*", a tool for scientific production, exchange of experiences and opportunities in the area of irrigated agriculture, such an important Brazilian agribusiness activity.
Etene/Fundeci Notice No. 01/2013– "Apoio à Pesquisa e Difusão de Tecnologias de Combate à Desertificação e/ou Convivência com o Semiárido" was approved. The purpose of this notice is to contribute to diffusion or research projects for preventing and controlling desertification processes or which offer solutions for better living in the Semiarid. The amount available in connection with this Notice was R$ 3 million.

In compliance with FNE regulatory framework, Etene prepares or updates sector or multi-sector programs, rules for prioritizing support to smaller-scale projects, for encouraging priority activities and environmental sustainability. These rules are part of FNE programming, in conjunction with the application projections per State, Size, Economic Sector, Financing Program, Semiarid, among other criteria adopted for distributing FNE funds, and orient BNB's loan granting which, in the first half of 2014, amounted to R$ 4.0 billion, comprising 214,392 loans, whose average amount was R$ 18,657.41 per transaction.

To facilitate access to FNE funds for smaller entrepreneurs, ETENE coordinates regionally the "FNE Itinerante", a series of events aimed at providing information and presencial service to support the increase in the number of loans granted to micro and small enterprises (MPE) and individual micro-entrepreneurs (MEI), focused on cities which have no BNB branch and whose economy is stagnant or low income, preferably located in the Semiarid.
From January to June 2014, 60 "FNE Itinerante" events were held, 36 of which in the Semiarid, which counted on the participation of approximately 4,000 micro and small entrepreneurs and individual entrepreneurs.

Territory Development

Banco do Nordeste places its Development Agents in the various Northeastern territories, who work to implement the Territory Development corporate strategy, working mainly on the implementation of government policies and on credit qualification by strengthening Local Production Arrangements (APL) and structuring major economic activities for the Region.

Regarding the execution of government policies in the first half of 2014, we should highlight the strong presence of the Development Agents through the Brazilian Small-scale Farm Enterprise Support Program (Pronaf), the Food Acquisition Program (PAA-Conab) and Brazil's National School Meals Program (PNAE).

Programa Cisternas is another federal government policy also supported by Banco do Nordeste, which has become even more important in this prolonged drought period faced by the region. This program aims at facilitating access to water for human consumption and food production, benefiting low-income families who live in rural areas of the Semiarid. Vis-à-vis the agreement entered into by Banco do Nordeste and Brazil's Ministry of Social Development and Fight Against Hunger (MDS) concerning the construction of 30,133 cisterns in the States of Bahia, Ceará, Minas Gerais and Paraíba, 6,684 cisterns were built from January to June 2014. Simultaneously, 14,933 families participated in a Management of Hydric Resources (GRH) course, in order to ensure better use of program benefits.

Sustainability

The results of the agreements entered into relating to the environment and innovation were monitored. In the first half of 2014, 2,185 transactions were carried out, in the amount of R$ 75.38 million, as part of FNE Verde environmental programs.

The 2013 Sustainability Report was prepared, in accordance with Global Reporting Initiative (GRI) standards, which went from level C to level B, including the Statement of Information of a Social and Environmental Nature (Dinsa) and the Progress Communication (COP), of the Global Pact. Also, steps towards adoption of a Social and Environmental Policy were taken by Banco do Nordeste, in accordance with BACEN Resolution No. 4327, of April 25, 2014.

A booklet on financing of the sustainable management of "Caatinga" was published. By means of weekly info-mails, employees were made aware of the green loan facilities offered.

In March and April, the Bank carried out the second phase of the FIA 2013 Campaign, which encouraged Bank employees to make donations in favor of the Children and Adolescent Rights Fund (FIA).

The Bank also held the 2nd edition of the Socio-environmental Practices Award, by means of which 20 Socio-environmental Responsibility (RSA) initiatives carried out in the units received an award.

Various activities were held in the Sustainability Portal, including 22 editions of the Organic Products Exhibit and seven editions of the Social Showroom. Three lectures, attended by 172 new BNB employees, were held in the Bank's training center on the role of the Bank in terms of sustainability measures.

The Bank continued to monitor the operations of the Housing Subsidy Program (PSH), in conjunction with the Ministry of the Cities and other entities, either government-owned or not.

Finally, regarding the partnership with *Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ)*, a course was held on the financing of photovoltaic systems and concentrated solar power.

ORGANIZATIONAL STRUCTURE

In the first half of 2014, the Bank's organizational structure was subject to revisions, for the purpose of obtaining the following benefits:

- Increase in operational and management capacity to face demands.
- Management focused on planning, building and consolidating factors that will ensure achievement of the objectives set, management succession, business continuity and attainment of business goals.
- Possibility of establishing an agenda focused on personnel development and skill-building.
- Redistribution and reorganization of the activities and workload of the Units.
- Compliance and Risk Management.
- More efficient fund-raising.
- Improvement of the decision-making process.
- Improvement of internal processes.
- Optimization of results.

CORPORATE GOVERNANCE

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

In the first half of 2014, the By-laws of the Executive Board were approved by the Board of Directors and widely informed to all those who are part of Banco do

Nordeste. Also, these By-laws were posted on the Bank's Internet page. This is an important tool for strengthening the Bank's corporate governance to the extent that it governs the rules set out in the Bank's Articles of Incorporation relating to the Board of Directors, providing detailed information on matters relevant to meeting agendas, the decisions taken, advisory and secretarial services provided at meetings, among others.

Institutional relations established by the Bank are subject to the Code of Ethical Conduct, available on the Internet. This code stands out as a major instrument to guide business ethics in the Institution.

As provided for in the legislation, the work of the Bank's Ethics Committee aims at establishing high ethical standards and effective measures for institutional compliance with the Code of Ethical Conduct of Banco do Nordeste.

Internal Audit

In order to fulfill its responsibility to provide key management personnel and entity statutory bodies with information on the effectiveness of the Institution's risk management, Internal audit conducted 14 audit works in the first half of 2014, four of which referring to business and support processes, two of which to information technology, four to continuous audit and four to compliance with legal requirements.

Specific follow-up work was performed, which consisted of verifying compliance with the most significant recommendations and determinations registered by the Internal Audit team, control and supervisory bodies and the external auditor.
Referred to work generated recommendations to participants and managers process, and enabled the improvement of the Bank's risk management processes and the strengthening of the internal control system and corporate governance.

CREDIT RECOVERY

Amounts regularized in the first half of 2014 totaled R$ 775,983 thousand, which represents 62.08% of the partial goal and 31.04% of the goal set for the year, and allowed for cash receipts amounting to R$ 197,448 thousand. A total 84,335 transactions were regularized, 73,026 of which had FNE as a source whereas 11,309 had other sources of funds. Out of this total, R$ 186,366 thousand referred to the regularization of 60,400 transactions of Pronaf customers.

Table 14 – TRANSACTIONS REGULARIZED AS AT 06.30.2014

(In R$ thousands)

RENEG. AMOUNT	CASH AMOUNT	RESULT	PARTIAL GOAL (06/30/2014)	% PARTIAL GOAL	GOAL RECEIVED IN CASH	% - CASH	ANNUAL GOAL	% - ANNUAL GOAL
578,535	197,448	775,983	1,250,006	62.08%	249,999	78.98%	2,500,000	31.04%

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.

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

We point out the following measures for credit risk management in 2014:

- Improvement of monitoring of credit risk concentration.
- Monitoring of transactions approved by state committees specifically as regards the goal of maintaining a minimum 80% of the credit portfolio classified into levels from "AA" to "C".
- Monitoring of rating changes in the credit portfolio (mobility and stability indexes).
- Improvement of procedures related to the management of risk classification processes, for purposes of generating managerial information on the allowance for loan losses.
- Method for assessing client risk and calculation of the Global Risk Limit (LRG) for financial institutions.

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

The following measures were taken, focused on market and liquidity risk:

- Automated calculations for market risk back-testing and stress-testing.
- Daily calculation and disclosure of intraday liquidity indicators.
- Improved functionalities under managerial control (cash flow, foreign exchange exposure, projected indexes, among others).

From a corporate perspective, Operational Risk Management is presented under the "process group Risk Management", which is divided into four specific sub-processes, to wit: identification and analysis of operational risk, measurement of operational risk, monitoring of risk mitigation measures and management of operational losses.

We point out the following measures for operational risk management:

- Qualification of operational loss events in accordance with the new Organizational Architecture deriving from the restructuring of Head which occurred in 2013.
- Calculation of Portion of Capital for Operational Risks (POPR).
- Risk and Control Self-Assessment (RCSA).
- Monitoring of the Mitigation Measures Plan – on a quarterly basis.

INTERNAL CONTROLS

The Internal Control System of Banco do Nordeste stands on the following principles: best practices in corporate governance; the integrity and ethical values of its personnel; and people who are highly committed to working in a diligent and transparent manner.

In order to strengthen internal controls over products and processes whose management is centralized in the General Management Units, evaluation and compliance certification activities were conducted.

Worth stressing, the promotion of an internal controls culture on all levels of the institution, through use of corporate communication channels, periodical disclosure of reports, requirement of Measures and Risk Mitigation Plans, and participation in the Bank's Measure Program, in the Compliance Rating variable.

PERSONNEL

In June 2014, Banco do Nordeste had 6,863 employees, 412 scholarship recipients (high school level), 526 scholarship recipients (undergraduate level) and 161 adolescents. Pursuant to Law No. 10097, the Bank seeks to promote technical and professional learning for these adolescents.

In the first half of 2014, various measures were implemented. Among these measures, we highlight the following:

- 1,435 new employees joined the Bank in order to supply the demand due to the increase in the number of the branches.
- 1,432 candidates were approved in a competitive public hiring process for bank analyst function, in order to supply the demand due to the opening of new branches and to replace the employees who joined the Voluntary Dismissal Incentive Program.
- 541 employees joined the Voluntary Dismissal Incentive Program implemented. This program aimed at creating attractive conditions for employees who were already retired through the Social Security Institute (INSS) or who could retire, to spontaneously decide on leaving the Bank, which would allow new employees to be hired. Up until June 2014, 251 had resigned.
- Health campaigns were held, in partnership with external agencies, aimed at preventing occupational and other diseases.
- Implementation of the Quality of Life Program and return of the Stretch Break Program to all Bank units.
- Implementation of Law No. 12813/2013, which addresses and governs the conflict of interests and authorization for extra-bank activities.

Additionally, in the first half of 2014, the formal education program offered 120 new opportunities, 34 of which referred to undergraduate programs, 80 to specialization and MBA courses and 6 to master’s courses.

In the same period, 13,600 training courses were held, 10,205 (75%) of which referred to distance learning and 3,275 (24%) to presential learning, in addition to aforementioned 120 (1%) allocated to formal education.

In order to comply with the rules set forth by the Central Bank of Brazil, through the National Association of Financial and Capital Market Institutions (Anbima), the Bank has 2,652 employees who have Professional Certification CPA-10 and 428 employees who have CPA-20.

Concerning Money Laundering Prevention and Fight (PLD), a requirement established by the Central Bank, up until June 2014, Banco do Nordeste had qualified 93% of its employees.

ENTITIES PROVIDING SOCIAL SECURITY AND HEALTHCARE SERVICES FOR BANCO DO NORDESTE EMPLOYEES

Caixa de Previdência dos Funcionários do BNB

CAPEF manages two social security plans: the Defined Benefit Plan (BD), closed for new participants since 2002, and the Variable Contribution Plan (CV I), created in 2010 in order to provide a solution for new employees, hired as from 2002.

In the first half of 2014, the BD Plan had 2,086 active participants, 3,518 retired participants and 1,125 pensioners. In the same period, CV I had 4,222 active participants, 2 retired employees and 8 pensioners.

Driven by an efficient fund management strategy, the BD Plan achieved, in the first half of 2014, a profitability of 7.30% p.a., equivalent to 110% of its actuarial goal, of 6.64% p.a.

The CV I Plan, created in May 2010, is in a reserve accumulation phase. In the first half of 2014, this plan achieved a profitability of 6.19%, equivalent to 96% of its actuarial goal, of 6.47% p.a. The projected results from the strategies adopted for managing these funds, however, will probably overcome the actuarial goals in the medium and long run.

Caixa de Assistência dos Funcionários do BNB (Camed)

CAMED was established in 1979 to provide health and dental care services to the Bank's employees and their families. Today, the 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 39,182 beneficiaries, operates throughout the Brazilian territory with an accredited network or by means of reciprocity agreements with other healthcare plans. Camed Vida has a portfolio of 107,488 customers and operates in the Brazilian northeast region. In the first half of 2014, Camed Corretora had portfolio of 2,517,742 active insurance policies. It operates throughout the 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 136 children in the first half of 2014, 103 of which are relatives to the Bank's employees (children, grandchildren, nephews or nieces).

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 economicity manner, observing the prevailing legislation and social and environmental responsibility requirements, multiple measures were implemented in the first half of 2014.
The Bank has adopted 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 in accordance with Decree No. 7746/2012 and Information Technology and Logistics Secretariat (SLTI) Rule No. 1/2010.

The new model for provision of services, which determines that contracts under the allocated workforce modality should be converted into the outsourced services modality, continued to be used in 2014, as exemplified by the cleaning and conservation services in the states of Ceará, Pernambuco and Rio Grande do Norte, already implemented, referring to façades, and internal and external areas. Third party undeployment, which has established goals, continued over the first half of 2014.

A summary of other measures relating to equity management in the first half of 2014 is as follows:

- Donations: 342 asset items, among which furniture, machinery and equipment, and obsolete microcomputers not used by the Bank were donated to government agencies and public interest not-for-profit philanthropic entities, for social interest use. This procedure benefitted 11 entities, especially the donation of the Bank’s printing plant to the State University of Ceará (UECE).

- Auctions: 190 lots of assets and property owned by the Bank comprising the units of the states of Ceará and Maranhão were auctioned, for the total amount of R$ 646,241.20, which represented a profit of R$ 440,483.06.

LEGAL INFORMATION

In accordance with CVM Rule No. 381/03 of January 14, 2003, Banco do Nordeste hereby states that in 2014, Ernst & Young Auditores Independentes S/S did not provide any other services other than external audit services.

BANCO DO NORDESTE DO BRASIL S.A.

SEDE: AV. DR. SILAS MUNGUBA, 5700 - FORTALEZA - CEARÁ
PUBLICLY-HELD ENTITY - C.N.P.J. nº 07.237.373/0001-20

BALANCE SHEETS

June 30, 2014 and 2013

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

ASSETS

		06.30.2014	06.30.2013
CURRENT ASSETS		**17,593,139**	**15,646,771**
CASH AND CASH EQUIVALENTS	(Note 5)	127,539	116,172
INTERBANK INVESTMENTS	(Note 6.a)	9,612,609	8,026,776
Open market investments		9,470,400	8,005,374
Interbank deposits		142,209	21,402
Marketable securities and derivative financial instruments	(Note 7)	756,845	848,006
Own portfolio		756,845	694,523
Linked to guarantees given		-	153,483
INTERBANK ACCOUNTS		560,357	350,837
Unsettled payments and receipts		193,210	45,442
Linked Credits			
Central Bank Deposits	(Note 8.a)	350,392	297,799
National Treasury - Rural Credit Funds	(Note 8.a)	14,907	5,667
Interbank - Onlending		1,062	1,069
Correspondents		786	860
INTERDEPARTMENTAL ACCOUNTS		135	-
Internal transfers of funds		135	-
LOANS		4,432,139	4,155,813
Loans	(Note 9.a)	4,778,952	4,804,515
Public sector		158,976	132,711
Private sector		4,619,976	4,671,804
(Allowance for loan losses)	(Note 9.a)	(346,813)	(648,702)
OTHER CREDITS		2,078,128	2,123,874
Credits for Guarantees and securities honored	(Note 10.a)	-	49
Exchange portfolio	(Note 10.b)	451,115	491,105
Income receivable	(Note 10.c)	9,387	40,369
Trading securities	(Note 10.d)	4	4
Other receivables	(Note 10.e)	1,637,849	1,605,538
(Allowance for loan losses)	(Note 10.f)	(20,227)	(13,191)
OTHER ASSETS		25,387	25,293
Other assets		5,924	5,914
(Valuation allowance)		(696)	(757)
Prepaid Expense		20,159	20,136
LONG-TERM RECEIVABLES		**18,586,730**	**17,918,417**
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7)	11,751,623	11,031,266
Own portfolio		10,058,903	9,702,560
Linked to repurchase agreements		1,124,319	936,846
Derivative financial instruments		256,626	257,277
Linked to guarantees given		311,775	134,583
INTERBANK ACCOUNTS		54,918	42,223
Linked Credits:			
National Treasury - Rural Credit Funds	(Note 8.a)	143	531
Brazilian Financial Housing System (SFH)	(Note 8.a)	52,650	38,487
Onlending		2,125	3,205
LOANS		6,021,943	5,929,551
Loans	(Note 9.a)	6,479,830	6,278,575
Public sector		1,112,004	1,257,592
Private sector		5,367,826	5,020,983
(Allowance for loan losses)	(Note 9.a)	(457,887)	(349,024)
OTHER CREDITS		758,246	915,377
Income receivable	(Note 10.c)	18,049	18,049
Other Receivables	(Note 10.e)	786,673	944,028
(Allowance for loan losses)	(Note 10.f)	(46,476)	(46,700)
PERMANENT ASSETS	(Note 12)	**227,307**	**229,045**
INVESTMENTS		1,851	1,785
Other investments		7,154	7,088
(Allowance for losses)		(5,303)	(5,303)
PROPERTY AND EQUIPMENT IN USE		210,366	226,575
Property and equipment in use		157,935	159,361
Revaluation of property and equipment in use		107,628	105,410
Other property and equipment in use		236,585	224,472
Accumulated depreciation		(291,782)	(262,668)
INTANGIBLE ASSETS		14,803	-
Intangible assets		14,803	-
DEFERRED CHARGES		287	685
Organization and expansion costs		1,423	2,252
(Accumulated amortization)		(1,136)	(1,567)
TOTAL ASSETS		**36,407,176**	**33,794,233**

BALANCE SHEETS

June 30, 2014 and 2013

General Management and Branches in Brazil

(Amounts in R$ thousand)

LIABILITIES AND EQUITY

		06.30.2014	06.30.2013
CURRENT LIABILITIES		**12,251,080**	**12,440,090**
DEPOSITS	(Note 13.b)	5,790,121	5,626,788
Demand deposits		274,020	150,512
Savings deposits		1,752,016	1,622,124
Interbank deposits		993,343	929,473
Time deposits		2,770,742	2,924,679
OPEN MARKET FUNDING	(Note 13.c)	1,259,665	934,479
Own portfolio		1,000,296	896,790
Third-part portfolio		259,369	37,689
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	35,981	35,101
Funds from real estate, mortgage, credit and similar notes		26,704	25,769
Liabilities for securities issued abroad		9,277	9,332
INTERBANK ACCOUNTS		79,348	36,383
Unsettled payments and receipts		79,348	36,383
INTERDEPARTMENTAL ACCOUNTS		2,464	3,673
Third-party funds in transit		2,438	3,608
Internal transfers of funds		26	65
BORROWINGS	(Note 14.b)	599,181	676,571
Domestic borrowings - Official Institutions		20,177	18,614
Foreign borrowings		579,004	657,957
DOMESTIC ONLENDING– OFFICIAL INSTITUTIONS	(Note 14.c)	151,205	147,639
National Treasury		467	232
National Bank for Economic and Social Development (BNDES)		124,505	123,767
FINAME		26,233	23,640
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	89	1,462
Derivative financial instruments		89	1,462
FOREING ONLENDING	(Nota 14.d)	95,057	95,859
Foreing Onlending		95,057	95,859
OTHER LIABILITIES		4,237,969	4,882,135
Collection of taxes and other contributions	(Nota 16.a)	30,005	31,941
Exchange portfolio	(Note 16.b)	19,245	1,839
Social and statutory	(Note 16.c)	100,114	139,989
Tax and social security	(Note 16.d)	344,752	492,531
Trading Account	(Note 16.e)	91	68
Financial and development funds	(Note 16.f)	1,948,218	2,402,311
Hybrid debt/equity instruments	(Note 17)	38,859	36,757
Other	(Note 16.i)	1,756,685	1,776,699
LONG-TERM PAYABLES		**20,941,874**	**18,835,829**
DEPOSITS	(Note 13.b)	4,997,302	5,754,518
Demand deposits		4,147	12,509
Interbank deposits		144,409	102,918
Time deposits		4,848,746	5,639,091
OPEN MARKET FUNDING	(Note 13.c)	122,438	37,471
Own portfolio		122,438	37,471
FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES	(Note 15)	1,385,522	1,383,306
Liabilities for issued securities abroad		1,385,522	1,383,306
BORROWINGS	(Note 14.b)	-	18,614
Domestic borrowings - Official Institutions		-	18,614
DOMESTIC ONLENDING - OFFICIAL INSTITUTIONS	(Note 14.c)	1,521,843	1,535,240
National Treasury		190	561
National Bank for Economic and Social Development (BNDES)		1,374,193	1,381,930
FINAME		147,460	152,749
DERIVATIVE FINANCIAL INSTRUMENTS	(Note 7.c)	7	1,137
Derivative financial instruments		7	1,137
FOREING ONLENDING	(Note 14.d)	654,169	751,951
Foreing Onlending		654,169	751,951
OTHER LIABILITIES		12,260,593	9,353,592
Financial and development funds	(Note 16.f)	7,520,265	4,507,173
Hybrid debt/equity instruments	(Note 17)	1,241,799	1,164,942
Subordinated debt eligible for capital	(Note 18)	1,526,376	1,390,385
Other	(Note 16.i)	1,972,153	2,291,092
EQUITY	(Note 19)	**3,214,222**	**2,518,314**
CAPITAL		2,844,000	2,437,000
Domiciled in Brazil		2,844,000	2,437,000
REVALUATION RESERVES		20,556	21,757
INCOME RESERVES		397,013	517,972
EQUITY ADJUSTMENTS		(47,347)	(458,031)
(TREASURY SHARE)		-	(384)
TOTAL LIABILITIES AND EQUITY		**36,407,176**	**33,794,233**

INCOME STATEMENTS

Six-month periods ended June 30, 2014 and 2013

General Management and Branches in Brazil

(Amounts in R$ thousand)

		1st half of 2014	1st half of 2013
INCOME FROM FINANCIAL INTERMEDIATION		**1,755,771**	**1,690,418**
Loans	(Note 9.a.2)	787,754	855,530
Marketable securities transactions gains (losses)	(Note 7.b)	1,023,057	686,461
Derivative financial instruments gains (losses)	(Note 7.d)	(111,960)	51,220
Foreign exchange gains (losses)	(Note 11.b)	30,929	83,169
Compulsory deposit gains (losses)	(Note 8.b)	23,736	8,747
Sales or transfer of financial assets		2,255	5,291
EXPENSES FROM FINANCIAL INTERMIDIATION		**(1,185,272)**	**(1,353,797)**
Funding Operations	(Note 13.d)	(525,378)	(482,244)
Borrowings and onlending	(Note 14.e)	(455,839)	(475,523)
Allowance for loan losses	(Note 9.e)	(204,055)	(396,030)
GROSS INCOME FROM FINANCIAL INTERMEDIATION		**570,499**	**336,621**
OTHER OPERATING INCOME/EXPENSES	(Note 20)	**(66,535)**	**(150,350)**
Income for services provided		924,060	829,848
Income from bank fees		14,405	14,961
Personnel expenses		(761,467)	(599,937)
Personnel Expense		(697,715)	(528,324)
Post-employment benefits		(63,752)	(71,613)
Other Administrative Expenses		(424,450)	(384,428)
Tax expenses		(121,955)	(106,564)
Other operating income		821,527	719,825
Other Operating Expenses		(518,655)	(624,055)
OPERATING INCOME (EXPENSES)		**503,964**	**186,271**
NONOPERATING INCOME (EXPENSES)		**841**	**83**
INCOME BEFORE INCOME TAXES AND PROFIT SHARING		**504,805**	**186,354**
INCOME AND SOCIAL CONTRIBUTION TAXES	(Note 21)	**(129,963)**	**27,756**
Provision for income tax		(72,634)	(133,748)
Provision for social contribution tax		(45,043)	(82,887)
Deferred tax asset		(12,286)	244,391
STATUTORY PROFIT SHARING		**(48,830)**	**(14,082)**
NET INCOME		**326,012**	**200,028**
INTEREST ON EQUITY	(Note 19.d)	**(74,957)**	**(67,800)**
Number of shares (in thousands)		86,371	87,002
Earnings per share (in R$)		3.77	2.30

STATEMENTS OF CHANGES IN EQUITY

Six-month periods ended June 30, 2014 and 2013

General Management and Branches in Brazil

(Amounts in R$ thousand)

EVENTS	June 30, 2014 and 2013		Revaluation reserves	Income reserves			Equity Adjustments	Retained earnings (accumulated losses)	TREASURY SHARES	TOTAL
	Capital	CAPITAL INCREASE	OWN ASSETS	LEGAL	STATUTORY	OTHER				
Balances at 12.31.2012	**2,142,000**	**0**	**22,904**	**130,054**	**295,440**	**-**	**(218,392)**	**312,129**	**(384)**	**2,683,751**
EQUITY ADJUSTMENTS										
Marketable securities adjustment							(201,843)			(201,843)
Actuarial gains (losses)							(37,796)			(37,796)
CAPITAL INCREASE:										
From reserves:										
Transfer for capital increase		295,000			(295,000)					-
Addition to capital										
Payment of capital										
OTHER EVENTS:										
Restatement of equity notes										
Acquisition of treasury shares										
Revaluation of Assets:										
Reserve released:										
Gross amount			(1,912)					1,912		-
Tax charges			765					(765)		-
OTHER (transfers for payment of supplementary interest on equity - 2011)										
NET INCOME FOR THE SIX-MONTH PERIOD								200,028		200,028
Allocations:										
Reserves				10,001	327,042			(337,043)		-
Dividends and Interest on Equity (IOE)								(125,729)		(125,729)
PROPOSED ADDITIONAL DIVIDENDS (dividends and IOE)						50,435		(50,435)		-
OTHER (provision for income tax on interest on equity for the six-month period								(97)		(97)
BALANCES AT 06.30.2013	**2,142,000**	**295,000**	**21,757**	**140,055**	**327,482**	**50,435**	**(458,031)**	**-**	**(384)**	**2,518,314**
CHANGES IN THE SIX-MONTH PERIOD	**-**	**295,000**	**(1,147)**	**10,001**	**32,042**	**50,435**	**(239,639)**	**(312,129)**	**-**	**(165,437)**
BALANCES AT 12.31.2013	**2,437,000**	**0**	**20,610**	**148,072**	**427,203**	**15,374**	**(8,045)**	**-**	**(384)**	**3,039,830**
EQUITY ADJUSTMENTS										
Marketable securities adjustment							(45,826)			(45,826)
Actuarial gains (losses)							6,524			6,524
CAPITAL INCREASE:										
From reserves:										
Transfer for capital increase		407,000			(407,000)					-
Addition to capital as approved										
OTHER EVENTS:										
Restatement of equity notes										
Acquisition of treasury shares					(19,518)				384	(19,134)
Revaluation of Assets:										
Reserve released:										
Gross amount			(748)					748		-
Tax charges			694					(1,186)		(492)
OTHER (transfer for payment of supplementary IOE – 2011)										
NET INCOME FOR THE SIX-MONTH PERIOD								326,012		326,012
Allocations:										
Reserves				16,301	200,713			(217,014)		-
Provision for dividends/IOE								(77,318)		(77,318)
PROPOSED ADDITIONAL DIVIDENDS (dividends and IOE)						31,242		(31,242)		-
Distributed additional dividends for 2013 (Dividends and IOE)						(15,374)		-		(15,374)
BALANCES AT 06.30.2014	**2,437,000**	**407,000**	**20,556**	**164,373**	**201,398**	**31,242**	**(47,347)**	**-**	**-**	**3,214,222**
CHANGES IN THE SIX-MONTH PERIOD	**-**	**407,000**	**(54)**	**16,301**	**(225,805)**	**15,868**	**(39,302)**	**-**	**384**	**174,392**

CASH FLOWS STATEMENTS

Six-month periods ended June 30, 2014 and 2013

General Management and Branches in Brazil

(Amounts in R$ thousand)

	06.30.2014	06.30.2013
CASH FLOWS FROM OPERATING ACTIVITIES		
June 30, 2014 and 2013		
Net income for the six-month period	**326,012**	**200,028**
Adjustments to net income:		
Depreciation and amortization expenses	19,067	16,975
(Reversal of) provision for impairment of other assets	1	(3)
Allowance for loan losses	190,596	390,587
Allowance for losses on other receivables	13,459	5,443
Provision for contingent liabilities (FNE Risks)	196,452	391,527
Provision for contingent liabilities	36,089	19,209
Provision (post-employment benefits)	63,752	71,613
Other operating provision expenses	7,149	2,639
Reversal of operating provisions	(26,090)	(10,823)
Subordinated debt eligible to capital expenses	70,395	58,003
Hybrid debt/equity instruments expenses	89,446	75,320
Provision for dividends and interest on equity	(77,3180	(125,826)
Adjusted net income	**909,010**	**1,094,692**
Interbank investments	(217,787)	121,516
Interbank and Interdepartmental accounts	(128,736)	(12,060)
Loans	(396,295)	48,379
Other receivables	264,159	(4,499)
Other assets	685	(592)
Deposits	(204,023)	1,559,867
Open Market Funding	204,508	151,435
Funds from acceptance and issue of securities	(65,761)	24,162
Loans and onlending obligations	(309,192)	(29,623)
Derivative financial instruments	80,124	(69,627)
Other liabilities	2,317,625	(36,450)
Income and Social Contribution Taxes Paid	(120,759)	(296,935)
CASH PROVIDED BY OPERATING ACTIVITIES	**2,333,558**	**2,550,265**
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable Securities	(631,703)	(774,317)
Actuarial gains (losses)	6,524	(37,796)
Addition to Investments	(27)	(65)
Addition to property and equipment in use	(8,840)	(44,818)
Addition to intangible assets	(2,495)	-
Addition to assets used by third parties	(154)	(172)
Disposal of property and equipment in use	591	425
Disposal of assets used by third parties	40	81
CASH USED IN INVESTING ACTVITIES	**(636,064)**	**(856,662)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends and interest on equity paid	(48,973)	(65,833)
Treasury Shares	(19,134)	-
CASH USED IN FINANCING ACTIVITIES	**(68,107)**	**(65,833)**
Increase in cash and cash equivalents	**1,629,387**	**1,627,770**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS		
At beginning of six-month period	7,709,183	6,456,087
At end of six-month period	9,338,570	8,083,857
INCREASE IN CASH AND CASH EQUIVALENTS	**1,629,387**	**1,627,770**

STATEMENTS OF VALUE ADDED

Six-month periods ended June 30, 2014 and 2013

General Management and Branches in Brazil

(Amounts in R$ thousand)

	06.30.2014	%	06.30.2013	%
REVENUES	**2.793.894**		**2.235.051**	
Income from Financial Intermediation	1,755,771		1,690,418	
Income from Services and bank fees	938,465		844,809	
Allowance for loan losses	(204,055)		(396,030)	
Other income/expenses	303,713		95,854	
EXPENSES FROM FINANCIAL INTERMEDIATION	**(981,217)**		**(957,767)**	
INPUTS ACQUIRED FROM THIRD PARTIES	**(394,782)**		**(359,351)**	
Materials, energy and other expenses	(31,222)		(34,191)	
Third-party services	(201,690)		(185,333)	
OTHER	**(161,870)**		**(139,827)**	
Data processing and telecommunications	(89,090)		(74,994)	
Advertising, promotions and publications	(15,591)		(7,289)	
Transportation	(9,974)		(9,400)	
Security	(16,746)		(13,664)	
Travels	(7,487)		(6,576)	
Other	(22,982)		(27,904)	
GROSS VALUE ADDED	**1,417,895**		**917,933**	
RETENTIONS	**(19,067)**		**(16,975)**	
Depreciation, Amortization and Depletion	(19,067)		(16,975)	
NET VALUE ADDED PRODUCED BY THE ENTITY	**1,398,828**		**900,958**	
TOTAL VALUE ADDED TO BE DISTRIBUTED	**1,398,828**		**900,958**	
DISTRIBUTION OF VALUE ADDED	**1,398,828**		**900,958**	
PERSONNEL	**714,300**	**51.1**	**530,883**	**58.9**
COMPENSATION	**547,491**	**39.1**	**369,432**	**41.0**
Salaries	498,661		355,350	
Profit sharing	48,830		14,082	
BENEFITS	**136,841**	**9.8**	**134,657**	**14.9**
Provisions (post-employment benefits)	63,752		71,613	
Benefits – Other	73,089		63,044	
Unemployment Compensation Fund (FGTS)	**29,968**	**2.1**	**26,794**	**3.0**
TAXES, RATES AND CONTRIBUTIONS	**347,915**	**24.9**	**161,945**	**18.0**
Federal	338,115		153,464	
State	68		16	
Municipal	9,732		8,465	
DEBT REMUNERATION	**10,601**	**0.8**	**8,102**	**0.9**
Rent	10,601		8,102	
EQUITY REMUNERATION	**326,012**	**23.3**	**200,028**	**22.2**
INTEREST ON EQUITY	**74,957**	**5.4**	**67,800**	**7.5**
Federal	38,228		63,816	
Other	36,729		3,984	
DIVIDENDS	**33,603**	**2.4**	**108,460**	**12.0**
Federal	17,137		102,088	
Other	16,466		6,372	
RETAINED PROFITS IN THE PERIOD	**217,452**	**15.5**	**23,768**	**2.6**

ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
Six-month periods ended June 30, 2014 and 2013
Amounts expressed in thousands of reais, unless otherwise indicated

Notes to financial statements - Contents

NOTE 1 - The Bank and its characteristics

Banco do Nordeste do Brasil S.A. (Bank) is an all-purpose bank established by Federal Law No. 1649, of 07.19.1952, with its head office at Dr. Silas Munguba 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, as a catalytic agent in promoting the sustainable development of the Northeast in a competitive and profitable manner." Banco do Nordeste, as an All Purpose Bank, 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 acts as the executive agent of public policies and is responsible for managing the Fundo Constitucional de Financiamento do Nordeste (FNE) – the main source of funds used by the Bank for long-term financing – and the operation of the National Family Farming Strengthening Program (PRONAF) in its jurisdiction. It is also the operator of the Fundo de Investimentos do Nordeste (FINOR) and the Fundo de Desenvolvimento do Nordeste (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 the financial statements

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

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

- CPC 00 (R1) - Conceptual Framework for Financial Reporting (CMN Resolution No. 4144, of 9.27.2012);
- CPC 01 - Impairment of Assets (CMN Resolution No. 3566, of 05.29.2008);
- CPC 03 - Cash Flow Statement - (CMN Resolution 3604, of 08.29.2008);
- CPC 05 - Related Party Disclosures (CMN Resolution No. 3750, of 06.30.2009);
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors (CMN Resolution No. 4007, of 08.25.2011);
- CPC 24 - Subsequent Events (CMN Resolution No. 3973, of 05.26.2011);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution No. 3823, of 12.16.2009);

- CPC 09 - Statement of Value Added (CVM Rule No. 557, of 11.12.2008);
- CPC 22 - Segment Reporting (CVM Rule No. 582, of 07.31.2009);
- CPC 27 – Property and Equipment (CVM Rule No. 583, of 07.31.2009);
- CPC 32 - Income Taxes (CVM Rule No. 599, of 09.15.2009);
- CPC 33 (R1) - Employee Benefits (CVM Rule No. 695, of 12.13.2012); and
- CPC 41 – Earnings per Share (CVM Rule No. 636, of 08.06.2010)

NOTE 3 – Summary of significant accounting practices

a) Functional currency

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

Assets and liabilities denominated in foreign currency are recognized at the average exchange 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 under profit or loss (P&L) for the period.

b) Revenue recognition criteria

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

c) Current and noncurrent assets and liabilities

Assets and receivables are stated at realizable values, plus income earned and currency adjustments and foreign exchange fluctuation, less unearned income or allowance, if applicable. Liabilities are stated at original amounts plus, if applicable, accrued interest and monetary and exchange variations, less deferred expenses. Available funds from FNE (Fundo Constitucional de Financiamento do Nordeste) 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 the 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) Securities

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

Trading securities: securities acquired to be actively and frequently traded, adjusted to marked value against P&L for the period;

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; and

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

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

The Bank 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 marked value upon preparation of monthly trial balances and half-yearly balance sheets. Valuations or devaluations are stated in revenue or expense accounts. The rates disclosed by the Securities, Commodities and Futures Exchange (BM&FBOVESPA) are used to calculate the marked value of these transactions.

Hedge accounting

Considering the risk of foreign exchange exposure and conditions of the funding market abroad through long-term Senior Unsecured Notes, the Bank designated derivative financial instruments (swap agreements) to fully hedge the loans raised and corresponding interest payable (market risk hedge). To equalize the effects of marking-to-market of derivatives designated as hedging instruments, the hedged item is also adjusted for changes in marked 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. 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 foreign exchange contracts, other receivables with loan features and allowance for loan losses

Loans, advances on foreign exchange contracts, and other receivables with loan features are classified in accordance with Management's judgment on risk level, taking into consideration the economic scenario, past experience and specific risks related to the operation, creditors and guarantors, considering the standards established by CMN Resolution No. 2682 of 12.21.1999, which require the periodic analysis of the portfolio and its rating into nine risk levels, where AA is the minimum risk and H is the maximum risk, as well as the classification of operations in arrears for more than 15 days as past due operations.
Income from loans over 59 days past due, regardless of the risk level, is only recognized as revenue when realized.
H-rated operations remain under this rating for 180 days, when they are then written off from assets against the existing allowance and controlled for five years, no longer being included in the balance sheet.
Renegotiated operations remain at minimum at the same level into which they were classified.
Renegotiated loans that have been written off against the allowance are rated as H, and possible recoveries are recognized as income when received.

i) Prepaid expenses

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

j) Permanent assets

Investments are stated at cost, net of valuation allowance.
Property and equipment in use include depreciation calculated under the straight-line method at the following annual rates: Buildings - 4%; data processing systems and vehicles - 20%; tractors and motorcycles - 25%; and other - 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 under the straight-line method at the annual rate of 20%.
CMN Resolution No. 3617, of 09.30.2008, determines that any balances of property 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 asset whenever: it is separable, i.e., can be separated from the entity and sold, transferred or licensed, rented 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, irrespective 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 the implementation phase, the useful lives of which will be estimated within 10 years, from the date of their availability for use, and will be amortized on a straight-line basis. When applicable, intangible assets will be adjusted for impairment losses (Note 12.c).

k) Income tax, social contribution tax, PASEP and COFINS

Corporate Income Tax (IRPJ) is calculated at the rate of 15% plus a 10% surtax (on taxable profit exceeding R$240 for the year), and Social Contribution Tax on Net Profit (CSLL) is calculated at the rate of 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, mark-to-market of marketable securities, derivative financial instruments, and hedged item.

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

The federal contribution taxes on gross revenue for Public Service Employee Savings Program (PASEP) and for Social Security Financing (COFINS) are calculated at the rates of 0.65% and 4.00%, respectively.

l) Employee benefits

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

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

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

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

m) Impairment testing

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) Provisions, contingent assets, contingent liabilities and legal obligations

Provisions, contingent assets, contingent liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3823, of 12.16.2009.

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

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, and contingent liabilities are not recognized in the financial statements.

Legal obligations derive from the tax obligations and a provision of 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, marked value measurement of financial instruments, provision for contingencies, impairment losses and other provisions, e.g. reserves for actuarial liabilities for health care and pension plans. Actual results could differ from such estimates and assumptions.

p) Earnings per share

Bank's basic and diluted earnings per share were calculated by dividing net income attributable to shareholders by the weighted average number of total common shares. The Bank has no stock option, subscription bonus or any other right to acquire shares. Accordingly, basic and diluted earnings per share are the same.

NOTE 4 - Segment reporting

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

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

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

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

No revenue from transactions with one single external customer accounted for 10% or more of the Bank's total revenues at 06.30.2014 and 06.30.2013.

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

Specification	01.01 to 06.30.2014			01.01 to 06.30.2013		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenue	**1,581,162**	**996,977**	**2,578,139**	**1,619,044**	**791,283**	**2,410,327**
Income from loans	787,754	-	787,754	855,530	-	855,530
Securities transactions, net	556,264	466,793	1,023,057	383,111	303,350	686,461
Derivative financial instruments, net	(111,960)	-	(111,960)	51,220	-	51,220
Foreign exchange transactions, net	30,929	-	30,929	83,169	-	83,169
Compulsory investments, net	23,736	-	23,736	8,747	-	8,747
Sales or transfer of financial assets	2,255	-	2,255	5,291	-	5,291
Other revenues	292,184	530,184	822,368	231,976	487,933	719,909
Expenses	**(741,549)**	**(643,529)**	**(1,385,078)**	**(1,065,841)**	**(684,074)**	**(1,749,915)**
Open market funding	(525,378)	-	(525,378)	(482,244)	-	(482,244)
Borrowings and onlending	(10,054)	(445,785)	(455,839)	(185,827)	(289,696)	(475,523)
Allowance for loan losses	(204,055)	(196,452)	(400,507)	(396,030)	(391,527)	(787,557)
Other contingent liabilities (Note 20.g)	(2,062)	(1,108)	(3,170)	(1,740)	(2,554)	(4,294)
PROAGRO provision receivable	-	(184)	(184)	-	(297)	(297)
Financial margin	**839,613**	**353,448**	**1,193,061**	**553,203**	**107,209**	**660,412**
Service income	154,641	769,419	924,060	149,396	680,452	829,848
Income from fees, rates and commissions	14,405	-	14,405	14,961	-	14,961
PASEP and COFINS	**(48,113)**	**(63,666)**	**(111,779)**	**(41,470)**	**(56,438)**	**(97,908)**
Income (loss) after fees and commissions	**960,546**	**1,059,201**	**2,019,747**	**676,090**	**731,223**	**1,407,313**
Administrative expenses			**(1,185,917)**			**(984,365)**
Personnel expenses			(761,467)			(599,937)
Depreciation and amortization			(19,067)			(16,975)
Other administrative expenses			(405,383)			(367,453)
Other expenses			**(288,956)**			**(219,040)**
Expenses with provisions, except allowance for loan losses			**(40,069)**			**(17,554)**
Income before taxes and profit sharing			**504,805**			**186,354**
Income and social contribution taxes			(129,963)			27,756
Profit sharing			(48,830)			(14,082)
Net income			**326,012**			**200,028**

(1) Expenses referring to PASEP and COFINS on import of services in the amount of R$ 12 (R$ 10 at 3.31.2013) are included in other expenses

NOTE 5 - Cash and cash equivalents

Specification	06.30.2014	06.30.2013
Cash in local currency	126,060	114,953
Cash in foreign currency	1,479	1,219
Total cash	**127,539**	**116,172**
Interbank investments	9,211,031	7,967,685
Total cash and cash equivalents (Note 28.c)	**9,338,570**	**8,083,857**

NOTE 6 - Interbank investments

a) Breakdown

Specification	06.30.2014	06.30.2013
a) Open market investments	**9,470,400**	**8,005,374**
Resale agreements pending settlement - Self-funding position	9,211,031	7,967,685
Resale agreements pending settlement - Financed position	259,369	37,689
b) Interbank deposits	**142,209**	**21,402**
Foreign currency investments	26,422	21,402
Interbank deposits	115,787	-
Total	**9,612,609**	**8,026,776**
Current	9,612,609	8,026,776

b) Income from interbank investments

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
a) Income from open market investments (Note 7.b)	**402,566**	**251,641**
Self-funded position	393,566	247,278
Financed position	9,000	4,363
b) Income from interbank deposits (Note 7.b)	**5,970**	**1,720**
Total	**408,536**	**253,361**

NOTE 7 – Marketable securities and derivative financial instruments

a) Securities

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

a.1) Securities portfolio

Specification	06.30.2014	06.30.2013
Available-for-sale securities	12,099,220	11,599,618
Held-to-maturity securities	152,622	22,377
Swap differential receivable	256,626	257,277
Total	**12,508,468**	**11,879,272**
Current	756,845	848,006
Long-Term	11,751,623	11,031,266

a.2) Available-for-sale securities

Specification	06.30.2014				06.30.2013			
	Cost	**Market (book) value**	**Market Adjustment**	**Maturity**	**Cost**	**Market (book) value**	**Market Adjustment**	**Maturity**
Fixed income securities	**12,267,705**	**11,776,590**	**(491,115)**		**11,336,989**	**11,174,337**	**(162,652)**	
Financial Treasury Bills (LFTs)	8,408,766	8,409,671	905	2014 to 2018	8,264,142	8,271,784	7,642	2013 to 2018
National Treasury Bills (LTNs)	-	-	-		11	11	-	2014
National Treasury Notes (NTNs)	1,267,938	1,217,391	(50,547)	2050	1,192,047	1,267,397	75,350	2050
Financial Bills (LFs)	1,822,232	1,761,225	(61,007)	2014 to 2019	1,097,757	1,053,040	(44,717)	2014 to 2019
Debentures	734,244	382,063	(352,181)	2014 to 2035	749,623	576,798	(172,825)	2014 to 2019
Federal government bonds (FCVS)	6,069	6,055	(14)	2027	6,516	5,092	(1,424)	2027
Federal government bonds - Other	28,190	-	(28,190)	1993	26,609	-	(26,609)	1993
Agrarian Debt Securities (TDAs)	266	185	(81)	2014 to 2022	284	215	(69)	2013 to 2022
Investment fund shares	**3,022**	**1,627**	**(1,395)**		**13,934**	**12,571**	**(1,363)**	
Social Development Funds (FDS)	1,395	-	(1,395)	No maturity	1,363	-	(1,363)	2014
Receivables Investment Fund (FIDC) shares	-	-	-		10,670	10,670	-	2014
Real Estate Investment Fund (FII)	1,357	1,357	-	2100	1,573	1,573	-	2100
Investment Guarantee Fund (FGI)	250	250	-	No maturity	241	241	-	No maturity
Operation Guarantee Fund (FGO)	20	20	-	No maturity	87	87	-	No maturity
Variable income securities	**16,404**	**9,228**	**(7,176)**		**140,298**	**124,643**	**(15,655)**	
Other tax incentives (FINOR)	163	148	(15)	No maturity	350	163	(187)	No maturity
Publicly-traded companies shares	16,241	9,080	(7,161)	No maturity	139,948	124,480	(15,468)	No maturity
Security deposits [(1)]	**312,446**	**311,775**	**(671)**		**288,573**	**288,067**	**(506)**	
Financial Treasury Bills (LFTs)	311,635	311,678	43	2015 to 2017	287,795	287,984	189	2013 to 2018
Federal government bonds – Nuclebrás	714	-	(714)	1993	674	-	(674)	1993
Federal government bonds – Other	97	97	-	2027	104	83	(21)	2027
Total	**12,599,577**	**12,099,220**	**(500,357)**		**11,779,794**	**11,599,618**	**(180,176)**	
Tax credit (Note 21.b)			203,861		-	-	141,566	
Provision for deferred taxes and contributions (Note 21.c)			(3,718)		-	-	(69,496)	
Total mark-to-market			**(300,214)**		-	-	**(108,106)**	

(1) Breakdown: Guarantees on stock exchange transactions R$ 168,793 (R$ 153,483 at 06.30.2013); guarantees on clearing house association transactions R$ 1,907 (R$ 1,738 at 06.30.2013); guarantees on legal proceedings R$ 123,715 (R$ 117,020 at 06.30.2013); and other guarantees R$ 17,360 (R$ 15,826 at 06.30.2013).

Account "Federal Government Securities - Other" under items Fixed Income Securities and Security Deposits records cash investments in government securities named by the National Treasury as NUCL910801 maturing on 08.31.1993, 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 No. 3068, of 11.08.2001.

In view of the classification of assets under "Available-for-sale securities", the amount of R$(500,355) (R$ (180,176) at 06.30.2013) was recorded in Equity under "Equity adjustments" account. This adjustment, net of tax effects, corresponds to R$ (300,214) (R$ (108,106) at 06.30.2013).

a.3) Held-to-maturity securities

Specification	06.30.2014			06.30.2013		
	Cost (book) value	Market value [1]	Maturity	Cost (book) value	Market value [1]	Maturity
Fixed income securities	**152,622**	**99,567**		**22,377**	**22,364**	
Investment Fund Shares - Ne.Empreendedor	2,020	2,020	2015	2,020	2,020	2014
National Treasury Notes (NTN) - P	129,261	76,207	2014 to 2030	238	225	2013 to 2014
Investment Fund Shares - CRIATEC	12,692	12,692	2017	12,465	12,465	2017
Investment Fund Shares – CRIATEC II	522	522	2023	-	-	-
FIP Brasil Agronegócios	8,127	8,126	2018	7,654	7,654	2018
Total	**152,622**	**99,567**		**22,377**	**22,364**	

(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 No. 3068, of 11.08.2001.

a.4) In the first half of 2014, there were no reclassifications of securities into the categories above, and no held-to-maturity securities were sold.

b) Income from securities

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Interbank investments (Note 6.b)	402,566	251,641
Interbank deposits (Note 6.b)	5,970	1,720
Fixed income securities	614,418	428,747
Variable income securities	103	4,353
Total	**1,023,057**	**686,461**

c) Derivative financial instruments

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

As at 06.30.2014, 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 accounts 'Differential Payable' and 'Differential Receivable', as shown below:

Breakdown at 06.30.2014								
Specification	Notional value	Market value		Curve		Mark-to-market		Market adjustment net
		Receivable	Payable	Receivable	Payable	Positive	Negative	
Long position								
Foreign Currency (US$)	1,087,635	256,626	-	227,332	-	29,294	-	29,294
Short position								
Fixed rate	925	-	96	-	97	1	-	1
Total	**1,088,560**	**256,626**	**96**	**227,332**	**97**	**29,295**	**-**	**29,295**
Tax credit (Note 21.b)								-
Provision for deferred taxes and contributions (Note 21.c)								11,719

Breakdown at 06.30.2013								
Specification	Notional value	Market value		Curve		Mark-to-market		Market adjustment net
		Receivable	Payable	Receivable	Payable	Positive	Negative	
Long position								
Foreign Currency (US$)	1,087,635	255,181	-	217,873	-	37,308	-	37,308
Short position								
Fixed rate	107,459	2,096	2,599	-	2,912	2,815	405	2,410
Total	**1,195,094**	**257,277**	**2,599**	**217,873**	**2,912**	**40,123**	**405**	**39,718**
Tax credit (Note 21.b)								162
Provision for deferred taxes and contributions (Note 21.c)								(16,049)

Specification	06.30.2014		06.30.2013	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Up to 3 months	-	36	-	403
3 to 12 months	-	53	-	1,059
1 to 3 years	158,908	7	161,468	1,101
3 to 5 years	97,718	-	878	36
5 to 15 years	-	-	94,931	-
Total	**256,626**	**96**	**257,277**	**2,599**

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

Specification	06.30.2014				
	Curve value		Market value		
Hedging instruments	Asset US Dollar	Liability CDI	Asset US Dollar	Liability CDI	Market Value Adjustment
Swap – Foreign currency – Long position	1,333,177	1,105,845	1,393,247	1,136,621	29,294
Hedged item	**Curve value [(1)]**		**Market value [(1)]**		**Market Value Adjustment**
Eurobonds – Senior Unsecured Notes		1,329,617		1,393,638	64,021
Tax credit (Note 21.b)					25,608

[(1)] Net of tax effects at source on interest from loan of R$ 1,161.

Specification	06.30.2013				
	Curve value		Market value		
Hedging instruments	Asset US Dollar	Liability CDI	Asset US Dollar	Liability CDI	Market Value Adjustment
Swap – Foreign currency – Long position	1,318,658	1,100,785	1,390,875	1,135,694	37,308
Hedged item	**Curve value [(1)]**		**Market value [(1)]**		**Market Value Adjustment**
Eurobonds - Senior Unsecured Notes		1,337,525		1,391,471	53,946
Tax credit (Note 21.b)					21,578

[(1)] Net of tax effects at source on interest from loan of R$ 1,167.

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 payable, is stated at market value, and any changes are recorded as part of the book value, recognized in P&L for the six-month 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 transactions were assessed as effective under BACEN Circular No. 3082, of 01.30.2002, based on the financial flows (principal and interest) of the hedged item, Eurobonds - Senior Unsecured Notes, and of hedging instruments (swap agreements).

c.2) Other derivative financial instruments

Specification	06.30.2014				
	Curve value		Market value		
Hedging instruments	Asset CDI	Liability – fixed rate	Asset CDI	Liability – fixed rate	Market Value Adjustment
Fixed rate – short position	1,637	1,734	1,650	1,747	-

Specification	06.30.2013				
	Curve value		Market value		
Hedging instruments	Asset CDI	Liability – fixed rate	Asset CDI	Liability – fixed rate	Market Value Adjustment
Fixed rate – short position	121,786	124,698	124,956	125,458	2,410

d) Income from derivative financial instruments

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Swap	(111,960)	51,220
Total	**(111,960)**	**51,220**

NOTE 8 - Interbank accounts – Linked Credits

a) Linked credits

Specification	06.30.2014			06.30.2013		
	Gross Amount	Allowance	Net Amount	Gross Amount	Allowance	Net Amount
Mandatory payments - Savings accounts	307,763	-	307,763	267,158	-	267,158
Compulsory reserves – Cash funds	42,629	-	42,629	30,641	-	30,641
National Housing System (SFH)	65,192	(12,542)	52,650	61,600	(23,113)	38,487
National Treasury - Rural credit	15,549	(499)	15,050	7,539	(1,341)	6,198
Total	**431,133**	**(13,041)**	**418,092**	**366,938**	**(24,454)**	**342,484**
Current	365,798	(499)	365,299	304,807	(1,341)	303,466
Long-Term	65,335	(12,542)	52,793	62,131	(23,113)	39,018

b) Compulsory investments, net

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Income from linked credits – Central Bank of Brazil	10,314	7,247
Income from linked credits – SFH	1,872	1,556
Income from linked credits – Rural Credit	25	169
Valuation/(Devaluation) of linked credits	11,525	(225)
Total	**23,736**	**8,747**

NOTE 9 - Loan portfolio and allowance for loan losses

a) Loan portfolio and allowance for loan losses

Specification	06.30.2014		06.30.2013	
	Gross Amount	Allowance	Gross Amount	Allowance
Loans	**11,258,782**	**(804,700)**	**11,083,090**	**(997,726)**
Current	4,778,952	(346,813)	4,804,515	(648,702)
Long-term	6,479,830	(457,887)	6,278,575	(349,024)
Other accounts with loan features (Note 10.f)	**445,730**	**(20,227)**	**541,542**	**(13,191)**
Current	440,259	(20,227)	480,638	(13,191)
Long-term	5,471	-	60,904	-
Total	**11,704,512**	**(824,927)**	**11,624,632**	**(1,010,917)**

a.1) Breakdown of loan portfolio

Specification	06.30.2014	06.30.2013
Advances to depositors	175	90
Loans	4,931,594	4,838,686
Discounted notes	57,198	64,715
Financing	2,009,931	2,056,688
Financing in foreign currency	182,710	194,622
Refinancing with the Federal Government (Note 29.a.1)	387,913	416,781
Rural and agroindustrial financing	1,655,958	1,642,077
Real estate financing (1)	243	243
Infrastructure and development financing	2,033,060	1,869,188
Loans subtotal	**11,258,782**	**11,083,090**
Guarantees and sureties honored	-	49
Income receivable from advances	11,135	14,719
Debtors due to purchase of assets	6,036	1,674
Notes and credits receivables	10,986	11,604
Advances on foreign exchange contracts (2) (Note 11.a)	417,573	435,078
Linked credits to transactions acquired on assignment	-	78,418
Other accounts with loan features subtotal	**445,730**	**541,542**
Total	**11,704,512**	**11,624,632**

(1) Refer to transactions contracted before the discontinuance of real estate financing activities.
(2) Accounts classified as “Other liabilities/ Foreign exchange portfolio”.

a.2) Income from loans

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Loans and discounted notes	464,997	397,632
Financing	198,556	310,677
Rural and agroindustrial financing	81,552	66,940
Recovery of loans written off as loss	42,594	79,799
Other	55	482
Total	**787,754**	**855,530**

b) Breakdown by maturity

b.1) Current loans [1]

Customer type/ activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Above 360 days	Total at 06.30.2014	Total at 06.30.2013
Rural	32,896	16,139	26,244	14,970	9,748	1,519,135	1,619,132	1,569,477
Manufacturing	74,886	86,420	52,908	179,722	225,342	1,702,760	2,322,038	2,115,860
Government	10,546	10,546	24,934	35,259	77,692	1,076,515	1,235,492	1,390,303
Other services	663,641	545,713	450,680	934,828	452,170	1,483,553	4,530,585	4,106,223
Trading	95,025	105,037	68,101	234,588	359,728	376,652	1,239,131	1,375,413
Financial	230	224	217	567	573	819	2,630	126,630
Housing	1,177	984	806	1,326	232	252	4,777	4,082
Individuals	8,289	4,490	3,416	45,173	2,918	3,025	67,311	51,742
Total	**886,690**	**769,553**	**627,306**	**1,446,433**	**1,128,403**	**6,162,711**	**11,021,096**	**10,739,730**

[1] Includes loans overdue up to 14 days.

b.2) Past due loans

Customer type/ activity	Falling due installments							
	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Above 360 days	Total at 06.30.2014	Total at 06.30.2013
Rural	131	108	85	484	1,109	11,268	13,185	28,066
Manufacturing	3,406	3,450	3,411	9,937	17,486	58,885	96,575	58,594
Other services	10,639	9,060	7,362	17,894	21,509	107,700	174,164	266,265
Trading	10,086	5,645	5,270	15,142	45,467	104,535	186,145	99,934
Financial	9	9	9	27	55	409	518	-
Housing	9	9	4	2	2	-	26	29
Individuals	674	476	637	1,881	1,366	4,101	9,135	3,252
Total	**24,954**	**18,757**	**16,778**	**45,367**	**86,994**	**286,898**	**479,748**	**456,140**

Customer type/ activity	Past due installments								
	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Above 360 days	Total at 06.30.2014	Total at 06.30.2013
Rural	37	177	583	2,700	730	8,618	25,427	38,272	54,047
Manufacturing	1,046	4,805	3,888	3,170	4,768	4,838	3,716	26,231	147,906
Other services	1,430	10,515	14,742	11,309	11,474	18,671	614	68,755	151,570
Trading	18,496	4,468	9,025	4,975	11,235	8,299	5,467	61,965	70,374
Financial	9	-	9	5	-	-	-	23	1
Housing	-	10	5	8	7	9	-	39	36
Individuals	23	630	771	360	1,640	4,491	468	8,383	4,828
Total	**21,041**	**20,605**	**29,023**	**22,527**	**29,854**	**44,926**	**35,692**	**203,668**	**428,762**

c) Breakdown by risk level

Risk level	06.30.2014				06.30.2013			
	Current [1]	Past due	Total portfolio	Allowance	Current [1]	Past due	Total portfolio	Allowance
AA	4,280,895	-	4,280,895	-	3,611,204	-	3,611,204	-
A	4,015,197	-	4,015,197	20,076	3,806,107	-	3,806,107	19,031
B	1,823,119	46,581	1,869,700	18,697	2,682,200	32,381	2,714,581	27,146
C	106,717	64,117	170,834	5,125	102,246	56,231	158,477	4,754
D	246,582	167,392	413,974	41,398	102,016	29,379	131,395	13,139
E	138,356	66,685	205,041	61,512	52,672	120,565	173,237	51,971
F	16,755	44,058	60,813	30,407	93,778	126,920	220,698	110,349
G	92,078	42,407	134,485	94,139	50,250	31,101	81,351	56,945
H	301,397	252,176	553,573	553,573	239,257	488,325	727,582	727,582
Total	**11,021,096**	**683,416**	**11,704,512**	**824,927**	**10,739,730**	**884,902**	**11,624,632**	**1,010,917**

[1] Include loans overdue up to 14 days.

d) Changes in the allowance for the period

Specification	06.30.2014	06.30.2013
Opening balance (Allowance for losses on loan portfolio)	893,774	832,982
(+) Net allowance recognized for the period	204,055	395,899
(-) Receivables written off as loss for the period	(272,902)	(217,964)
(=) Allowance for losses on loan portfolio	**824,927**	**1,010,917**
Opening balance (Allowance for losses on other receivables without loan features)	46,477	46,064
(+) Net allowance recognized for the period	281	636
(-) Receivables written off as loss for the period	(282)	-
(=) Allowance for losses on other receivables without loan features (Note 10.f)	**46,476**	**46,700**
(=) Allowance for loan losses	**871,403**	**1,057,617**

e) Breakdown of the allowance expense balance

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
(+) Expenses on allowance for loan losses	190,596	390,587
(+) Expenses on allowance for losses on other receivables	13,459	5,312
(=) Balance of expenses on allowance for losses on operations with loan features	**204,055**	**395,899**
(+) Expenses on allowance for losses on other receivables without loan features	19	131
(-) Reversal of allowances for losses on other receivables without loan features	(19)	-
(=) Balance of expenses on allowance for loan losses	**204,055**	**396,030**

f) In the first half, receivables that had been written off as loss were recovered in the amount of R$ 42,595 (R$ 79,799 at 06.30.2013) and renegotiations amounted to R$ 351,509 (R$ 421,234 at 06.30.2013).

g) Recovery of receivables on legal grounds

In accordance with Law No. 11322, of 07.13.2006, Law No. 11775, of 09.17.2008, and Law No. 12249, of 06.11.2010, as well as Law No. 12716, of 09.21.2012, concerning rescheduling of debts arising from rural credit transactions, that provides for rebates in the debt balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of the referred to transactions, a positive effect on the Bank's income, for 06.30.2014, was recognized in the amount of R$ 31,931 (R$ 50,636 at 06.30.2013), shown below. Pursuant to the abovementioned legal provisions, part of these transactions was acquired by the Fundo Constitucional de Financiamento do Nordeste (FNE).

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Income earned	14,333	23,089
Recovery of transactions written off of assets	6,308	11,804
Expenses on discounts	(24)	(2,677)
Net effect of allowances	11,314	18,420
Total	**31,931**	**50,636**

NOTE 10 - Other receivables

Specification	06.30.2014	06.30.2013
a) Receivables for guarantees and sureties honored	**-**	**49**
b) Foreign exchange portfolio (Note 11.a)	**451,115**	**491,105**
c) Income receivable	**27,436**	**58,418**
d) Securities trading	**4**	**4**
e) Other receivables	**2,424,522**	**2,549,566**
Tax credits – Allowances (Note 21.b)	1,019,768	1,216,327
Tax credits - marketable securities, derivative financial instruments and hedged item (Notes 7.a.2, 7.c and 21.b)	229,469	163,306
Debtors from escrow deposits	692,655	701,818
Taxes and contributions to offset	**124,437**	**107,747**
From prepayments (Note 21.a.2)	114,959	98,402
Other	9,478	9,345
Tax incentive options	26,748	26,748
Notes and credits receivable	10,986	11,604
Linked credits to transactions granted under assignment	-	78,418
Prepaid salaries and advances	25,343	23,373
Payments to be refunded	9,906	9,767
Recalculation, discounts, waivers and bonuses in BNDES transactions	6,733	2,011
Recalculation, discounts, waivers and bonuses in FAT transactions	15,059	4,795
Other	263,418	203,652
f) Allowance for losses on other receivables	**(66,703)**	**(59,891)**
Receivables with loan features (Note 9.a)	(20,227)	(13,191)
Receivables without loan features (Note 9.d)	(46,476)	(46,700)
Total	**2,836,374**	**3,039,251**
Current	2,078,128	2,123,874
Long-term	758,246	915,377

NOTE 11 – Foreign exchange portfolio

a) Breakdown

Specification	06.30.2014	06.30.2013
Assets - other receivables	**451,115**	**491,105**
Exchange purchase pending settlement	421,017	475,636
Exchange sales rights	19,205	1,197
Advances received in local currency	(242)	(447)
Income receivable from advances	11,135	14,719
Current assets (Note 10.b)	**451,115**	**491,105**
Liabilities – other liabilities	**19,245**	**1,839**
Exchange purchase obligations	417,633	435,724
Foreign exchange payable	19,184	1,193
(Advances on foreign exchange contracts) (Note 9.a.1)	(417,573)	(435,078)
Other	1	-
Current liabilities (Note 16.b)	**19,245**	**1,839**

b) Foreign exchange gains

Specification	01.01. to 06.30.2014	01.01. to 06.30.2013
Exchange income	31,116	83,446
Exchange expenses	(187)	(277)
Total	**30,929**	**83,169**

NOTE 12 - Permanent assets

a) Investments

Specification	12.31.2013	01.01.2014 to 06.30.2014			06.30.2014			06.30.2013
	Book balance	Changes		Book balance	Cost	Impairment losses	Book balance	Book balance
		Additions	Exclusions					
Shares and units of interest	652	-	-	652	945	(293)	652	652
Artwork and valuables	1,173	26	-	1,199	1,199	-	1,199	1,133
Total	**1,825**	**26**	**-**	**1,851**	**2,144**	**(293)**	**1,851**	**1,785**

b) Property and equipment

Specification	12.31.2013	01.01.2014 to 06.30.2014				06.30.2014				06.30.2013
	Book balance	Changes [2]			Book balance	Cost	Accumulated depreciation	Impairment losses [2]	Book balance	Book balance
		Additions	Exclusions	Depreciation						
Buildings	103,564	272	-	(6,002)	97,834	248,538	(150,704)	-	97,834	107,784
Data processing system	48,642	3,549	(182)	(7,997)	44,012	109,679	(65,667)	-	44,012	49,452
Furniture and equipment in use	28,455	2,646	(369)	(2,665)	28,067	65,872	(37,805)	-	28,067	29,293
Land	17,025	-	-	-	17,025	17,025	-	-	17,025	17,025
Facilities	6,577	535	-	(751)	6,361	18,589	(12,228)	-	6,361	6,735
Communication system	90	9	(5)	(11)	83	381	(298)	-	83	101
Construction in progress [1]	6,288	1,156	-	-	7,444	7,444	-	-	7,444	5,771
Security system	9,680	673	(35)	(798)	9,520	18,499	(8,979)	-	9,520	8,332
Transportation system	672	1	-	(653)	20	16,121	(16,101)	-	20	2,082
Total	**220,993**	**8,841**	**(591)**	**(18,877)**	**210,366**	**502,148**	**(291,782)**	**-**	**210,366**	**226,575**

[1] This refers to the transfer to Buildings given the conclusion of construction.
[2] There was no record of impairment for P&E.

c) Deferred charges

Specification	12.31.2013	01.01.2014 to 06.30.2014				06.30.2014				06.30.2013
	Book balance	Changes			Book balance	Cost	Accumulated amortization	Impairment losses [1]	Book balance	Book balance
		Additions	Exclusions	Amortization						
Leasehold improvements	478	-	-	(191)	287	1,423	(1,136)	-	287	685
Total	**478**	**-**	**-**	**(191)**	**287**	**1,423**	**(1,136)**	**-**	**287**	**685**

[1] Impairment on deferred charges was not recorded.

d) Intangible assets

Specification	12.31.2013	01.01.2014 to 06.30.2014				06.30.2014				06.30.2013
	Book balance	Changes			Book balance	Cost	Accumulated amortization	Impairment losses [1]	Book balance	Book balance
		Additions	Exclusions	Amortization						
Spending on intangible assets in process	12,308	2,495	-	-	14,803	14,803	-	-	14,803	-
Total	**12,308**	**2,495**	**-**	**-**	**14,803**	**14,803**	**-**	**-**	**14,803**	**-**

[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 06.30.2014	Total at 06.30.2013
Demand deposits	**269,876**	**4,144**	**4,147**	**-**	**-**	**-**	**278,167**	**163,021**
Demand deposits	265,689	-	-	-	-	-	265,689	142,099
Foreign currency deposits	4,187	4,144	4,147	-	-	-	12,478	20,922
Savings deposits	**1,752,016**	**-**	**-**	**-**	**-**	**-**	**1,752,016**	**1,622,124**
Interbank deposits	**640,302**	**353,041**	**90,474**	**53,935**	**-**	**-**	**1,137,752**	**1,032,391**
Time deposits	**1,565,126**	**1,205,616**	**2,806,400**	**738,541**	**1,166,277**	**137,528**	**7,619,488**	**8,563,770**
Time deposits	705,585	1,142,736	2,327,221	556,626	985,055	128,902	5,846,125	6,635,500
Interest-bearing judicial deposits	836,064	-	-	-	-	-	836,064	745,987
FINOR/cash and cash equivalents and reinvestments – Law No. 8167	-	-	350,761	57,387	57,387	-	465,535	585,483
FAT - available funds	4,058	11,028	15,199	14,708	14,656	1,007	60,656	36,477
FAT – invested funds	18,996	51,852	113,219	109,565	109,179	7,619	410,430	559,527
Other	423	-	-	255	-	-	678	796
Funds from acceptance and issue of securities	**1,547**	**34,434**	**680,344**	**705,178**	**-**	**-**	**1,421,503**	**1,418,407**
Eurobonds	-	9,277	680,344	705,178	-	-	1,394,799	1,392,638
LCA – Agribusiness Credit Bills	1,547	25,157	-	-	-	-	26,704	25,769
Hybrid equity-debt instruments	**-**	**38,859**	**-**	**-**	**-**	**1,241,799**	**1,280,658**	**1,201,698**
Subordinated debts	**-**	**-**	**-**	**-**	**-**	**1,526,376**	**1,526,376**	**1,390,385**
Total	**4,228,867**	**1,636,094**	**3,581,365**	**1,497,654**	**1,166,277**	**2,905,703**	**15,015,960**	**15,391,796**
Current							5,864,961	5,698,645
Long Term							9,150,999	9,693,151

b) Deposits

Specification	06.30.2014	06.30.2013
Demand deposits	**278,167**	**163,021**
Foreign currency deposits in Brazil	12,478	20,922
Government deposits	30,756	19,988
Restricted deposits	173,290	56,256
Legal entities	43,924	38,749
Individuals	17,233	24,499
Other	486	2,607
Savings deposits	**1,752,016**	**1,622,124**
Free savings deposits - individuals	1,189,031	1,041,171
Free savings deposits - legal entities	562,279	580,292
From related parties and Financial System Institutions	706	661
Interbank deposits	**1,137,752**	**1,032,391**
Time deposits	**7,619,488**	**8,563,770**
Time deposits	5,846,125	6,635,500
Interest-bearing judicial deposits	836,064	745,987
Other time deposits	**937,299**	**1,182,283**
Interest-bearing special deposits/FAT (Note 27 and Note 29)	**471,086**	**596,004**
Available funds (Note 27)	**60,656**	**36,477**
Proger Urbano	4,422	1,222
Protrabalho	1,425	1,542
Infrastructure	27398	32,092
Drought	-	204
National Program for Production-Oriented Microcredit (PNMPO)	27,411	1,417
Invested funds (Note 27)	**410,430**	**559,527**
Proger Urbano	33,329	59,929
Protrabalho	99,580	121,050
Infrastructure	157,067	193,007
Drought	-	6,408
National Program for Production-Oriented Microcredit (PNMPO)	120,454	179,133
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	**465,535**	**585,483**
Other	**678**	**796**
Total	**10,787,423**	**11,381,306**
Current	5,790,121	5,626,788
Long Term	4,997,302	5,754,518

c) Open market funding

Specification	06.30.2014	06.30.2013
Own portfolio	**1,122,734**	**934,261**
Financial Treasury Bills (LFTs)	1,122,734	934,261
Third party portfolio	**259,369**	**37,689**
National Treasury Bills (LTNs)	-	37,689
National Treasury Notes (NTNs)	259,369	-
Total	**1,382,103**	**971,950**
Current	1,259,665	934,479
Long Term	122,438	37,471

d) Expenses on open market funding

Specification	01.01. to 06.30.2014	01.01. to 06.30.2013
Deposit funding costs	**(463,539)**	**(449,061)**
Time deposits	(274,198)	(196,211)
Savings deposits	(43,258)	(32,783)
Judicial deposits	(33,684)	(23,525)
Interbank deposits	(17,780)	(10,022)
Special deposits	(36,310)	(34,927)
Expenses on funds from acceptance and issue of securities	(52,431)	(146,136)
Other deposits	(5,878)	(5,457)
Expenses on open market funding transactions	**(61,839)**	**(33,183)**
Third-party portfolio	(9,040)	(4,415)
Own portfolio	(52,799)	(28,768)
Total	**(525,378)**	**(482,244)**

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	Over15 years	Total at 06.30.2014	Total at 06.30.2013
Domestic borrowings	20,177	-	-	-	-	-	20,177	37,228
Foreign borrowings	157,502	421,502	-	-	-	-	579,004	657,957
Domestic onlending	43,092	108,113	304,751	344,644	663,242	209,206	1,673,048	1,682,879
Foreign onlending	16,030	79,027	185,172	185,462	283,535	-	749,226	847,810
Total	**236,801**	**608,642**	**489,923**	**530,106**	**946,777**	**209,206**	**3,021,455**	**3,225,874**
Current							845,443	920,069
Long Term							2,176,012	2,305,805

b) Borrowing

Specification	Annual restatement rate % p.a.	06.30.2014	06.30.2013
Domestic borrowings – Official institutions/Refinancing	TJLP+3.0 or 7.75	20,177	37,228
Foreign borrowings/Foreign currency payables	USD	579,004	657,957
Total		**599,181**	**695,185**
Current		599,181	676,571
Long Term		-	18,614

c) Domestic onlending - Official institutions

Specification	Annual restatement rate % p.a.	06.30.2014	06.30.2013
National Treasury	IGP-DI + 2.0 or 6.75	**657**	**793**
BNDES		**1,498,698**	**1,505,697**
Credit Facility Granted by the BNDES Agents to Small and Medium-Sized Comparies to Buy Shares in Capital Increases– POC	TJLP/IGPM/IPCA+1.5	1,147,307	1,142,264
Credit Facility for investment in agriculture	TJLP/IGPM/IPCA+1.5	351,391	363,433
FINAME		**173,693**	**176,389**
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)	TJLP/IGPM/IPCA+1.5	154,802	158,742
Agricultural Program	TJLP/IGPM/IPCA+1.5	18,891	17,647
Total (Note 29.a.1)		**1,673,048**	**1,682,879**
Current		151,205	147,639
Long Term		1,521,843	1,535,240

d) Foreign onlending

Specification	Annual restatement rate % p.a.	06.30.2014	06.30.2013
BID-Prodetur I	USD + 2.68	351,060	417,296
BID-Prodetur II	USD + 1.17	391,936	423,474
BID-Other programs	USD + 1.17	6,230	6,927
Other programs	USD + 6.0	-	113
Total		**749,226**	**847,810**
Current		95,057	95,859
Long Term		654,169	751,951

e) Expenses on borrowings and onlending

Specification	01.01. to 06.30.2014	01.01. to 06.30.2013
Expenses on borrowings	**(760)**	**(1,405)**
Domestic borrowings	(760)	(1,405)
Expenses on onlending	**(68,953)**	**(153,700)**
Domestic onlending – Official institutions	**(61,504)**	**(51,544)**
National Treasury	(18)	(8)
BNDES	(58,308)	(48,636)
FINAME	(3,178)	(2,900)
Foreign onlending	**(7,449)**	**(102,156)**
Expenses on onlending with foreign banks	**(3,669)**	**(79,928)**
Expenses on financial and development funds	**(382,457)**	**(240,490)**
Total	**(455,839)**	**(475,523)**

NOTE 15 - Funds from acceptance and issue of securities

a) Payables for securities issued abroad

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US$	Contractual amount at 06.30.2014[2]	Market value at 06.30.2014 [2]	Market value at 06.30.2013[2]
Eurobonds – Senior Unsecured Notes [1]	11.09.2010	11.09.2015	3.625	300,000	664,704	684,297	687,516
Eurobonds – Senior Unsecured Notes [1]	05.03.2012	05.03.2019	4.375	300,000	666,073	710,502	705,122
Total				**600,000**	**1,330,777**	**1,394,799**	**1,392,638**
Current						9,277	9,332
Long Term						1,385,522	1,383,306

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

(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 issued

Specification	Annual interest (%)	Nominal value	06.30.2014	06.30.2013
Agribusiness credit bills[1]	89.20 CDI	26,470	26,704	25,769
Current			26,704	25,769
Long Term			-	-

(1) Security with average maturity term of 359 days.

NOTE 16 - Other liabilities

Specification	06.30.2014	06.30.2013
a) Collected taxes and other contributions	**30,005**	**31,941**
Funds from PROAGRO	-	129
Federal taxes received	27,538	28,854
Tax on Financial Transactions (IOF) payable	1,780	2,104
Other taxes and levies	687	854
b) Foreign exchange portfolio (Note 11.a)	**19,245**	**1,839**
c) Social and statutory	**100,114**	**139,989**
Dividends and bonuses payable	77,497	126,108
Profit sharing	22,617	13,881
d) Tax and social security	**344,752**	**492,531**
Provision for tax contingencies	**123,603**	**119,273**
Taxes and contributions (Note 22.j.1.i)	87,430	83,011
Tax lawsuits (Note 22.j.1.i and iii)	36,173	36,262
Provision for deferred taxes and contributions (Note 21.c)	**50,688**	**115,384**
Marketable securities and derivative financial instruments	15,437	85,545
Revaluation of buildings and land	5,922	7,381
Other (Note 21.c)	29,329	22,458
Provision for income and social contribution taxes (Note 21.a)	**112,839**	**201,988**
Income tax [1]	69,610	124,594
Social contribution tax [2]	43,229	77,394
Taxes and contributions payable	**57,622**	**55,886**
e) Securities trading and brokerage	**91**	**68**
f) Financial and development funds	**9,468,483**	**6,909,484**
Fundo Constitucional de Financiamento do Nordeste (FNE) (Note 29.a.1)	8,885,234	6,744,150
Other	583,249	165,334
g) Hybrid equity-debt instruments (Note 17 and Note 29.a.1)	**1,280,658**	**1,201,699**
h) Subordinated debts eligible for capital (Note 18 and Note 29.a.1)	**1,526,376**	**1,390,385**
i) Other	**3,728,838**	**4,067,791**
Provision for contingent liabilities	**2,378,190**	**2,372,282**
Labor claims (Note 22.j.iv)	208,470	189,919
Civil lawsuits (Note 22.j.v)	120,677	100,089
Other lawsuits (Note 22.j.vi)	591	645
FNE (Note 22.j.2.i)	**2,016,363**	**2,039,090**
Onlending	1,017	1,215
Full risk	105,347	103,278
Shared risk	1,909,999	1,934,597
FDNE (Note 22.j.2.ii)	523	500
PROAGRO (Note 22.j.2.iii)	2,128	2,106
Other contingent liabilities (Note 22.j.2.iv)	29,438	39,933
Accrued Liabilities	**1,066,847**	**1,571,770**
Post-employment benefits	**795,692**	**1,380,777**
DB pension and retirement plan (Note 29.a.2)	95,279	579,467
Health care plan (Note 29.a.2)	700,413	801,310
Personnel expenses	226,965	155,300
Other	44,190	35,693
Other	**283,801**	**123,739**
Total	**16,498,562**	**14,235,727**
Current	4,237,969	4,882,135
Long Term	12,260,593	9,353,592

[1] At 06.30.2013, this balance includes a supplementary amount of R$ 271 (no amounts at 06.30.2014) referring to the annual adjustment for calendar years from 2010 to 2011.
[2] At 06.30.2013, this balance includes a supplementary amount of R$ 162 (no amounts at 06.30.2014) referring to the annual adjustment for calendar years from 2010 to 2011.

NOTE 17 – Hybrid equity-debt instruments

Specification	Amount issued	Interest	Funding date	06.30.2014	06.30.2013
Hybrid equity-debt instruments (Notes 16.g and 29.a.1)	1,000,000	1,201,699	12.22.2010	1,280,658	1,201,699
Current				38,859	36,757
Long Term				1,241,799	1,164,942

NOTE 18 - Subordinated debts

Specification	06.30.2014	06.30.2013
Fundo Constitucional de Financiamento do Nordeste (FNE)	1,526,376	1,390,385
Funds available [1]	811,490	528,458
Funds invested [2]	714,886	861,927
Total (Note 29.a.1)	**1,526,376**	**1,390,385**

[1] Yield 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 03.28.2014 approved a capital increase of R$407,000 resulting from addition of statutory reserves, with no new issue of shares. Capital increased from R$ 2,437,000, to R$ 2,844,000 represented by 86,371,464 registered, paid-in shares with no par value. Capital increase is awaiting approval by BACEN. At that meeting the cancellation of 630,437 common shares was also approved, with 10,232 shares in treasury and 620,205 stemming from the refund of dissident shareholders for the conversion of preferred shares to common shares approved by the Special Shareholders' Meeting held on 8/23/2013. The total cost of the acquisition of 630,437 cancelled shares amounted to R$ 19,518. It should be stressed that this cancellation of shares provided no reduction in the value of capital, considering that was used for the acquisition of the capital reserve balance, as provided in the Bank's Bylaw.

Breakdown at 06.30.2014		
Shareholders	**Total shares**	**% Capital**
Federal Government	44,049,447	51.00%
BB FGEDUC - Multimarket Investment Fund	30,219,768	34.99%
BB FGO – Share Investment Fund	6,250,000	7.24%
National Development Fund (FND)	3,846,968	4.45%
Other	2,005,281	2.32%
Total	**86,371,464**	**100.00%**

Breakdown at 06.30.2013					
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$ 20,556 (R$ 21,757 at 06.30.2013) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its actual realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565, of 05.29.2008. In the first half, a reserve amounting to R$ (438) (R$ 1,147 at 06.30.2013) was transferred to Retained Earnings or Accumulated Losses and comprised the profit distribution base.

c) Treasury shares

The Bank does not have treasury shares. The 10,232 shares corresponding to R$ 384 that were held in treasury at 06.30.2013 were cancelled at the Special Shareholders' Meeting held on 3.28.2014.

d) Dividends/interest on equity

The Bank's Charter ensures its shareholders a minimum dividend of 25% on net income calculated in the six-month period, adjusted as prescribed by Law.

The Executive Board proposes to the Board of Directors the early payment of dividends and interest on equity, attributable to the dividend amount, of 35.03% on net income for the six-month period. Due to this proposal, the amount of R$ 77,318 was accounted for as "Provision", referring to the minimum mandatory dividend provided for in Charter, and R$ 31,242 as "Income reserve - proposed additional dividend", pursuant to BACEN Circular Letter No. 3516, of 07.21.2011.

Specification	06.30.2014	06.30.2013
1. Net income for the six-month period	**326,012**	**200,028**
2. Prior years' adjustments	-	312,129[1]
3. Revaluation reserve transferred to retained earnings/accumulated losses	(438)	1,147
4. Adjusted net income	**325,574**	**513,304**
5. Legal reserve set up	(16,301)	(10,001)
6. Dividends and interest on equity calculation basis	**309,273**	**503,303**
7. Interest on Equity (IOE) proposed in the six-month period	74,957	67,800
8. Withholding income tax on interest on equity	(225)	(97)
9. Interest on equity attributable to dividends (item 7 + item 8)	74,732	67,703
10. Dividends proposed in the six-month period	33,603	108,460
11. Gross IOE and Dividends (item 7 + item 10) – 35.10% (35.02% at 06.30.2013)	**108,560**	**176,260**
IOE of R$ 0.867844500123 per common share (at 06.30.2013: IOE of R$ 0.746341217377 per common share)	74,957	36,180
IOE of R$ 0.820975339155, per preferred share, at 06.30.2013	- [2]	31,620
Dividends of R$ 0.389059719770 per common share (at 06.30.2013: Dividends of R$ 1.193929365470 per common share)	33,603	57,878
Dividends of R$ 1.313322302215 per preferred share at 06.30.2013	- [2]	50,582
12. Net IOE and Dividends (item 9 + item 10) – 35.03% (35.00% at 06.30.2013)	**108,335**	**176,163**

(1) This refers to recalculation of actuarial obligations retrospectively to 2012, since CVM Resolution No. 695 of 12.13.2012 became effective on 01.01.2013.
(2) At 06.30.2014, there are no preferred shares.

Until June 2013, for preferred shares, dividends and interest on equity were calculated on capital 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, as reworded by Law No. 10303 dated 10.31.2001 and provision in paragraph 2 of article 6 of the Bank's Bylaw.
Interest on equity was accounted for under "Expenses", however, for the financial statement disclosure purposes, was reclassified to "Retained earnings (accumulated losses)". Total interest on equity for the six-month period reduced tax expenses by R$ 29,533 (R$ 26,713 at 06.30.2013).

NOTE 20 - Other operating income/expenses

Specification	01.01. to 06.30.2014	01.01. to 06.30.2013
a) Service revenue	**924,060**	**829,848**
Investment fund management	11,730	9,421
Fund and program management	778,779	702,711
Service rendering	133,551	117,716
b) Income from banking fees	**14,405**	**14,961**
c) Personnel expenses	**(761,467)**	**(599,937)**
Salaries	(493,836)	(350,522)
Social charges	(143,171)	(129,070)
Retirement and pension plan and DB and VC I Capef Plan (Note 25.g)	(22,936)	(39,928)
Health care plan - Camed Natural Plan (Note 25.g)	(40,816)	(31,685)
Benefits, training, fees and compensation of interns	(60,708)	(48,732)
d) Other administrative expenses	**(424,450)**	**(384,428)**
Data processing	(75,797)	(61,877)
Advertising and publicity	(13,013)	(1,104)
Third-party services	(171,992)	(158,727)
Rentals, material and public utilities	(23,378)	(21,177)
Travel	(7,487)	(6,576)
Communications	(13,293)	(13,117)
Depreciation and amortization	(19,067)	(16,975)
Asset maintenance and upkeep	(18,445)	(21,116)
Surveillance, security and transportation	(26,720)	(23,065)
Promotions, public relations and publications	(2,578)	(6,185)
Financial system services	(12,276)	(9,726)
Specialized technical services	(17,422)	(16,879)
Insurance	(2,190)	(2,248)
Court, notary and attorneys' fees	(12,153)	(11,779)
Worker' union dues and associations	(1,155)	(1,264)
Condominium fees, catering, kitchen and meals	(2,171)	(2,021)
FUNDECI (Science and Technology Development Fund)	-	(3,000)
Other	(5,313)	(7,592)
e) Tax expenses (Note 21.d)	**(121,955)**	**(106,564)**
COFINS and PIS/PASEP	(111,791)	(97,918)
ISS and IPTU/Improvement tax	(9,182)	(8,060)
Other	(982)	(586)
f) Other operating income	**821,527**	**719,825**
Financial commission on fund management	532,555	489,907
Exchange gain on borrowings	202,995	97,628
Reversal of operating provisions for risks on FNE transactions	284	93

Recovery of charges and expenses	3,309	4,210
Reversal of operating provisions	14,263	10,730
Interest	885	353
Monetary restatement	1,199	679
Gain (Loss) on Mark-to-market Adjustment	-	9,528
FNE – Recovery of amounts settled by the Bank	39,658	46,725
Other	25,579	59,972
g) Other operating expenses	**(518,655)**	**(624,055)**
Exchange losses on exchange area	(70)	(1,766)
Exchange (loss) on loans granted	(109,164)	(59,445)
Negative monetary restatement of loans	(1)	(47)
Discounts granted in renegotiations	(595)	(1,046)
Interest on loans	(1,323)	(6,918)
Tax contingencies	(7,149)	(2,639)
Risks on FNE transactions	(196,452)	(391,527)
Risks on FDNE transactions	(8)	(82)
Labor claims	(12,304)	(14,528)
Civil lawsuits	(20,575)	-
Other lawsuits	(41)	(387)
Other contingent liabilities	(3,170)	(4,294)
Hybrid equity-debt instruments	(89,446)	(75,320)
FNE remuneration - available funds - item A, article 9 of Law No. 7827	(35,322)	(15,741)
FNE remuneration - invested funds - item A, article 9, Law No. 7827	(35,063)	(42,261)
Other	(7,962)	(8,054)
Total	**(66,535)**	**(150,350)**

NOTE 21 - Taxes and contributions

a) Income and social contribution taxes

The Bank is subject 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 tax expenses for the 1st half of 2014 amounted to R$ 68,869 (R$ 123,845 at 06.30.2013) and Social contribution tax expenses amounted to R$ 42,784 (R$ 76,945 at 06.30.2013).

a.1) Specification of the provision for income and social contribution tax expense	**Income tax**		**Social contribution tax**	
	01.01 to 06.30.2014	**01.01 to 06.30.2013**	**01.01 to 06.30.2014**	**01.01 to 06.30.2013**
Income before income taxes on profit and profit sharing	504,805	186,354	504,805	186,354
Statutory profit sharing (PLR)	(48,830)	(14,082)	(48,830)	(14,082)
Interest on equity (IOE)	(74,957)	(67,800)	(74,957)	(67,800)
Income before income taxes, less statutory profit sharing and interest on equity	381,018	104,472	381,018	104,472
Permanent additions/exclusions	(20,818)	(22,396)	(20,818)	(22,436)
Temporary additions/exclusions	(72,008)	432,843	(72,008)	432,843
Taxable income	288,192	514,919	288,192	514,879
Expenses with provision for IRPJ (25%) (1) and CSLL (15%) - before tax incentives and revaluation reserve	(72,036)	(128,718)	(43,229)	(77,232)
Deductions (tax incentives)	2,426	4,395	-	-
Provision for IRPJ/CSLL on revaluation reserve released to retained earnings	741	478	445	287
Current IRPJ/CSLL expenses – after tax incentives and revaluation reserve	(68,869)	(123,845)	(42,784)	(76,945)
Provision for deferred taxes and contributions arising from tax credits recovered and derivative financial instruments	(3,765)	(9,903)	(2,259)	(5,942)
Provision for income and social contribution taxes	(72,634)	(133,748)	(45,043)	(82,887)
IRPJ/CSLL tax credits – provision, Derivative Financial Instruments (DFIs) and hedged item	(7,674)	152,748	(4,612)	91,643
Total income and social contribution taxes	(80,308)	19,000	(49,655)	8,756
Effective rate (%)	15.91	(10.20)	9.84	(4.70)
a.2) Specification of the provision for income and social contribution taxes	**Income tax**		**Social contribution tax**	
	06.30.2014	**06.30.2013**	**06.30.2014**	**06.30.2013**
Expense with provision for income and social contribution taxes	68,869	123,845	42,784	76,945
Provision for taxes on revaluation reserve released to retained earnings	741	478	445	287
Provision for income and social contribution taxes (Note 16.d)	69,610	124,323	43,229	77,232
Taxes recoverable on prepayments, including withholding taxes(2) (Note 10.e)	(78,652)	(67,071)	(36,518)	(31,448)
Taxes payable for the period	(9,042)	57,252	6,711	45,784

(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 the following withholding taxes at 06.30.2014 – IRPJ: R$ 173 and CSLL: R$ 38; at 06.30.2013 – IRPJ: R$ 92 and CSLL: R$ 25.

b) Tax credits on temporary differences

Income and social contribution tax credits on temporary differences of allowances for loan losses and for provision 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 08.11.2001 and No. 3082, of 01.30.2002, the Bank recognized tax credits on market value adjustments to marketable securities classified under 'available-for-sale securities' and on derivative financial instruments (DFI).

Specification	06.30.2014		06.30.2013		06.30.2014	06.30.2013
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on income						
a) Provisions						
Opening balance	645,463	387,292	596,574	357,958	1,032,755	954,532
Set up	157,096	94,264	281,213	168,736	251,360	449,949
Realization/reversal	(165,209)	(99,138)	(117,587)	(70,567)	(264,347)	(188,154)
Closing balance (Note 10.e)	637,350	382,418	760,200	456,127	1,019,768	1,216,327
b) Derivative financial instruments						
Opening balance	13	7	1,403	840	20	2,243
Set up	2,089	1,253	6,759	4,056	3,342	10,816
Realization/reversal	(2,102)	(1,260)	(8,061)	(4,836)	(3,362)	(12,897)
Closing balance (Note 7.c)	-	-	101	61	-	162
c) Hedged item						
Opening balance	15,554	9,333	23,062	13,838	24,887	36,900
Set up	9,185	5,511	3,835	2,301	14,696	6.136
Realization/reversal	(8,734)	(5,241)	(13,411)	(8,047)	(13,975)	(21.458)
Closing balance (Note 7.c.1)	16,005	9,603	13,486	8,092	25,608	21,578
Effect on equity						
d) Marketable securities						
Opening balance	131,001	78,601	84,026	50,416	209,602	134,442
Set up	237,732	142,638	74,050	44,430	380,370	118,480
Realization/reversal	(241,319)	(144,792)	(69,597)	(41,759)	(386,111)	(111,356)
Closing balance (Note 7.a.2)	127,414	76,447	88,479	53,087	203,861	141,566

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

Specification	Income tax		Social contribution tax	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013
1. Total temporary differences	4,459,666	5,064,139	4,459,666	5,064,139
2. Tax credits on temporary differences	1,114,917	1,266,035	668,950	759,621
3. Tax credits recognized in assets on Provisions	637,350	760,200	382,418	456,127
4. Tax credits recognized in assets due to mark-to-market of marketable securities, DFIs and hedged item	143,418	102,067	86,051	61,239
5. Total tax credits recognized in assets (item 3+ item 4) (1)	780,768	862,267	468,469	517,366
6. Tax credits not recognized in assets (item 2 - item 5) (2)	334,149	403,768	200,481	242,255

(1) Tax credits are recognized in assets under "OTHER RECEIVABLES – Other receivables"
(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 at 06.30.2014 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
2nd half/2014	5.39	187,153	179,013	112,293	107,408	299,446	286,421
2015	11.63	172,930	150,789	103,758	90,473	276,688	241,262
2016	11.01	68,763	58,961	41,258	35,377	110,021	94,338
2017	10.48	53,016	45,511	31,810	27,307	84,826	72,818
2018	10.00	78,356	60,602	47,029	36,371	125,385	96,973
1st half/2019	4.88	77,132	52,308	46,270	31,381	123,402	83,689
Total		**637,350**	**547,184**	**382,418**	**328,317**	**1,019,768**	**875,501**

(1) For present value calculation purposes, we considered the goal for average Over-Selic rates projected by BACEN as at 06.30.2014.

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	9,408	5,645	15,053
2015	6,128	3,677	9,805
2016	2,147	1,288	3,435
2017	1,337	802	2,139
2018	16,997	10,198	27,195
2019	17,136	10,281	27,417
As from 2019	90,266	54,159	144,425
Total (Note 10.e)	**143,419**	**86,050**	**229,469**

c) Provisions for deferred taxes and contributions

Specification	06.30.2014		06.30.2013		06.30.2014	06.30.2013
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on income						
a) Derivative financial instruments						
Opening balance	5,399	3,237	14,165	8,497	8,636	22,662
Set up	7,681	4,611	16,997	10,199	12,292	27,196
Realization/reversal	(5,755)	(3,454)	(21,131)	(12,678)	(9,209)	(33,809)
Closing balance (Note 7.c)	7,325	4,394	10,031	6,018	11,719	16,049
b) Revaluation reserve						
Opening balance	4,134	2,482	5,090	3,056	6,616	8,146
Set up	228	134	-	-	362	-
Realization/reversal	(661)	(395)	(478)	(287)	(1,056)	(765)
Closing balance	3,701	2,221	4,612	2,769	5,922	7,381
c) Arising from recovered loans [(1)]						
Opening balance	16,491	9,895	-	-	26,386	-
Set up	2,294	1,376	14,036	8,422	3,670	22,458
Realization/reversal	(454)	(273)	-	-	(727)	-
Closing balance (Note 16.d)	18,331	10,998	14,036	8,422	29,329	22,458
Effect on equity						
d) Marketable securities						
Opening balance	25,005	15,006	123,083	73,850	40,011	196,933
Set up	19,446	11,664	158,978	95,387	31,110	254,365
Realization/reversal	(42,127)	(25,276)	(238,626)	(143,176)	(67,403)	(381,802)
Closing balance (Note 7.a.2)	2,324	1,394	43,435	26,061	3,718	69,496

[(1)] Based on Law No. 9430, article 12, of 12.27.1996.

The provisions on fair value adjustments to marketable securities and DFIs determined at present value will be written off according to the following schedule:

Period	IRPJ	CSLL	TOTAL
2015	2,501	1,501	4,002
2016	141	85	226
2017	201	121	322
2018	427	256	683
2019	6,379	3,825	10,204
Total	**9,649**	**5,788**	**15,437**

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

Period	IRPJ	CSLL	Total
2014	484	290	774
2015	968	581	1,549
2016	968	581	1,549
2017	968	581	1,549
2018	313	188	501
Total	**3,701**	**2,221**	**5,922**

Allowances for recovered loans, under article 12 Law No. 9.430, dated 12.27.1996, calculated at present value will be written off according to the following schedule

Period	IRPJ	CSLL	Total
2014	1,183	710	1,893
2015	2,724	1,634	4,358
2016	2,301	1,380	3,681
2017	1,919	1,151	3,070
2018	1,151	691	1,842
2019	543	326	869
As from 2019	8,510	5,106	13,616
Total	**18,331**	**10,998**	**29,329**

d) Tax expenses

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
COFINS and PIS/PASEP	(111,791)	(97,918)
ISS and IPTU/Improvement tax	(9,182)	(8,060)
Other	(982)	(586)
Total (Note 20)	**(121,955)**	**(106,564)**

e) Law No. 12973, of 05.13.2014

On May 13, 2014, Provisional Executive Order No. 627, of November 11, 2013, was made into Law No. 12973, which amends the Federal Tax Legislation on IRPJ, CSLL, PIS/PASEP and COFINS. Based on the prevailing wording thereof, we project that it will not entail any significant accounting effects on the Banco do Nordeste do Brasil S/A's Financial Statements.

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

a) The Bank is a party to various administrative and legal proceedings involving civil, tax, labor and other matters. To recognize, measure and disclose provisions, contingent assets and liabilities and legal obligations, CPC 25 - Provisions, Contingent Liabilities and Contingent Assets shall be complied with, received by Bacen through CMN Resolution No. 3823, of 12.16.2009, and Bacen Circular Letter No. 3429, of 02.11.2010.

b) Provisions, contingent liabilities and contingent assets are measured on a case-by-case basis, considering 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) The Bank sets up a full provision for lawsuits unfavorable outcome of which is probable, which are accounted for and represented by Civil lawsuits (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 Lawsuits (represented by legal and administrative proceedings involving federal and municipal taxes) and Other Lawsuits (such as enforcement notices issued by Regional Councils that regulate the exercise of professions). Taking into consideration that the procedures adopted by Bank 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) In addition, the Bank fully provides for the lawsuits classified as Legal Obligations, pursuant to BACEN Circular Letter No. 3429, of 02.11.2010, regardless of the legal advisor´s assessment of loss. For lawsuits unfavorable outcome of which is possible or remote, provisions are not set up, under CPC No. 25, based on the comparative table of 06.30.2014 and 06.30.2013 positions, as follows:

Specification	06.30.2014		06.30.2013	
	Base value	Provision	Base value	Provision
a) PROVISION FOR TAX CONTINGENCIES (Note 16.d)				
a.1) Taxes and contributions – legal obligation	**87,430**	**87,430**	**83,011**	**83,011**
a.2) Tax lawsuits	**1,264,412**	**36,173**	**1,081,158**	**36,262**
i) Legal obligation	263	263	675	675
ii) Other liabilities - other	1,264,149	35,910	1,080,483	35,587
Probable	35,910	35,910	35,587	35,587
Possible	972,189	-	813,303	-
Remote (1)	256,050	-	231,593	-
b) PROVISION FOR CONTINGENT LIABILITIES (Note 16.i)				
b.1) Labor claims	**365,574**	**208,470**	**309,185**	**189,919**
Probable	208,470	208,470	189,919	189,919
Possible	79,480	-	40,259	-
Remote	77,624	-	79,007	-
b.2) Civil lawsuits	**3,395,962**	**120,677**	**3,231,079**	**100,089**
Probable	120,677	120,677	100,089	100,089
Possible	696,176	-	598,597	-

Remote [2]	2,579,109	-	2,532,393	-
b.3) Other lawsuits	**2,017**	**591**	**1,976**	**645**
Probable	591	591	645	645
Possible	1,420	-	1,330	-
Remote	6	-	1	-

[1] Contingent liabilities relating to tax claims rated as remote loss and the respective estimated financial loss are concentrated on the following cases: a) Corporate Income Tax (IRPJ) – R$ 113,028 (R$ 102,819 at 06.30.2013); b) Social Contribution Tax on Net Profit (CSLL) and Withholding Income Tax (IRRF) - R$ 77,318 (R$ 70,270 at 06.30.2013); c) Corporate Income Tax (IRPJ) – R$ 24,292 (R$ 22,239 at 06.30.2013), totaling R$ 214,638 (R$ 195,328 at 06.30.2013).

[2] 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 supplementary contribution referring to the supplementary pension benefit – Capef – R$ 916,882 (R$ 767,507 at 06.30.2013); b) compensation for property damage and pain and suffering – R$ 244,894 (R$ 204,967 at 06.30.2013); c) payment of fine and compensation for pain and suffering – R$ 198,027 (R$ 165,765 at 06.30.2013); and d) compensation for property damage and pain and suffering – R$ 131,103 (R$ 109,744 at 06.30.2013), totaling R$ 1,490,906 (R$ 1,248,013 at 06.30.2013).

e) The Bank has lawsuits handled by its legal counsel, most of which relate to loan collection actions, whose assessment of loss is performed by the Legal Department, pursuant to item “b” above.

f) Tax lawsuits classified as Legal Obligation pursuant to the terms of BACEN Circular Letter No. 3429, of 02.11.2010, whose amounts were presented in item “d”, subitems a.1 and a.2.i, discuss, respectively, the IRPJ 1999 and Service Tax (ISSQN).

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

Tax lawsuit filed to annul a tax delinquency notice relating to ISSQN on service income. The estimated possible financial loss totaled at 06.30.2014 R$ 476,970 (06.30.2013 - R$ 399,253) posing a “possible” risk of loss. Two tax lawsuits filed to annul tax delinquency notices referring to ISSQN on service revenue. Estimated possible financial losses totaled at 06.30.2014 R$ 235,193 and R$ 159,502, respectively (06.30.2013 - R$ 196,871 and R$ 133,513, respectively), posing a “possible” risk of loss.

Civil lawsuit 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 facilities. The estimated possible financial loss totaled at 06.30.2014 R$ 130,795 (06.30.2013 - R$ 109,486), posing a “possible” risk of loss.

Civil lawsuit that seeks to annul contractual clauses, as well as removal of the name of the plaintiff from restrictive credit agency records. The estimated possible financial loss totaled at 06.30.2014 R$ 53,063 (06.30.2013 - R$ 47,963), posing a “possible” risk of loss.

Civil lawsuit for refund of overpayment under the allegation of undue collection and withholding. The estimated possible financial loss totaled at 06.30.2014 R$ 50,953 (06.30.2013 - R$ 42,652), posing a “possible” risk of loss.

Civil lawsuit claiming compensation for property damage and pain and suffering, under the allegation of amounts unduly transferred from the deposit account. The estimated possible financial loss totaled at 06.30.2014 R$ 36,710 (06.30.2013 - R$ 30,729), posing a “possible” risk of loss.

h) Escrow and appeal deposits made to guarantee legal and administrative proceedings, recognized for provisions and contingent liabilities, are set out as under:

Specification	**06.30.2014**	**06.30.2013**
Labor claims	215,947	212,151
Tax lawsuits	405,216	446,638
Civil lawsuits	48,321	30,693
Total	**669,484**	**689,482**

i) The amount R$ 11,319 (R$ 18,787, at 06.30.2013) recorded as “Other contingent liabilities”, at 06.30.2014, 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 head of the internal audit area. This account also includes the amounts of R$ 13,376 (R$ 15,528, at 06.30.2013) for loan risk on securitized transactions under Law No. 9138, of 11.29.1995, currently recorded in memorandum accounts, and R$ 3,636 (R$ 5,619, at 06.30.2013) for accrued operational risks arising from the Loan Inventory. Also, R$ 1,108 are recorded as provision for contingent liabilities from credit transactions with FNE funds, additionally to those recorded at the reporting date, as recommended by the Central Bank of Brazil.

j) Changes in Provisions

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

Specification	06.30.2014	06.30.2013
i) Taxes and contributions (legal obligation)		
Opening balance	84,925	82,258
Set up	4,249	2,634
Reversal/use/write-off	(1,744)	(1,881)
Closing balance (Note 16.d)	87,430	83,011
ii) Tax lawsuits (legal obligation)		
Opening balance	280	655
Set up	23	20
Reversal/use/write-off	(40)	-
Closing balance (Note 22.d)	263	675
iii) Tax lawsuits (other liabilities - other)		
Opening balance	32,867	35,432
Set up	3,044	1,175
Reversal/use/write-off	(1)	(1,020)
Closing balance (Note 22.d)	35,910	35,587
iv) Labor claims (other liabilities - other)		
Opening balance	198,291	179,319
Set up	14,959	17,664
Reversal/use/write-off	(4,780)	(7,064)
Closing balance (Note 16.i)	208,470	189,919
v) Civil lawsuits (other liabilities - other)		
Opening balance	105,499	106,080
Set up	27,085	21,796
Reversal/use/write-off	(11,907)	(27,787)
Closing balance (Note 16.i)	120,677	100,089
vi) Other lawsuits (other liabilities - other)		
Opening balance	663	258
Set up	49	410
Reversal/use/write-off	(121)	(23)
Closing balance (Note 16.i)	591	645

j.2) Other provisions

Specification	06.30.2014	06.30.2013
i) FNE		
Opening balance	2,022,091	1,820,070
Set up	196,452	391,432
Reversal/use/write-off	(202,180)	(172,412)
Closing balance (Note 16.i)	2,016,363	2,039,090
ii) FDNE		
Opening balance	515	420
Set up	8	80
Reversal/use/write-off	-	-
Closing balance (Note 16.i)	523	500
iii) Proagro		
Opening balance	2,152	3,388
Set up	162	133
Reversal/use/write-off	(186)	(1,415)
Closing balance (Note 16.i)	2,128	2,106
iv) Other contingent liabilities		
Opening balance	33,685	36,195
Set up	3,169	30,334
Reversal/use/write-off	(7,416)	(26,596)
Closing balance (Note 16.i)	29,438	39,933

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

a) Monthly employee compensation

Gross compensation [1]	06.30.2014	06.30.2013
Maximum	30,744.54	28,467.55
Minimum	1,148.97	1,040.44
Average	7,837.63	7,706.55

[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 six-month period

Specification	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
Gross compensation (1)	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation (2)	400,042.63	347,350.31	23,912.91	21,138.60	23,912.91	21,138.60
Lowest individual compensation (3)	323,917.96	268,816.51	23,912.91	21,138.60	23,912.91	21,138.60
Average individual compensation (4)	386,630.59	320,646.80	23,229.10	20,762.23	23,772.16	20,685.37
Number of officers/directors (5)	7	7	6	5	5	5

(1) Amounts approved at the 61st Annual General Meeting and the 95th Special General Meeting of the Bank, both held on 03.28.2014.
(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.

At 06.30.2014, the Bank had 6,863 employees (6,303 at 06.30.2013), a headcount increase of 8.88%.

NOTE 24 - Profit sharing

The employees' profit sharing proposed for the six-month period corresponds to R$ 22,006 (R$ 13,502 at 06.30.2013), equivalent to 6.75% of net income for the six-month period (6.75% at 06.30.2013) and 20.27% (7.66% at 06.30.2013) of dividends and interest on equity for the 1st half of the year.
In May 2014, the Bank paid R$ 25,764 as supplemental employees' profit sharing for 2013, which, including employees' profit sharing (PLR) for the current period, amounting to R$ 22,006, and management PLR, amounting to R$ 1,060 (R$ 140 at 06.30.2013), correspond to expenses recorded through 06.30.2014, totaling R$ 48,830 (R$ 14,082 at 06.30.2013).

NOTE 25 - Post-employment benefits

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

a) General description of the benefit plan characteristics

a.1) Pension plans of Banco do Nordeste do Brasil's employees

The Bank sponsors two benefit plans managed by C*aixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF)*, a closed-ended private pension plan entity that provides the payment benefits supplementary to social security (INSS) to participants and beneficiaries.
The pension plans sponsored by the Bank offer their participants the benefits of supplemental retirement by time of contribution, age and disability, as well as supplementary pension and lump-sum payments to participants' beneficiaries.
The Defined Benefit plan (DB) is not open to new participants since 11.26.1999. In general terms, to the current participants, the Defined Benefit (DB) plan benefits are calculated based on the difference between the employees' contribution salary and the INSS retirement benefit, weighted by the number of contributions paid to the plan, limited to 360, including any working hours extension, weighted by the number of contributions paid thereon, all effective since July 1997 and projected in accordance with the plan regulation up to the date of the participant's retirement. In addition, a rate equivalent to 21.25% is discounted out of the benefit as a special contribution, resulting on average in 78.75% of the average contribution salary.

The Variable Contribution plan (VC I), authorized to operate by the MPS /Previc /Detec Ordinance No. 189 of 3.25.2010, began its operations on 5.19.2010, on receipt of the first contributions. The scheduled retirement benefits of the VC I plan are calculated based on the balance of the individual account for each participant on the date of retirement and are paid in two phases, as follows: the first phase as annuity within the deadline established under the defined contribution (DC) plan and the second phase as life annuity under the defined benefit (DB) plan. In addition, the plan provides coverage for unplanned benefits, such as disability and death in activity, and these benefits are classified by the Bank as defined benefit.

The DB, VC I and Natural plans are particularly exposed to investment, interest rate, longevity and administrative expense risks. The VC I and Natural plans are also exposed to the salary change risk and the DB and Natural plans to the option for the benefit regarding the postponement of retirement.

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 in accordance with CVM

Rule No. 695, of 12.13.2012, combines the characteristics of the defined contribution plan and the defined benefit plan. This plan adopts the fully funded financial system in the actuarial calculation of 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

As at 06.30.2014, the Bank has no past due obligations or contribution debts referring to DB and VC I plans, neither informal practices that originate constructive obligations that may be included in the measurement of the plans' defined benefit obligation.

a.1.3) Contribution Ratio (Participants/Sponsor)

The ratio of participant contributions to Bank contributions meets the parity set by Constitutional Amendment 20, of 12.15.1998, with a contribution ratio of 1:1 as at 06.30.2014 (06.30.2013 - 1:1).

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 dependents 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

As at 06.30.2014, the Bank has no past due obligations or contribution debts referring to this plan, neither informal practices that originate constructive obligations that may be included in the measurement of the plans' defined benefit obligation.

a.2.2) Contributions

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

b) Actuarial liability analysis

Pursuant to CVM Rule No. 695 dated 12.13.2012, at 06.30.2014, the plans administered by CAPEF and CAMED are recorded in the Bank's financial statements as follows:

b.1) Private pension plans

i. Defined Benefit Plan (DB Plan): the present value of the actuarial obligation amounting to R$ 3,101,877 is partially based on plan assets amounting to R$ 3,006,531, resulting in a present value of the uncovered actuarial obligations of R$ 95,346. The obligation referring to assisted participants amounts to R$ 2,294,526 and that referring to active participants to R$ 807,351;

ii. VC I Plan: for unplanned benefits (DB portion) that have characteristics of the defined benefit plan, the present value of the actuarial obligation amounting to R$ 3,969 is lower than the fair value of plan assets amounting to R$ 11,140, resulting in a surplus of R$ 7,171, 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$ 756,152 is partially based on plan assets amounting to R$ 55,739, resulting in a present value of the uncovered actuarial obligations of R$ 700,413. The obligation referring to assisted participants amounts to R$ 496,741 and that referring to active participants amounts to R$ 259,411.

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

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
1. Present value of actuarial obligation at beginning of period	(2,913,366)	(3,934,869)	(7,675)	(659)	(763,013)	(807,485)
2. Interest expense	(171,981)	(160,246)	(473)	(27)	(45,087)	(33,267)
3. Current service cost	(5,706)	(9,177)	(184)	(245)	(6,663)	(8,840)
4. Benefits paid by the plan [(1)]	151,686	141,490	19	40	27,902	18,482
5. Assisted participants contributions (retirees and pensioners)	(30,794)	(29,191)	-	-	(6,814)	(6,658)
6. Administrative expenses paid by the plan	5,457	5,466	-	8	6,006	8,029
7. Remeasurements of actuarial (gains) losses	**(137,173)**	**436,620**	**4,344**	**(1,985)**	**31,517**	**(20,815)**
7.1. From experience adjustments	(26,288)	(28,283)	3,356	(2,691)	68,829	(130,876)
7.2. From changes in biometric assumptions	-	(1,785)	1,300	-	-	24,990
7.3. From changes in financial assumptions	(110,885)	466,688	(312)	706	(37,312)	85,071
8. Present value of actuarial obligation at end of period	(3,101,877)	(3,549,907)	(3,969)	(2,868)	(756,152)	(850,554)

[(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	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
1. Fair value of plan assets at beginning of period	2,835,022	3,358,234	9,019	560	40,696	56,909
2. Interest income	169,273	137,238	600	38	2,520	2,539
3. Employer's contributions (1)	29,166	27,867	252	144	17,445	15,178
4. Active participants' contributions	675	1,237	253	143	8,414	7,883
5. Assisted participants contributions	30,794	29,191	-	-	6,814	6,658
6. Administrative expenses paid by the plan	(5,457)	(5,466)	-	(8)	(6,006)	(8,029)
7. Benefits paid by the plan (2)	(151,686)	(141,490)	(19)	(40)	(27,902)	(18,482)
8. Return on plan assets (3)	98,744	(436,477)	1,035	5,432	13,758	(13,412)
9. Fair value of plan assets at end of period	3,006,531	2,970,334	11,140	6,269	55,739	49,244

(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 "Other equity adjustments".

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

Specification	Capef	
	VC I Plan	
	06.30.2014	06.30.2013
1. Asset ceiling effect at beginning of period	(1,344)	-
2. Interest on ceiling effect	(127)	-
3. Remeasurement of asset ceiling effect	(5,700)	-
4. Asset ceiling effect at end of period	(7,171)	(3,401)

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

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
1. Present value of actuarial obligation	(3,101,877)	(3,549,907)	(3,969)	(2,868)	(756,152)	(850,554)
2. Fair value of plan assets	3,006,531	2,970,334	11,140	6,269	55,739	49,244
3. Surplus (deficit) of the plan (item 1 - item 2)	(95,346)	(579,573)	7,171	3,401	(700,413)	(801,310)
4. Asset ceiling effect	-	-	(7,171)	(3,401)	-	-
5. Liability recognized in the balance sheet (Note 16.i)	(95,346)(1)	(579,573)(1)	-	-	(700,413)	(801,310)

(1) Including differences in contributions estimated for June/2014, in the actuarial calculation of DB Plan: 01.01 to 06.30.2014: R$ (67) and 01.01 to 06.30.2013: R$ (106).

g) Amounts recognized in P&L for the period

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	01.01 to 06.30.2014	01.01 to 06.30.2013	01.01 to 06.30.2014	01.01 to 06.30.2013	01.01 to 06.30.2014	01.01 to 06.30.2013
1. Current service cost, net	**(5,031)**	**(7,940)**	**69**	**(102)**	**1,751**	**(957)**
1.1. Service cost	(5,706)	(9,177)	(184)	(245)	(6,663)	(8,840)
1.2. Active participants' contributions	675	1,237	253	143	8,414	7,883
2. Net interest	**(2,708)**	**(23,008)**	**-**	**11**	**(42,567)**	**(30,728)**
2.1. Interest expense	(171,981)	(160,246)	(473)	(27)	(45,087)	(33,627)
2.2. Interest income	169,273	137,238	600	38	2,520	2,539
2.3. Interest on asset ceiling effect	-	-	(127)	-	-	-
3. Total (item 1 + item 2)	**(7,739)(1)**	**(30,948)**	**69 (2)**	**(91)**	**(40,816)**	**(31,685)**

(1) Including employees' contribution granted to be refunded - DB Plan: R$ 1.
(2) This amount was recorded under "Reversal of operating provisions"

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

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Contributions (DC portion) (1)	(15,335)	(9,122)

(1) Including employees' contribution granted to be refunded and differences in contributions estimated for June/2014, VC I Plan: 01.01 to 06.30.2014: R$ (138); 01.01 to 06.30.2013: R$ (233).

h) Amounts for the period recognized in equity

For DB, Natural and VC I plans, actuarial gains (losses) arising from experience adjustments include the effects of the Voluntary Dismissal Program, under Note 31.b. These effects amounted to R$ (27,262) (DB plan), R$ 35 (VC I plan) and R$ (9,998) (Natural plan), respectively. Actuarial gains (losses) arising from financial assumptions, in the 1st (first) half of 2014, refer to changes in interest rates at 12.31.2013, from 12.33% (12.2013) to 11.87% (06.2014), for DB and Natural plans, and from 12.36% (12.2013) to 11.89% (06.2014), for VC I plan. Gain on changes in the biometric assumption for VC I plan refers to changes in the mortality table from AT 2000 M Basic to RP 2000 Proj 2014 Unissex (70%M) (D20).

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
1. Return on plan assets	98,744	(436,477)	1,035	5,432	13,758	(13,412)
2. Actuarial gains (losses) on liabilities	**(137,173)**	**436,620**	**4,344**	**(1,985)**	**31,517**	**(20,815)**
2.1 Experience adjustments	(26,288)	(28,283)	3,356	(2,691)	68,829	(130,876)
2.2. Changes in biometric assumptions	-	(1,785)	1,300	-	-	24,990
2.3. Changes in financial assumptions	(110,885)	466,688	(312)	706	(37,312)	85,071
3. Asset ceiling effect	-	-	(5,700)	(3,401)	-	-
4. Total (item 1 + item 2 + item 3)	**(38,429)**	**143**	**(321)**	**46**	**45,275**	**(34,227)**

i) Reconciliation of changes in net (liabilities)/assets recognized for the period

Specification	Capef				Camed	
	DB Plan		VC I Plan		Natural Plan	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
1. (Liabilities)/assets recognized at beginning of period	(78,344)	(576,635)	-	(99)	(722,317)	(750,576)
2. Employer's contributions	29,166	27,867	252	144	17,445	15,178
3. Amounts recognized in P&L	(7,739)	(30,948)	69	(91)	(40,816)	(31,685)
4. Amounts recognized in equity	(38,429)	143	(321)	46	45,275	34,227
5. (Liabilities)/assets recognized at end of period (Note 16.i)	(95,346)[1]	(579,573)[1]	-	-	(700,413)	(801,310)

[1] Including differences in contributions estimated for June/2014, in the actuarial calculation of DB Plan: 01.01 to 06.30.2014: R$ (67) and 01.01 to 06.30.2013: R$ (106).

j) 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 (%)	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
Fixed income	83.64	85.32	90.30	72.02	26.66	6.36
Variable income	4.00	4.15	3.79	18.39	72.47	92.63
Real estate investments	9.26	7.14	-	-	0.87	1.00
Structured investments	0.28	0.32	3.73	8.29	-	-
Loans and financing to participants	2.80	3.06	2.18	1.30	-	-
Other	0.02	0.01	-	-	-	-
Amounts included in the fair value of plan assets						
In financial instruments at the Bank	0.22	0.25	-	-	26.66	6.36
In properties/other assets used by the Bank	1.25	0.87	-	-	0.87	1.00

k) Assumption used

k.1) Demographic assumptions

Demographic assumptions used are based on those adopted in actuarial valuations in the scope of Capef and Camed, based on statistical studies prepared by specialized advisory firms engaged by those entities. Upon actuarial calculations for DB 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	DB (Capef) and Natural (Camed) Plans		VC I Plan (Capef)	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013
Mortality tables				
Assets/Retirees' survival period	RP2000 – reduced by 15%	RP2000 – reduced by 15%	RP 2000 Proj. 2014 Unissex (70%M) (D20)	AT2000 M Basic
Disabled people's survival period	Winklevoss	Winklevoss	IAPC experience - weak	Winklevoss
Disability table	Álvaro Vindas – (A10)	Álvaro Vindas – (A10)	Álvaro Vindas (reduced by 50%)	Capef experience - weak

(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.

k.2) Financial assumptions

Specification	Capef (% p.a.)				Camed (% p.a.)	
	DB Plan		VC I Plan		Natural Plan	
	06.30.2014	06.30.2013	06.30.2014	06.30.2013	06.30.2014	06.30.2013
Statutory discount rate for the actuarial liability	11.87	10.09	11.89	10.18	11.87	10.09
Effective discount rate for the actuarial liability	6.04	5.35	6.05	5.44	6.04	5.35
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	5.50	5.55	5.50	4.50
Nominal rate of benefit increases	5.50	4.50	5.50	4.50	5.50	-
Rate of increase in medical costs	Not applicable				3.41	3.38
Rate of increase in health costs (HCTR)	Not applicable				5.64	4.65

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

k.3) The future inflation rate is used in the present value calculation of the actuarial obligation, intended for measurement of the inflation floating arising from the freeze, in annual cycles, of future contributions and benefits. This calculation allows the occurrence of inflation process of equal impacting for all salary, assistance, social security and economic variables of the plan. In addition, the future inflation rate is the assumption adopted in determining the expense to be recognized in P&L for the year.

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

k.5) The discount rate is equivalent to the expected return of the National Treasury Notes (NTN-B), for the "duration" of the plans, in accordance with the methodology provided 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 15.25 years (06.30.2013) and 13.75 years (06.30.2014) and for the Capef VC I plan is 31.83 years (06.30.2013) and 23.92 years (06.30.2014).

l) Sensitivity analysis of main assumptions

The sensitivity analysis considers the reduction/increase in biometric mortality tables by 1 (one) year and reduction/increase of 0.25% in the interest rate, for DB, VC I and Natural plans, as well as increase/decrease of 0.25% in 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 06.30.2014.

Capef – DB Plan	Current parameters	Biometric table		Interest rate	
	06.30.2014	Age + 1	Age - 1	+ 0.25%	-0.25%
Present value of actuarial obligation	(3,101,877)	(3,033,560)	(3,168,755)	(3,036,405)	(3,169,982)
Assets' fair value	3,006,531	3,006,531	3,006,531	3,006,531	3,006,531
Technical surplus (deficit)	**(95,346)**	**(27,029)**	**(162,224)**	**(29,874)**	**(163,451)**
Variations:					
Increase/decrease in actuarial obligation (%)		(2.20)	2.16	(2.11)	2.20
Increase/decrease in technical surplus (deficit) (%)		(71.65)	70.14	(68.67)	71.43

Capef – VC I Plan	Current parameters	Biometric table		Interest rate	
	06.30.2014	Age + 1	Age - 1	+ 0.25%	-0.25%
Present value of actuarial obligation	(3,969)	(4,176)	(3,757)	(3,771)	(4,141)
Assets' fair value	11,140	11,140	11,140	11,140	11,140
Technical surplus (deficit)	**7,171** (1)	**6,964**	**7,383**	**7,369**	**6,999**
Variations:					
Increase/decrease in actuarial obligation (%)		5.21	(5.35)	(5.00)	4.33
Increase/decrease in technical surplus (deficit) (%)		(2.88)	2.96	2.77	(2.40)

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

Camed – Natural Plan	Current parameters	Biometric table		HCTR		Interest rate	
	06.30.2014	Age + 1	Age - 1	+ 0.25%	-0.25%	+ 0.25%	-0.25%
Present value of actuarial obligation	(756,152)	(723,846)	(789,220)	(872,771)	(659,858)	(734,004)	(779,552)
Assets' fair value	55,739	55,739	55,739	55,739	55,739	55,739	55,739
Technical surplus (deficit)	**(700,413)**	**(668,107)**	**(733,481)**	**(817,032)**	**(604,119)**	**(678,265)**	**(723,813)**
Variations:							
Increase/decrease in actuarial obligation (%)		(4.27)	4.37	15.42	(12.73)	(2.93)	3.09
Increase/decrease in technical surplus (deficit) (%)		(4.61)	4.72	16.65	(13.75)	(3.16)	3.34

m) Impact on future cash flows

m.1) Expected contributions for 2014

Specification	Capef		Camed
	DB Plan	VC I Plan	Natural Plan
1. Employer's 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

m.2) Expected payments of benefits

Specification	Capef [(1)]		Camed [(1)]
	DB Plan	VC I Plan [(2)]	Natural Plan
Within 1 year	269,991	706	23,972
From 1 to 2 years	266,954	816	27,141
From 2 to 5 years	778,554	3,031	86,967
Above 5 years	4,657,702	338,693	1,617,446
Total	**5,973,201**	**343,246**	**1,755,526**

(1) The amounts of expected benefits were calculated without present value discount.
(2) Including programmed benefits with characteristics of the defined contribution plan.

n) 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 – Fundo Constitucional de Financiamento do Nordeste (FNE)

a) The total assets of FNE, amounting to R$ 50,714,756 (R$ 45,516,486 at 06.30.2013), are recorded in the Bank's memorandum accounts "Net assets of managed public funds".

b) The Fund's cash and cash equivalents, totaling R$ 8,878,114 (R$ 6,742,015 at 06.30.2013), recorded in 'Other liabilities/Financial and development funds' bear interest at extra-market rate. The expense with interest on cash and cash equivalents totaled R$ 375,391 (R$ 231,693 at 06.30.2013).

c) The provision to cover the risk on FNE transactions is recognized pursuant to the following criteria:

c.1) Transactions contracted until 11.30.1998 are risk-free;

c.2) For operations contracted beginning 12.01.1998, excluding Land Program financing lines and transactions under PRONAF (groups A, B, A/C, Forest, Semi-arid Region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012-Cost), the Bank's risk is 50 percent of the amount calculated pursuant to CMN Resolution No. 2682, of 12.21.1999; and

c.3) The Bank assumes all the risks on renegotiated and reclassified FNE loan transactions, as set forth by Law No. 11775, of 09.17.2008, and transactions recognized in the Fund's 'Interbank accounts', as prescribed by Ministry of Integration Administrative 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 "Provision for Contingent Liabilities" are as follows:

Risk level	Balances	Provision at 06.30.2014	Provision at 06.30.2013
AA	6,806,400	-	-
A	12,710,491	31,905	28,716
B	8,138,587	40,405	52,170
C	980,048	14,524	14,156
D	892,383	44,598	34,540
E	555,561	84,072	64,048
F	397,007	99,309	80,061
G	270,442	104,085	143,651
H	3,166,266	1,597,465	1,621,748
Total	**33,917,185**	**2,016,363**	**2,039,090**

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 financial commission (*del credere*) totaled R$ 529,900 (R$ 487,840 at 06.30.2013).

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/Cost), and is limited to 20% of the transfers made by the National Treasury each fiscal year. The management fee totaled R$ 653,652 (R$ 596,632 at 06.30.2013).

NOTE 27 – Fundo de Amparo ao Trabalhador (FAT)

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

Specification	Tade	06.30.2014	06.30.2013
Special Program to Fight Drought Effects	016/2006	4	688
Proger-Urbano - Investment	017/2006	19,458	23,426
FAT - Infrastructure	018/2006	233,472	257,238
Pronaf – Funding	001/2007	-	36
Proger-Rural - Investment	002/2007	158	107
Protrabalho - Investment	004/2007	168,992	163,911
PNMPO-National Program for Production-Oriented Microcredit	001/2010	145,324	196,558
Total		**567,408**	**641,964**

Funds derived from the Fundo de Amparo ao Trabalhador (FAT), recorded under 'Remunerated special deposits', totaling R$ 471,086 (R$ 596,004 at 06.30.2013) are subject to SELIC (Central Bank overnight rate) while they are not used in loans, and to TJLP after they are released to final borrowers. Available funds remunerated bearing interest at SELIC totaled R$ 60,656 (R$ 36,477 at 06.30.2013).

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

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

Specification	Tade	Return of FAT funds			06.30.2014		
		Form (1)	R.A.	SELIC remuneration	TMS available (2)	TJLP used (3)	Total
Special Program to Fight Drought Effects	16/2006	RA	6,590	167	-	-	-
Proger – Urbano - Investment	17/2006	RA	25,081	860	4,422	33,329	37,751
FAT - Infrastructure(4)	18/2006	RA	49,436	2,364	27,398	157,067	184,465
Protrabalho-Investment	04/2007	RA	26,762	278	1,425	99,580	101,005
PNMPO-National Program for Production-Oriented Microcredit	01/2010	RA	39,838	1,805	27,411	120,454	147,865
Total (Note 13.b)			**147,707**	**5,474**	**60,656**	**410,430**	**471,086**

Specification	Tade	Return of FAT funds			06.30.2013		
		Form [1]	R.A.	SELIC remuneration	TMS available [2]	TJLP used [3]	Total
Special Program to Fight Drought Effects	16/2006	RA	2,782	38	204	6,408	6,612
Proger – Urbano - Investment	17/2006	RA	16,340	383	1,222	59,929	61,151
FAT - Infrastructure[4]	18/2006	RA	47,033	2,189	32,092	193,007	225,099
Pronaf - Investment	19/2006	RA	368	6	-	-	-
Pronaf - Cost	01/2007	RA	32	-	-	-	-
Protrabalho-Investment	04/2007	RA	32,713	169	1,542	121,050	122,592
PNMPO-National Program for Production-Oriented Microcredit	01/2010	RA	40,503	1,264	1,417	179,133	180,550
Total (Note 13.b)			**139,771**	**4,049**	**36,477**	**559,527**	**596,004**

(1) RA - Automatic Return (Monthly, 2% on balance);
(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 relating to risk management focusing on matters related to Referential equity (RE) and Required Referential Equity Capital (PRE), in accordance with Circular No. 3678, dated 10.31.2013, of the Central Bank of Brazil, can be found at *www.bnb.gov.br* under the Investor Relations link.

Capital management structure

The Executive Board is responsible for approving the capital management structure of the Bank, including the Capital Plan for the period 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 can be found at *www.bnb.gov.br* under the Investor Relations link.

b) Credit risk

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

Exposure by industry	Exposure	
	06.30.2014	06.30.2013
Loans, co-obligations and guarantees given	**30,655,847**	**30,289,588**
Public sector	**1,323,164**	**1,466,797**
Private sector	**29,332,683**	**28,822,791**
Trading	3,444,731	3,076,495
Foreign trade	587,159	663,170
Housing	242	242
Manufacturing	8,666,532	8,444,050
Infrastructure	3,380,073	4,003,199
Financial brokers	2,098	124,812
Urban micro-financing	2,378,400	1,851,272
Individuals	208,112	219,410
Rural	6,537,732	6,429,364
Other services	4,127,604	4,010,777
Market transactions	**24,593,325**	**22,075,678**
Federal government bonds	**20,928,427**	**18,812,712**
Repurchase agreements	11,978,408	9,916,755
Other	8,950,019	8,895,957
Interbank deposits	**115,787**	**-**
Other marketable securities	**2,152,515**	**1,754,481**
Other transactions	**1,396,596**	**1,508,485**
Other assets	**3,414,129**	**3,204,475**
Total	**58,663,301**	**55,569,741**

The Bank uses the constant information flow to identify, measure, control and mitigate risks, thus ensuring that credit risk exposure is within acceptable parameters. To this end, 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 collateral for loans is determined based on their quality, capacity to be removed and sufficiency. Balances exposed to credit risk above R$5,000 amount to R$ 4,624,536 (R$ 5,061,545 at 06.30.2013). They are backed by collaterals totaling R$ 3,608,724 (R$ 3,400,666 at 06.30.2013). The collaterals 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 collateral (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 (mismatches) 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		06.30.2014 (%)	06.30.2013 (%)
Liquidity ratio	At the base date	335.62	373.17
	Average for the last 12 months	343.11	329.42
	Maximum for the last 12 months	399.24	404.61
	Minimum for the last 12 months	273.40	236.03

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 up to 2050, for calculation purposes only:

Specification	06.30.2014				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Above 5 years
Interbank deposits	361,168	280,456	358,871	196,496	-
Time deposits	19,157	701,930	1,229,498	3,628,964	3,956,996
Repurchase agreements	1,260,288	-	-	173,575	-
Agribusiness Credit Notes (LCAs)	588	978	27,427	-	-
Subordinated debts eligible for capital	-	-	-	-	1,526,376
Hybrid Equity-Debt Instruments (IHCD)	-	-	81,605	326,419	3,853,154
Total	**1,641,201**	**983,364**	**1,697,401**	**4,325,454**	**9,336,526**
Available funds (Note 5)	**9,338,570**				

Specification	06.30.2013				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Above 5 years
Interbank deposits	95,986	286,275	556,130	130,978	6,308
Time deposits	22,939	206,249	1,353,847	5,053,485	3,462,967
Repurchase agreements	934,883	-	-	57,952	-
Agribusiness Credit Notes (LCAs)	4,250	8,792	13,333	-	-
Subordinated debts eligible for capital	-	-	-	-	1,360,703
Hybrid Equity-Debt Instruments (IHCD)	-	-	76,554	306,217	3,691,228
Total	**1,058,058**	**501,316**	**1,999,864**	**5,548,632**	**8,521,206**
Available funds (Note 5)	**8,083,857**				

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:

a) VaR (value at risk) of asset and liability transactions in trading and non-trading portfolios, by risk factor;

b) capital requirement map, for coverage of market and liquidity risks;

c) foreign exchange exposure risk;

d) sensitivity analysis;

e) stress testing;

f) backtesting; and

g) 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.

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
• Trading portfolio: 1% of the Referential Equity • Non-trading portfolio: 5% of the 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 Ruling No. 475, of 12.17.2008, the sensitivity analysis was conducted in order to identify significant risks capable of generating losses to the Bank, considering alternative scenarios for the behavior of several risk factors in trading and non-trading portfolio transactions, and its results are as follows:

Portfolio/risk factor	Risk type	Scenario 1 (probable)	Scenario 2 (Change of 25%)		Scenario 3 (Change of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest	Increase in interest rate	8,248,812	8,239,058	(9,754)	8,229,552	(19,261)
Non-trading portfolio						
Dollar coupon	Increase in the dollar coupon	50,832	49,198	(1,634)	47,505	(3,327)
Euro coupon	Increase in the euro coupon	1,764	1,762	(2)	1,760	(4)
IGP coupon	Increase in the IGP coupon	877,984	822,845	(55,139)	773,301	(104,683)
IPCA coupon	Reduction in the IPCA coupon	(294,794)	(333,586)	(38,792)	(378,700)	(83,906)
TJLP coupon	Increase in the TJLP coupon	521,835	458,277	(63,558)	403,600	(118,235)
TR coupon	Reduction in the TR coupon	(1,975,792)	(1,976,697)	(904)	(1,976,936)	(1,143)
Fixed interest	Increase in interest rate	4,222,665	4,097,384	(125,281)	3,988,243	(234,422)

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	Risk type	Financial instrument	Scenario 1 (probable)	Scenario 2 (Change of 25%)	Scenario 3 (Change of 50%)
Hedging derivatives	Increase in the reference rate BM&FBOVESPA DI x fixed rate	DI x Fixed Rate Swap	(1,747)	(1,729)	(1,712)
		Fixed-rate assets	4,019	3,961	3,905
		Net exposure	2,272	2,232	2,193
	Increase in the reference rate BM&FBOVESPA DI x Dollar	Dollar x DI Swap	1,402,896	1,376,292	1,351,159
		Liabilities in FM	(1,429,509)	(1,408,343)	(1,388,297)
		Net exposure	(26,613)	(32,051)	(37,138)

As at 06.30.2014, 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 is applied.

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

Scenario 3 - Under this scenario, 150% of the DI x fixed interest swap rate is 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) Operational risk

Operational risk is the possibility of losses on failure in, weakness in or inadequacy of internal procedures, people and systems or on external factors, including those related to legal issues.

The operational 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 according to the current Organizational Architecture 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 - 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, as well as defining their impact. RCSA further allows building a Risk Matrix and defining indicators, aiming at reaching an expanded vision of the processes and improved management.

f) Foreign exchange exposure

Transactions under agreements that provide for foreign exchange adjustment clause presented net balance of currency exposure sold, in the amount of R$ 75,131 (R$ 60,556 at 06.30.2013 – short position), as follows:

Specification	06.30.2014	06.30.2013	Specification	06.30.2014	06.30.2013
Cash and cash equivalents	1,479	1,219	Deposits	12,478	20,922
Interbank investments	26,422	21,403	Interdepartmental accounts	2,438	3,608
Loans	712,185	847,189	Domestic - Borrowings and onlending	66,197	116,944
Other receivables	614,862	719,831	Foreign - Borrowings and onlending	2,144,024	2,240,448
			Other obligations	598,189	659,151
Total assets in foreign currency, excluding derivatives	**1,354,948**	**1,589,642**	**Total liabilities in foreign currency**	**2,823,326**	**3,041,073**
Swap transactions	1,393,247	1,390,875	Swap transactions	-	-
Total long position in foreign currency	**2,748,195**	**2,980,517**	**Total short position in foreign currency**	**2,823,326**	**3,041,073**

Currency exposure sold 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 rule the implementation in Brazil of recommendations from the Basel Committee on Banking Supervision, referring to capital structure of financial institutions, jointly known as Basel III, effective from October 2013.

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

i. new methodology for calculation of regulatory capital that in Brazil is denominated 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, which are as follows:

i. 4.5% for Principal Capital, which primarily comprises of shares, units of interests, 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 closure of the institution.

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

At 06.30.2014, already taking into consideration the standards in force for Basel III, the Bank presented an Extended Basel Ratio (including capital for RBAN coverage) of 15.94% and both indexes of Tier I and Principal Capital remained at 9.28%. The RE, as determined, amounted to R$ 5,617,099, Tier I and Principal Capital presented the same amount of R$ 3,181,608, while RWA totaled R$ 34,275,290. At 06.30.2013, when Basel II standards were effective, the Extended Basel Ratio was 16.00%, determined RE amounted to R$ 4,984,394 and the Required Referential Equity (RRE), presently RWA, amounted to R$ 3,328,934. It should be stressed that at 06.30.2013, 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 in the first half of 2013, based on Basel II standards, and the first half of 2014, in accordance with the new minimum capital requirements required by Basel III.

i. Position at 06.30.2013 - Matching of RE with RRE (Basel II)

Specification	**06.30.2013**
Referential Equity (RE)	4,984,394
. Tier I	2,649,209
. Tier II	2,388,084
. Deductions	(52,899)
Required Referential Equity (RRE) (1)	3,328,934
. PEPR	2,793,714
. PJUR	7,231
. PCOM	335
. POPR	527,654
RBAN amount	98,144
Margin (RE-RRE-RBAN)	1,557,316
Basel Index (Bacen Circular Letter No. 3477 of 12.28.2009)	16.47%
Extended Basel Ratio (including RBAN amount)	16.00%

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

Where:
. 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 operational risk.
. RBAN: capital to cover risk in transactions subject to change in interest rates not classified in the trading portfolio.

ii. Position at 06.30.2014 – Referential Equity (Basel III)

Specification	**06.30.2014**
Referential Equity (RE)	**5,617,099**
. Tier I	**3,181,608**
. Principal Capital	3,181,608
. Tier II	**2,435,491**
Risk-Weighted Assets (RWA)	**34,275,290**
. RWACPAD	28,711,054
. RWACAM	285,458
. RWAJUR	65,173
. RWACOM	2,882
. RWAOPAD	5,210,723
RBAN amount	**962,878**
Margin on Minimum Referential Equity (RE – [RWA * 11%])	**1,846,817**
Margin on Minimum Referential Equity considering RBAN {PR – ([RWA + RBAN]* 11%)}	**1,740,901**
Basel ratios:	
. Principal Capital ratio (Minimum requirement of 4.5%)	9.28%
. Tier I ratio (Minimum requirement of 5.5%)	9.28%
. Basel ratio (Minimum requirement of 11%)	16.39%
. Basel ratio including RBAN	15.94%

Where:
. RWACPAD: amount related to credit risk exposures.
. RWACAM: amount related to exposure to gold, foreign currency and assets subject to foreign exchange variation.
. RWAJUR: amount related to exposures subject to change in interest rates.
. RWACOM: amount related to exposures subject to change in commodity prices.

. RWAACS: amount related to exposures subject to change in share prices.
. RWAOPAD: amount related to operational risk.
. RBAN: capital to cover risk in transactions subject to change in interest rates not classified in the trading portfolio.

iii. Breakdown of Referential Equity - Position at 06.30.2013 (Basel II)

Specification	06.30.2013
Referential Equity (RE)	4,984,394
. Tier I	2,649,209
Equity	2,518,314
Revaluation reserves	(21,757)
Tax credits excluded	(6,633)
Deferred permanent assets	(692)
Market value adjustment - marketable securities and derivative financial instruments	159,977
. Tier II	2,388,084
Revaluation reserves	21,757
Hybrid equity-debt instruments classified as Tier II of RE	1,201,699
Subordinated debt instruments	1,390,385
Market value adjustment - marketable securities and derivative financial instruments	(159,977)
Excess subordinated debt instruments	(65,780)
. Deductions	(52,899)
Assets classified as subordinated debt instruments	(52,899)

iv. Breakdown of Referential Equity - Position at 06.30.2014 (Basel III)

Specification	06.30.2014
Referential Equity (RE)	**5,617,099**
Tier I	**3,181,608**
Principal Capital	**3,181,608**
Capital	2,844,000
Income reserves	397,013
Capital and revaluation reserves	20,556
Unrealized gains or losses - Equity valuation and marketable securities	(47,347)
Prudential adjustments	(32,614)
.Intangible assets	(1,361)
.Deferred assets	(287)
.Tax credits from temporary differences	(30,966)
Tier II	**2,435,491**
Instruments eligible to Tier II	2,488,290
Investment in other entities deducted from Tier II	(52,799)

The prudential adjustment referring to tax credits arising from temporary differences, deducted from the Principal Capital, does not include the portion of these credits provided for in paragraphs 2 to 5 of article 5 of CMN Resolution No. 4192, dated 03.01.2013, which at 06.30.2014 amounted to R$ 321,257. Such portion not deducted is weighted at 250% in calculating RWACPAD.

The Subordinated Debt Instruments contracted with the Fundo Constitucional de Financiamento do Nordeste (FNE), authorized to comprise RE Tier II before the entry into force of CMN Resolution No. 4192, according to paragraph 2 of its article 23, shall remain eligible up to their amortization, and therefore these instruments are not subject to the limits listed in the article 28 of such Resolution. These instruments totaled R$ 1,526,376 at 06.30.2014.

Regarding the Hybrid Equity and Debt instrument limits the authorization for continued use of the full contracted amount, under additional capital conditions, will be required of BACEN after signing an addendum thereto, whose bases have already been negotiated with the National Treasury (STN). On the other hand, based on article 28 of CMN Resolution No. 4192, in determining the RE Tier II, only R$ 961,914 are considered, representing 80% of R$ 1,202,392, which was the balance of this instrument at 12.31.2012. The remaining R$ 240,478 are excluded from the calculation under such Resolution.

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, applicable to the Bank, as follows:

Specification	06.30.2014	06.30.2013
Referential equity (RE) for investment limit	5,617,099	4,984,394
Investment limit	2,808,550	2,492,197
(-) Status	211,000	228,353
Margin	2,597,550	2,263,844
Investment index	3.76%	4.58%

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	06.30.2014	06.30.2013
Assets		
Loans - refinancing with the Federal Government (Note 9.a.1)	387,913	416,781
Total	**387,913**	**416,781**

Specification	06.30.2014	06.30.2013
Liabilities		
Time deposits - FAT (Note 13.b. and Note 27)	**471,086**	**596,004**
Domestic onlending – Official institutions (Note 14.c.)	**1,673,048**	**1,682,879**
National Treasury	657	793
BNDES	1,498,698	1,505,697
FINAME	173,693	176,389
Other liabilities	**11,692,268**	**9,336,234**
Fundo Constitucional de Financiamento do Nordeste (FNE) - (Note 16.f)	8,885,234	6,744,150
Hybrid equity-debt instruments (Note 16.g and Note 17)	1,280,658	1,201,699
Subordinated debts eligible for capital (Note 16.h and Note 18)	1,526,376	1,390,385
Total	**13,836,402**	**11,615,117**

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

Specification	06.30.2014	06.30.2013
Liabilities	**795,692**	**1,380,777**
Post-employment benefits CAPEF DB Plan (Note 16.i)	95,279	579,467
Post-employment benefits CAMED Natural Plan (Note 16.i)	700,413	801,310
Total	**795,692**	**1,380,777**

b) Management compensation

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

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Short-term benefits	**2,716**	**2,371**
Fees	**1,729**	**1,733**
Executive Board	1,463	1,498
Board of Directors	139	114
Supervisory Board	127	121
Other	**180**	**108**
Profit sharing	**807**	**530**
Total short-term benefits	**2,716**	**2,371**
Post-employment benefits	**127**	**108**
Total	**2,843**	**2,479**

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, 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 (loss)

Specification	01.01 to 06.30.2014	01.01 to 06.30.2013
Net income	**326,012**	**200,028**
Other comprehensive income (loss)	**(39,740)**	**(238,492)**
Equity adjustment to available-for-sale securities	(76,377)	(336,405)
Tax effect on equity adjustment to available-for-sale securities	30,551	134,562
Realization of revaluation reserve	748	1,912
Tax effect on revaluation reserve released to retained earnings	(1,186)	(765)
Actuarial gains/(losses)	6,524	(37,796)[1]
Comprehensive income (loss)	**286,272**	**(38,464)**

(1) At 06.30.2013, R$ 3,759 refer to actuarial loss on VC I plan, whose amount was adjusted in 11.2013.

NOTE 31 - Other information

a) Guarantees given

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

Specification	06.30.2014	06.30.2013
Import financing	114,510	88,664
Export credits confirmed	58,500	-
Guarantee beneficiaries		
- Individuals or nonfinancial legal entities	10,450	30,451
- FNE	17,111,898	16,096,725
- Other entities	85,540	82,058
Credit assignment co-obligations	22,617	26,112

b) Voluntary Dismissal Program (PID)

The Bank's Board of Directors approved the Voluntary Dismissal Program (PID), valid from 02.24.2014 to 03.31.2014. At the end of the term, 541 employees adhered to the program amounting to an expense of R$ 101,541.

c) Approval of financial statements

The financial statements were approved by the Board of Directors at a meeting held on August 8, 2014**.**

Fortaleza, August 8, 2014.

The Executive Board

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

Financial Statements

Banco do Nordeste do Brasil S.A.

June 30, 2014
with Independent Auditor's Report on Financial Statements

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 June 30, 2014 and the related income statement, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of 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 June 30, 2014, its operating performance and its cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

Other matters

Statement of value added

We have also audited the statement of value added (SVA) for the six-month period ended June 30, 2014, whose presentation is required by the Brazilian Corporation Law for publicly-held companies. This statement was subject to the same audit procedures previously described and, based on our opinion, it is fairly presented, in all material respects, in relation to the overall financial statements.

São Paulo, August 8, 2014.

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

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

Banco do Nordeste

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 Sheet, Income Statements, Statements of Changes in Equity, Cash Flows Statements and Statements of Value Added of Banco do Nordeste do Brasil S.A., for the first half of 2014, which were approved at that date by the Board of Directors.

Based on the audit performed, information and clarifications received in the course of 2014, as well as the Independent Auditor’s Unqualified Opinion - **ERNST & YOUNG AUDITORES INDEPENDENTES S.S.**, issued this date, the Supervisory Board believes that the Management Report and the Financial Statements reflect fairly the financial position of Banco do Nordeste do Brasil S.A.

Fortaleza (CE), August 8, 2014.

SUPERVISORY BOARD

SUMMARY OF THE AUDIT COMMITTEE REPORT

1st half of 2014

The Audit Committee of Banco do Nordeste do Brasil S.A. - BNB is an advisory body created as set forth in National Monetary Council (CMN) Resolution No. 3198/2004, whose duties and responsibilities are set out in the Bank's bylaws. Its Internal Regulation is available on www.bnb.gov.br, Investors Relations/Shareholders.

The Audit Committee developed various activities during the period, under discussion, the main of which are as follows: actions to meet the Board of Directors' requirements; follow-up of the implementation of recommendations issued by Internal and External Audit and by external control agencies; meetings with the Executive Board and various Supervisory Authorities to discuss matters within their jurisdiction; meetings with external control agencies to address their specific findings; participation of Committee members as guests at the meetings of the Supervisory Board; fortnightly meetings with the Internal Audit to evaluate the development of the audit work and to address specific issues in other areas.

Considering that it is incumbent upon: the External Audit to review the financial statements and other work in accordance with the standards issued by the National Monetary Council (CMN), the Central Bank of Brazil (BACEN) and, provided that they do not conflict with the latter, the rules issued by the Brazilian Securities and Exchange Commission (CVM), Brazilian National Association of State Boards of Accountancy (CFC) and the Brazilian Institute of Independent Auditors (IBRACON), in addition to infralegal rules; and upon the Internal Audit to monitor, evaluate and assess the adequacy of the internal control environment, as well as standards and procedures established by competent agencies, the Audit Committee reviewed the financial statements and assessed the effectiveness of internal and external audit and of the internal control system and concluded that:

a) The internal control system of Banco do Nordeste do Brasil has been able to identify adverse events and allow corrective actions by managers and administrators. The weaknesses found do not jeopardize the economic and financial health of the Bank in the short term and may be corrected in the ordinary course of operations. However, it is important for the Bank to continue investing in the actions for improvement of corporate processes, modernization of information technology solutions and adequacy of provision policies and training of people;
b) The Internal Audit satisfactorily carried out its activities in the period and in conformity with the Annual Internal Audit Activities Plan, prepared under the instructions of federal regulatory agencies and approved by the Bank's Board of Directors and by the Brazil's Comptroller General's Office. However, the realization scheduled in PAINT - 2014 for the 1st half year fell short of the planned, which will imply a greater effort in the 2nd half year to fulfill the entire annual schedule;

c) No material events occurred that might have affected the effectiveness of ERNST & YOUNG AUDITORES INDEPENDENTES in the provision of services engaged; and
d) The practices used to prepare the financial statements were consistent with applicable corporation laws, and regulations of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN) and the Brazilian Securities and Exchange Commission (CVM).

Fortaleza (CE), August 8, 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 R$

Position as of 06.30.2014

FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

(LAW No. 7827 of 09.27.1989)

BALANCE SHEETS

Six-month periods ended June 30, 2014 and 2013

(Amounts in R$ thousand)

ASSETS

		06.30.2014	06.30.2013
CURRENT ASSETS		**16,843,158**	**14,378,182**
CASH AND CASH EQUIVALENTS	(Note 4.b.1)	2,915,522	899,021
FUNDS COMMITTED TO LOAN TRANSACTIONS		5,962,592	5,842,994
LINKED CREDITS		4,732	3,225
Rural Credit – PROAGRO receivable		4,732	3,225
ONLENDING DEBTORS		73,861	71,011
Onlending Debtors - Other institutions		73,861	71,011
LOANS	(Note 14.b.2 and Note 6)	7,879,194	7,559,553
Financing		3,288,295	2,674,469
Export financing		51,127	98,218
Infrastructure and development financing		542,751	561,433
Agribusiness financing		249,027	205,177
Rural Financing		4,499,047	4,902,728
(Allowance for loan losses)		(751,053)	(882,472)
OTHER RECEIVABLES	(Note 4.b.7)	7,120	2,135
Rights on Assets Received in Loan Transactions		7,120	2,135
OTHER ASSETS	(Nota 4.b.8)	137	243
PROAGRO securities		4	4
Agrarian Debt Securities		219	271
(Allowance for devaluation)		(86)	(32)
LONG-TERM RECEIVABLES		**33,871,643**	**31,138,346**
LINKED CREDITS		2,148	2,841
Rural Credit – PROAGRO receivable		2,148	2,841
ONLENDING DEBTORS		1,662,624	1,527,415
Onlending Debtors – Banco do Nordeste – Law No. 7827 - Article 9-A	(Note 8)	1,526,376	1,390,385
Onlending Debtors - Other institutions		136,248	137,030
LOANS	(Note 14.b.2 and Note 6)	32,205,882	29,607,124
Financing		14,125,120	12,370,865
Export financing		-	1,972
Infrastructure and development financing		4,626,285	5,083,166
Agribusiness financing		851,725	915,189
Rural Financing		12,602,752	11,235,932
OTHER ASSETS	(Note 4.b.8)	989	966
Agrarian Debt Securities		1,450	1,437
(Allowance for devaluation)		(461)	(471)
TOTAL ASSETS		**50,714,801**	**45,516,528**

LIABILITIES AND EQUITY

		06.30.2014	06.30.2013
CURRENT LIABILITIES		**45**	**42**
Other Obligations		45	42
Accrued Liabilities Allowance		45	42
EQUITY	(Note 4.c)	**50,714,756**	**45,516,486**
TRANSFERS FROM FEDERAL GOVERNMENT:			
At the six-month period		3,268,259	2,983,160
In prior years/periods		48,734,497	43,156,154
INCOME (LOSS) FOR PRIOR YEAR		(1.093,628)	(316,764)
LOSS FOR THE SIX-MONTH PERIOD		(194,372)	(306,064)
TOTAL LIABILITIES AND EQUITY		**50,714,801**	**45,516,528**

INCOME STATEMENTS OF OPERATIONS

Six-month periods ended June 30, 2014 and 2013

(Amounts in R$ thousand)

		1st half of 2014	1st half of 2013
REVENUES			
Loans	(Note 6.i)	522,157	467,215
Cash and cash equivalents yield	(Note 4.b.1)	375,391	231,693
Reversal of operating provisions		46,000	68,000
EXPENSES	(Note 4.a.8)		
Management		(653,652)	(596,632)
PRONAF – compensation of the financial agent / performance bonus		(115,767)	(83,820)
Allowance for loan losses and devaluation		(322,502)	(324,525)
Audit expenses		(45,000)	(63,000)
LOSS FOR THE SIX-MONTH PERIOD		**(194,372)**	**(306,064)**

STATEMENTS OF CHANGES IN EQUITY

Six-month periods ended June 30, 2014 and 2013

(Amounts in R$ thousand)

EVENTS	TRANSFERS FROM FEDERAL GOVERNMENT	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
BALANCES AT 12.31.2012	**43,156,154**	**(308,028)**	**42,848,126**
Transfers from the federal government in the six-month period	2,983,160	-	2,983,160
Prior year Adjustments	-	(8,736)	(8,736)
Loss for the six-month period	-	(306,064)	(306,064)
BALANCES AT 06.30.2013	**46,139,314**	**(622,828)**	**45,516,486**
CHANGES IN THE SIX-MONTH PERIOD	**2,983,160**	**(314,800)**	**2,668,360**
BALANCES AT 12.31.2013	**48,734,497**	**(1.091,905)**	**47,642,592**
Transfers from the federal government in the six-month period	3,268,259	-	3,268,259
Prior year Adjustments	-	(1,723)	(1,723)
Loss for the six-month period	-	(194,372)	(194,372)
BALANCES AT 06.30.2014	**52,002,756**	**(1.288,000)**	**50,714,756**
CHANGES IN THE SIX-MONTH PERIOD	**3,268,259**	**(196,095)**	**3,072,164**

CASH FLOWS STATEMENTS

Six-month periods ended June 30, 2014 and 2013

(Amounts in R$ thousand)

	06.30.2014	06.30.2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the six-month period	**(194,372)**	**(306,064)**
Non-cash income (expenses):		
Allowance for loan losses and devaluation	322,502	324,525
Reversal of other operating provisions	(46)	(68)
Accrued Liabilities Allowance	18	38
Adjusted income for the six-month period	**128,102**	**18,431**
Linked Credits	(524)	1,147
Onlending Debtors	(68,688)	(46,791)
Loans	(1,356,194)	(2,737,619)
Other receivables	(20)	(45)
Other assets	205	220
Prior Year Adjustments	(1,723)	(8,736)
CASH USED IN OPERATING ACTIVITIES	**(1,298,842)**	**(2,773,393)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers from Federal Government	3,268,259	2,983,160
CASH PROVIDED BY FINANCING ACTIVITIES	**3,268,259**	**2,983,160**
Increase in cash and cash equivalents	**1,969,417**	**209,767**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS		
At beginning of six-month period	6,908,697	6,532,248
At end of six-month period	8,878,114	6,742,015
Increase in cash and cash equivalents	**1,969,417**	**209,767**

Notes to financial statements
Six-month periods ended June 30, 2014 and 2013
(Amounts expressed in thousands of reais, unless otherwise stated)

Contents of Notes

Note 1 - History

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

Note 2 - Basis of preparation and presentation of financial statements

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

Note 3 - Management

Banco do Nordeste is responsible for allocating funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting credit, formalizing agreements for onlending to other institutions authorized to operate by the Central Bank of Brazil, 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 - Significant Accounting Practices

FNE has its own accounting records and uses the accounting system of Banco do Nordeste to record its transactions in specific subtitles, and the results of operations are determined separately.
For determining the results of operations, FNE’s fiscal year coincides with the calendar year.
Significant accounting practices are as follows:

a) Income and expenses recognition

a.1) Income and expenses are recorded on an accrual basis. FNE’s income consist 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, signed 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 (CMN), 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 (CMN), 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).

By means of Resolution No. 4297 of 12.30.2013, the CMN set financial charges for transactions carried out with funds from FNE, in the period from January 1, 2014 to December 31, 2014, at rates ranging from 5.3% to 8.83% p.a. for farmers and their cooperatives, according to the loan purpose and annual gross revenue of the farmer or cooperative. For the other sectors, CMN fixed rates ranging from 5.3% to 12.36% p.a., according to the loan purpose and annual gross revenue of financed project. The bonus for timely payment was fixed at 15% p.a. on financial charges for debt installments paid up to their respective maturities. Such financing charges and bonus for timely payment 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, and its amendments, which created the Support Program for Federal Financial Institutions, sets out the following as regards the BNB's financial (*del credere*) commission on financing with funds from FNE:

- For transactions contracted up to 11.30.1998, BNB's financial (del credere) commission was reduced to zero, and the charges agreed to with borrowers remained unchanged;
- For transactions contracted with a risk of 50% for Banco do Nordeste, BNB's financial (*del credere*) commission will be 3% p.a.;
- 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% p.a.

a.4) Decree No. 5818 of 6/26/2006, combined with CMN Resolution No. 3293 of 6/28/2005, established that, for National Financing Program for the Expansion and Modernization of the National Fishing Fleet (PROFROTA) transactions with large companies, with shared risk, BNB's financial (*del credere*) commission is 2.5% p.a.

a.5) Administrative Ruling No. 616, of 5/16/2003, of the Ministry of National Integration, establishes that, for onlendings to institutions authorized to operate by the Central Bank of Brazil, BNB is entitled to the financial (*del credered*) 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 (*del credere*) commission at 3% p.a. in the cases defined in Article 1, items I to IV, and sets a financial (*del credere*) commission of 6% p.a. in the cases defined in Article 1, Sole Paragraph.

a.8) FNE's expenses refer to management fee payable to 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.

These are stated at cost or realizable value, including earnings and monetary variations earned.

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

Specification	**06.30.2014**	**06.30.2013**
Cash and cash equivalents	2,915,522	899,021
Funds committed to loan transactions	5,962,592	5,842,994
Total cash and cash equivalents	**8,878,114**	**6,742,015**

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

b.3) Law No. 11322, of 07/13/2006, provides for the renegotiation of debts arising from rural credit transactions contracted in the area under the jurisdiction of the Northeast Development Authority (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 debt waiver 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 facility 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 or amortization 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; and
- 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 subsequent amendments.

NOTE 5 - Supervisory

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

NOTE 6 - Financing transactions, onlending and allowance for loan losses

a) Breakdown of Credit Portfolio

a.1) Total Portfolio

Financing	06.30.2014			06.30.2013		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	17,043,842	369,573	17,413,415	14,684,825	360,509	15,045,334
Export financing	46,999	4,128	51,127	97,146	3,044	100,190
Infrastructure and development financing	5,169,036	-	5,169,036	5,644,599	-	5,644,599
Agribusiness financing	1,051,495	49,257	1,100,752	1,082,319	38,047	1,120,366
Rural financing	16,217,189	884,610	17,101,799	15,132,417	1,006,243	16,138,660
Subtotal	**39,528,561**	**1,307,568**	**40,836,129**	**36,641,306**	**1,407,843**	**38,049,149**
Onlendings to BNB	1,526,376	-	1,526,376	1,390,385	-	1,390,385
Onlendings to other institutions	210,109	-	210,109	208,041	-	208,041
Total portfolio	**41,265,046**	**1,307,568**	**42,572,614**	**38,239,732**	**1,407,843**	**39,647,575**
Allowance for loan losses	(404,704)	(346,349)	(751,053)	(541,546)	(340,926)	(882,472)
Total, net (1)	**40,860,342**	**961,219**	**41,821,561**	**37,698,186**	**1,066,917**	**38,765,103**

a.2) Full Risk Portfolio for BNB

Financing	06.30.2014			06.30.2013		
	Normal	Past due	Balance	Normal	Past due	Balance
Agribusiness financing	1,409	0	1,409	1,325	-	1,325
Rural financing	254,142	8,953	263,095	237,932	8,839	246,771
Subtotal	**255,551**	**8,953**	**264,504**	**239,257**	**8,839**	**248,096**
Onlendings to BNB	1,526,376	-	1,526,376	1,390,385	-	1,390,385
Onlendings to other institutions	157,119	-	157,119	151,543	-	151,543
Total portfolio	**1,939,046**	**8,953**	**1,947,999**	**1,781,185**	**8,839**	**1,790,024**
Total, net (1)	**1,939,046**	**8,953**	**1,947,999**	**1,781,185**	**8,839**	**1,790,024**

a.3) Shared Risk Portfolio

Financing	06.30.2014			06.30.2013		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	16,977,411	358,075	17,335,486	14,618,976	343,242	14,962,218
Export financing	46,999	4,128	51,127	97,146	3,044	100,190
Infrastructure and development financing	5,169,036	-	5,169,036	5,644,599	-	5,644,599
Agribusiness financing	980,302	41,953	1,022,255	1,009,698	29,926	1,039,624
Rural financing	9,399,060	403,586	9,802,646	9,140,862	506,681	9,647,543
Subtotal	**32,572,808**	**807,742**	**33,380,550**	**30,511,281**	**882,893**	**31,394,174**
Total portfolio	**32,572,808**	**807,742**	**33,380,550**	**30,511,281**	**882,893**	**31,394,174**
Allowance for loan losses	(57,801)	(180,359)	(238,160)	(104,428)	(174,859)	(279,287)
Total, net (1)	**32,515,007**	**627,383**	**33,142,390**	**30,406,853**	**708,034**	**31,114,887**

a.4) FNE's Full Risk Portfolio

Financing	06.30.2014			06.30.2013		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	66,431	9,556	75,987	65,849	15,337	81,186
Agribusiness financing	69,385	7,077	76,462	70,865	7,931	78,796
Rural financing	6,466,855	366,750	6,833,605	5,648,424	394,348	6,042,772
Subtotal	**6,602,671**	**383,383**	**6,986,054**	**5,785,138**	**417,616**	**6,202,754**
Onlendings to other institutions	52,990	-	52,990	56,498	-	56,498
Total portfolio	**6,655,661**	**383,383**	**7,039,044**	**5,841,636**	**417,616**	**6,259,252**
Allowance for loan losses	(346,903)	(165,990)	(512,893)	(437,118)	(166,067)	(603,185)
Total, net (1)	**6,308,758**	**217,393**	**6,526,151**	**5,404,518**	**251,549**	**5,656,067**

a.5) PROCERA's Full Risk Portfolio

Financing	06.30.2014			06.30.2013		
	Normal	Past due	Balance	Normal	Past due	Balance
Financing	-	1,942	1,942	-	1,930	1,930
Agribusiness financing	399	227	626	431	190	621
Rural financing	97,132	105,321	202,453	105,199	96,375	201,574
Subtotal	**97,531**	**107,490**	**205,021**	**105,630**	**98,495**	**204,125**
Total portfolio	**97,531**	**107,490**	**205,021**	**105,630**	**98,495**	**204,125**
Total, net (1)	**97,531**	**107,490**	**205,021**	**105,630**	**98,495**	**204,125**

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

b) Pursuant to the legislation that regulates Constitutional Financing Funds, 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 onlendings 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 onlendings 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 period are as follows:

Specification	**06.30.2014**	**06.30.2013**
Allowance for loan losses at the beginning of the year	**797,207**	**892,027**
. Full FNE Risk	534,646	604,540
. Shared risk	262,561	287,487
(+) Net allowance recognized for the six-month period	**322,451**	**324,553**
Net provision for discounts - Acquired Transactions under Law No. 11322	**-**	**38**
. Full FNE Risk	-	38
Allowance for loan losses – expenses	**322,451**	**324,515**
. Full FNE Risk	147,405	163,145
. Allowance for past due payment/Renegotiations	152,868	167,689
. Allowance Adjustments due to negative goodwill	(5,463)	(4,544)
. Shared risk	175,046	161,370
. Allowance for past due payment/Renegotiations	177,366	173,911
. Adjustments of provision for operations indicating irregularities	(2,320)	(12,541)
(-) Loans written off as loss for the six-month period	**368,605**	**334,108**
. Full FNE Risk	169,158	164,537
. Shared risk	199,447	169,571
(=) Allowance for loan losses at the end of the year	**751,053**	**882,472**
. Full FNE Risk	512,893	603,185
. Shared risk	238,160	279,287

d) Considering that PROCERA is responsible for the risk of loan 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 six-month period 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 six-month period, the allowance decreased by R$ 31,716 (decrease by R$ 22,596 at June 30, 2013), R$ 29,308 (decrease by R$ 18,557 at June 30, 2013) of which referred to full FNE risk transactions and R$ 2,408 (decrease by R$ 4,039 at June 30, 2013) referred to shared risk transactions. These decreases include R$ 14,115 (decrease by R$ 12,596 at June 30, 2013) 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$ 12,927 (decrease by R$ 9,611 at June 30, 2013) refer to transactions whose full risk lies with the Fund and R$ 1,188 (decrease by R$ 2,985 at June 30, 2013) refer 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$ 11,834 (R$ 14,453 at June 30, 2013), of which R$ 8,487 (R$ 7,474 at June 30, 2013) refer to transactions whose full risk lies with the Fund and R$ 3,347 (R$ 6,979 at June 30, 2013) refer to shared risk transactions. These amounts include decreased by R$ 5,277 (R$ 4,874 at June 30, 2013) 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$ 4,310 (R$ 2,291 at June 30, 2013) refer to transactions whose full risk lies with the Fund and R$ 967 (R$ 2,583 at June 30, 2013) refer 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 June 30, 2014, the amount of R$ 19,340 (R$ 50,284 at June 30, 2013) is recorded as Allowance for Loan Losses, related to an extraordinary allowance 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 six months period based on Law No. 11775, dated 9/17/2008, Law No. 9138, dated 11/29/1995, Law No. 10437, dated 4/25/2002 and Law No. 11322, dated 7/13/2006, Provisional Executive Order No. 2196-3 of 8/24/2001 and the 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$ 33,534 (R$ 27,553 at June 30, 2013). This effect includes costs on renegotiation of transactions contracted between the Fund and other funding sources, mixed funding sources, acquired or reclassified to the Fund, as authorized by referred to Laws, as shown below:

Specification	**06.30.2014**	**06.30.2013**
Recovery of transactions written off of assets	33,633	39,737
Expenses - bonuses and waivers	(122,815)	(119,113)
Net effect on allowances	55,648	51,823
Total	**(33,534)**	**(27,553)**

i) In the statement of income "Income from loans" is recorded at the net amount as follows:

Specification	**06.30.2014**	**06.30.2013**
Income from loans	1,472,294	1,426,401
Expenses on BNB's financial (*del credere*) commission	(529,900)	(487,840)
Expenses on BNB's financial (*del credere*) commission from other institutions	(1,761)	(1,825)
Expenses on negative monetary restatement	(8,879)	(980)
Expenses on renegotiation discounts granted	(108,803)	(101,764)
Expenses on Rebates/bonuses for timely payment – transactions contracted by Banco do Nordeste	(284,738)	(348,530)
Expenses on Rebates/bonuses for timely payment - Onlendings Law No. 7827 - Article 9 A	(5,687)	(6,406)
Expenses on Rebates/bonuses for timely payment - Onlendings to other institutions	(1,299)	(762)
Expenses on principal rebates - Receivables from FAT - BNDES - Law No. 10193, of 02.14.2001	(1)	(3)
FNE's transactions honored by Banco do Nordeste - Rebate/Recalculation – Resolution No. 4298/4299	(50)	-
Expenses on transactions - Other sources - Acquisitions Law No. 11322, of 07.13.2006	(91)	(26)
Expenses on other transactions BNB - Remission Law No. 12249, of 06.11.2010	-	(153)
Expenses on other transactions BNB - Remission Law No. 12249/12844 of 06.11.2010 and 07.19.2013	(1,379)	(1,420)
FNE's expenses honored by the Bank - Rebate Law 12249 of 6.11.2010	(6)	(48)
FNE's expenses honored by the Bank - Rebate Law 12249/12844 of 6.11.2010 and 07.19.2013	(7,543)	(9,414)
Write-off of excess book value - receipt of assets	-	(15)
Total	**522,157**	**467,215**

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, in compliance with the provision in letter j.1 above.

j.3) In the six-month period, BNB returned to FNE the amount of R$ 201,897 (R 172,414 in the first half of 2013), 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) engagement 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) engagement of new transactions with FNE funds to settle debts related to the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (PRODECER) - Stage III;

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 floating rates and backed with resources from FNE, by fixed rates set by legislation applicable to this kind of transaction.

In the six-month period, 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$284 (R$650 in the first half of 2013), under referred to law, as follows:

Specification	06.30.2014	06.30.2013
Article 7 (Cocoa Farming Operations in Bahia)	269	165
Article 19 (Operation whose risk lies with the Federal Government - funds from FAT)	15	485
Total	**284**	**650**

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$1,008 (R$3,986 in the first half of 2013), as follows:

Specification	06.30.2014	06.30.2013
Article 31 (Mixed Funds from Other Sources/FNE's transactions)	754	2,747
Article 31 (FAT transactions)	254	1,239
Total	**1,008**	**3,986**

NOTE 7 - Prior Year Adjustments

The net negative adjustment at June 30, 2014 of R$1,723 (R$8,736 at June 30, 2013), refers to recalculations of charges on loan transactions.

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

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

Specification	06.30.2014	06.30.2013
Available Funds	811,490	528,458
Invested Funds	714,886	861,927
Total	**1,526,376**	**1,390,385**

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, restated based on contractual indices, as set forth by legislation and the Subordinated Debt Instrument entered into.

NOTE 9 - Registration with the Federal Government Integrated Financial Management System (SIAFI)
In compliance with Administrative Ruling No. 11, of 12.28.2005, the accounting information related to FNE is available on SIAFI, considering the Fund's specific characteristics.

Fortaleza (CE), August 8, 2014.

The Executive Board

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

Financial Statements

Fundo Constitucional de Financiamento do Nordeste (FNE)

June 30, 2014
with Independent Auditor’s Report on Financial Statements

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 to the financial statements

Independent auditor's report on financial statements

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

We have audited the accompanying financial statements of Fundo Constitucional de Financiamento do Nordeste - FNE ("Fund"), which comprise the balance sheet as at June 30, 2014, and the related income statement, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste - FNE as at June 30, 2014, and its financial performance and its cash flows for the six-month period then ended, in accordance with the accounting practices described in notes 2,4 and 6.

Emphasis of matter

Basis of preparation of financial statements

Without modifying our opinion, we draw attention to Notes 2, 4, and 6, 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, August 8, 2014.

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

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

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