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Company Information/Capital Breakdown

Number of shares (in thousands)	Current quarter 03/31/2017
Paid-in Capital	
Common shares	86,371
Preferred shares	-
Total	86,371
Treasury shares	
Common shares	-
Preferred shares	-
Total	-

Company Information/Cash Proceeds

Event	Approval	Proceeds	Beginning of payment	Share type	Share class	Earnings per share (Reais/Share)
Annual and Special I General Meeting	03/24/2017	Interest on Equity (IOE)	04/11/2017	Common		1.37286

A free translation from Portuguese into English of the Quarterly Financial Information (ITR) 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 and presented according with the standards issued by the Brazilian Securities Exchange Commission - CVM and Central Bank of Brazil

Individual Financial Statements/Balance Sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
1	Total assets	48,351,787	46,321,128
1.01	Current assets	18,454,224	20,985,048
1.01.01	Cash and cash equivalents	157,654	184,575
1.01.02	Interbank investments	8,754,534	9,465,283
1.01.02.01	Open market investments	8,601,049	9,314,933
1.01.02.02	Interbank deposits	153,485	150,350
1.01.03	Marketable securities	3,255,107	4,050,575
1.01.03.01	Own portfolio	2,413,384	2,907,381
1.01.03.02	Linked to repurchase agreements	841,723	855,690
1.01.03.03	Linked to guarantees given	-	287,504
1.01.04	Interbank accounts	382,181	221,155
1.01.04.01	Unsettled payments and receipts	53,194	1,190
1.01.04.02	Central Bank deposits	327,725	218,335
1.01.04.04	Interbank Onlending	-	784
1.01.04.05	Correspondents	1,262	846
1.01.06	Loans	4,187,074	4,774,641
1.01.06.02	Public sector	219,448	238,571
1.01.06.03	Private sector	4,699,524	5,084,099
1.01.06.04	(Allowance for loan losses)	(731,898)	(548,029)
1.01.08	Other Credits	1693,343	2,257,019
1.01.08.02	Exchange portfolio	607,992	612,278
1.01.08.03	Income receivable	17,086	13,921
1.01.08.04	Securities trading	12	12
1.01.08.05	Other	1,264,735	1,826,346
1.01.08.06	(Allowance for losses on other credits)	(196,482)	(195,538)
1.01.09	Other assets	24,331	31,800
1.01.09.01	Other assets	14,504	14,442
1.01.09.02	(Valuation allowances)	(624)	(613)
1.01.09.03	Prepaid expenses	10,451	17,971
1.02	Long-term receivables	29,684,196	25,121,511
1.02.02	Marketable securities	21,114,086	16,798,301
1.02.02.01	Own portfolio	20,447,304	16,322,718
1.02.02.02	Linked to repurchase agreements	2,890	44,099
1.02.02.03	Derivative financial instruments	370,134	403,488
1.02.02.04	Linked to guarantees given	293,758	27,996
1.02.03	Interbank accounts	55,837	66,075
1.02.03.01	National Treasury - Rural Credit Funds	-	6
1.02.03.02	National Housing System (SFH)	55,837	66,069
1.02.05	Loans	6,275,449	6,363,766
1.02.05.02	Public sector	1,103,554	1,141,948
1.02.05.03	Private sector	5,741,820	5,909,339
1.02.05.04	(Allowance for loan losses)	(569,925)	(687,521)
1.02.07	Other Credits	2,238,824	1,893,369
1.02.07.03	Other	2,267,746	1,922,193

Individual Financial Statements/Balance Sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
1.02.07.04	(Allowance for losses on other credits)	(28,922)	(28,824)
1.03	Permanent assets	213,367	214,569
1.03.01	Investments	1,912	1,909
1.03.01.04	Other investments	7,215	7,212
1.03.01.05	(Allowance for Losses)	(5,303)	(5,303)
1.03.02	Property and equipment in use	191,552	192,757
1.03.02.01	Properties and equipment in use	169,589	170,087
1.03.02.02	Revaluation of property and equipment in use	107,132	107,628
1.03.02.03	Other property and equipment in use	287,269	273,752
1.03.02.04	(Accumulated Depreciation)	(372,438)	(358,710)
1.03.04	Intangible assets	19,903	19,903
1.03.04.01	Intangible assets	19,903	19,903

Individual Financial Statements/Balance Sheet - Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2	Total liabilities	48,351,787	46,321,128
2.01	Current liabilities	17,611,706	16,536,899
2.01.01	Deposits	5,281,403	5,949,100
2.01.01.01	Demand deposits	230,174	345,990
2.01.01.02	Saving deposits	1,955,298	2,113,346
2.01.01.03	Interbank deposits	1,210,047	1,111,078
2.01.01.04	Time deposits	1,885,884	2,378,686
2.01.02	Open market funding	915,258	966,859
2.01.02.01	Own portfolio	841,066	896,579
2.01.02.02	Third-party portfolio	74,192	70,280
2.01.03	Funds from acceptance and issue of securities	324,087	310,611
2.01.03.01	Funds from real estate, mortgage, credit and similar notes	304,648	302,735
2.01.03.02	Liabilities for foreign marketable securities	19,439	7,876
2.01.04	Interbank accounts	39,539	593
2.01.04.01	Unsettled payments and receipts	39,539	593
2.01.05	Interdepartmental accounts	5,913	7,181
2.01.05.01	Third-party funds in transit	5,849	7,170
2.01.05.02	Internal Transfers of Funds	64	11
2.01.06	Borrowings	595,906	637,742
2.01.06.02	Foreign borrowings	595,906	637,742
2.01.07	Domestic Onlending	156,779	150,737
2.01.07.01	National Treasury	456	253
2.01.07.02	BNDES	131,392	125,251
2.01.07.03	FINAME	24,931	25,233
2.01.08	Foreign onlending	138,416	141,564
2.01.09	Other liabilities	10,154,405	8,372,512
2.01.09.02	Collection of taxes and other contributions	17,052	2,547
2.01.09.03	Exchange portfolio	32,717	4,022
2.01.09.04	Social and statutory	164,522	164,522
2.01.09.05	Tax and social security	269,307	618,741
2.01.09.06	Securities trading	153	153
2.01.09.07	Financial and development funds	7,086,246	4,439,550
2.01.09.09	Other	2,584,408	3,142,977
2.02	Long-term payables	27,309,288	26,421,734
2.02.01	Deposits	5,509,995	4,658,220
2.02.01.02	Interbank deposits	81,175	87,767
2.02.01.03	Time deposits	5,428,820	4,570,453
2.02.02	Open market funding	2,858	2,778
2.02.02.01	Own portfolio	2,858	2,778
2.02.03	Funds from acceptance and issue of securities	966,272	988,259
2.02.03.01	Funds from real estate, mortgage, credit and similar notes	1,974	-
2.02.03.02	Liabilities for foreign marketable securities	964,298	988,259
2.02.07	Domestic Onlending	1,491,960	1,518,511
2.02.07.01	National Treasury	-	198

Individual Financial Statements/Balance Sheet - Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2.02.07.02	BNDES	1,406,642	1,427,340
2.02.07.03	FINAME	85,318	90,973
2.02.08	Foreign onlending	584,095	622,712
2.02.09	Other liabilities	18,754,108	18,631,254
2.02.09.02	Financial and development funds	12,433,958	13,198,250
2.02.09.04	Subordinated debts eligible to capital	2,068,301	2,012,874
2.02.09.05	Debt instruments eligible to capital	1,000,000	1,000,000
2.02.09.06	Other	3,251,849	2,420,130
2.05	Equity	3,430,793	3,362,495
2.05.01	Capital	2,844,000	2,844,000
2.05.03	Revaluation reserves	13,359	14,491
2.05.03.01	Own assets	13,359	14,491
2.05.04	Income reserves	1,157,951	1,157,951
2.05.04.01	Legal reserve	237,329	237,329
2.05.04.02	Statutory reserve	920,622	920,622
2.05.05	Equity Adjustments	(571,194)	(653,947)
2.05.05.01	Adjustments to marketable securities	(571,194)	(653,947)
2.05.06	Retained Earnings/Accumulated Losses	(13,323)	-

Individual Financial Statements/Income Statement

(In thousands of reais)

Account code	Account description	Current quarter 01/01/2017 to 03/31/2017	Prior quarter 01/01/2016 to 03/31/2016
3.01	Income from financial intermediation	1,377,332	1,288,496
3.01.01	Loan	479,446	516,420
3.01.02	Gain (Loss) on marketable securities transactions	915,548	843,677
3.01.03	Gain (loss) on derivative financial instruments	(33,355)	(130,693)
3.01.04	Foreign exchange gains (losses)	22,559	41,261
3.01.05	Compulsory investment gain(loss)	(6,866)	17,831
3.02	Expenses from financial intermediation	(1,122,062)	(964,310)
3.02.01	Funding Operations	(319,305)	(363,301)
3.02.02	Borrowings and onlending	(583,808)	(429,576)
3.02.03	Allowance for loan losses	(218,949)	(171,433)
3.03	Gross Income from Financial Intermediation	255,270	324,186
3.04	Other operating income/expenses	(248,162)	(94,663)
3.04.01	Income for Services Provided	584,422	532,106
3.04.02	Personnel expenses	(455,911)	(426,027)
3.04.03	Other administrative expenses	(297,242)	(260,835)
3.04.04	Tax expenses	(75,095)	(71,645)
3.04.05	Other operating income	489,242	675,385
3.04.06	Other operating expenses	(493,578)	(543,647)
3.05	Operating income	7,108	229,523
3.06	Non-operating income	(1,846)	376
3.06.01	Revenues	818	829
3.06.02	Expenses	(2,664)	(453)
3.07	Income (Loss) before income taxes and profit sharing	5,262	229,899
3.08	Provision for income and social contribution taxes	(13,991)	(103,469)
3.09	Deferred income tax	(9,031)	(45,121)
3.10	Statutory contributions/profit sharing	-	(3,501)
3.10.01	Profit sharing	-	(3,501)
3.13	Net income (loss) for the period	(17,760)	77,808
3.99	Earnings (loss) per share (reais/share)	0.20562	0.90086

Individual Financial Statements/Statement of Comprehensive Income (loss)

(In thousands of reais)

Account code	Account description	Current quarter 01/01/2017 to 03/31/2017	Prior quarter 01/01/2016 to 03/31/2016
4.01	Net income for the period	(17,760)	77,808
4.02	Other comprehensive income (loss)	83,884	67,922
4.02.01	Equity adjustment to available-for-sale securities	138,399	113,588
4.02.02	Tax effect on equity adjustment to available-for-sale securities	(54,889)	(45,688)
4.02.03	Realization of revaluation reserve	1,991	969
4.02.04	Tax effect on realization of revaluation reserve	(859)	(436)
4.02.05	Actuarial gains (losses)	(758)	(511)
4.03	Comprehensive income (loss) for the period	66,124	145,730

Individual Financial Statements/ Statement of Cash Flows - Indirect Method

(In thousands of reais)

Account code	Account description	Current quarter 01/01/2017 to 03/31/2017	Prior quarter 01/01/2016 to 03/31/2016
6.01	Net cash from operating activities	(735,667)	(2,388,836)
6.01.01	Cash from operations	602,832	533,757
6.01.01.01	Net income for the period	(17,760)	77,808
6.01.01.02	Depreciation and amortization expenses	10,170	10,801
6.01.01.03	Valuation allowance for other assets	11	(2)
6.01.01.04	Net Allowance for loan losses	215,702	188,502
6.01.01.05	Net Allowance for losses on other receivables	3,247	(17,069)
6.01.01.06	Net Provision for Financial Guarantees Provided (risk FNE)	288,196	192,626
6.01.01.07	Net Provision for Financial Guarantees Provided (risk FDNE)	525	12
6.01.01.08	Net Provision for contingent liabilities	10,510	17,698
6.01.01.09	Net Provision for post-employment benefits	49,930	47,026
6.01.01.10	Net Provision for other contingent liabilities	45,775	11,297
6.01.01.11	Reversal of the provision of interest on debt instruments eligible to capital	(216)	(2,976)
6.01.01.12	Monetary restatement of judicial deposits	13,881	-
6.01.01.13	Deferred tax assets	(9,031)	(45,121)
6.01.01.14	Reversal of provision for losses on linked credits - SFH	(11,414)	14,624
6.01.01.15	Reversal of Revaluation Reserves	3,306	-
6.01.01.16	Provision for Debt instruments eligible to capital	-	38,531
6.01.02	Changes in assets and liabilities	(1,338,499)	(2,922,593)
6.01.02.01	Interbank investments	(7,048)	71
6.01.02.02	Interbank and Interdepartmental accounts	(101,694)	(43,482)
6.01.02.03	Loans	460,181	332,657
6.01.02.04	Other Credits	224,004	566,771
6.01.02.05	Other assets	7,539	(4,116)
6.01.02.06	Deposits	170,197	(398,239)
6.01.02.07	Open market funding	(51,521)	103,591
6.01.02.08	Funds from acceptance and issue of securities	(8,510)	(82,417)
6.01.02.09	Borrowings and onlending	(104,111)	(273,042)
6.01.02.10	Derivative financial instruments	33,355	130,693
6.01.02.11	Other liabilities	1,585,446	1,185,583
6.01.02.13	Income and social contribution taxes paid	(76,176)	(121,433)
6.01.02.14	Available-for-sale marketable securities	(3,470,161)	(4,319,230)
6.02	Net cash from investing activities	(9,051)	(12,505)
6.02.01	Addition to Investments	(3)	(32)
6.02.02	Addition to in property and equipment in use	(14,255)	(15,246)
6.02.03	Addition to in intangible assets	-	(385)
6.02.04	Addition to in assets not for own use	(96)	(26)
6.02.05	Disposal (Disposal) of Property, Plant and Equipment	5,289	3,145
6.02.06	Disposal of assets for own use	14	39
6.03	Net cash from financing activities	-	(393,394)
6.03.01	Dividends, bonuses and Interest on Equity (IOE)paid	-	(4)
6.03.03	Hybrid debt/equity instruments	-	(393,390)
6.05	Increase (decrease) in cash and cash equivalents	(744,718)	(2,794,735)
6.05.01	Cash and cash equivalents at beginning of period	9,429,229	12,587,311
6.05.02	Cash and cash equivalents at end of period	8,684,511	9,792,576

Individual Financial Statements/Statement of Changes in Equity/SCE - 01/01/2017 to 03/31/2017

(In thousands of reais)

Account code	Account description	Capital	Capital reserve	Revaluation reserves	Income reserves	Retained earnings (accumulated losses)	Equity adjustments	Total equity
5.01	Opening balance	2,844,000	-	14,490	1,157,951	-	(653,946)	3,362,495
5.03	Adjusted balance	2,844,000	-	14,490	1,157,951	-	(653,946)	3,362,495
5.04	Income/loss for the period	-	-	-	-	(17,760)	-	(17,760)
5.07	Equity Adjustments	-	-	(1,131)	-	4,437	82,752	86,058
5.07.01	Adjustments to marketable securities	-	-	-	-	-	83,510	83,510
5.07.04	Realization of reserve	-	-	(1,131)	-	4,437	-	3,306
5.07.05	Actuarial gains and losses	-	-	-	-	-	(758)	(758)
5.13	Closing balance	2,844,000	-	13,359	1,157,951	(13,323)	(571,194)	3,430,793

Individual Financial Statements/Statement of Changes in Equity/SCE - 01/01/2016 to 03/31/2016

(In thousands of reais)

Account code	Account description	Capital	Capital reserve	Revaluation reserves	Income reserves	Retained earnings (accumulated losses)	Equity adjustments	Total equity
5.01	Opening balance	2,844,000	-	16,621	598,429	-	(615,864)	2,843,186
5.03	Adjusted balance	2,844,000	-	16,621	598,429	-	(615,864)	2,843,186
5.04	Income/loss for the period	-	-	-	-	77,808	-	77,808
5.05	Allocations	-	-	-	7,534	(26,147)	-	(18,613)
)5.05.02	Interest on Equity (IOE)	-	-	-	7,534	(26,147)	-	(18,613)
5.07	Equity Adjustments	-	-	(533)	-	533	67,389	67,389
5.07.01	Adjustments to marketable securities	-	-	-	-	-	67,900	67,900
5.07.05	Realization of reserve	-	-	(533)	-	533	-	-
5.07.06	Actuarial gains and losses	-	-	-	-	-	(511)	(511)
5.13	Closing balance	2,844,000	-	16,088	605,963	52,194	(548,475)	2,969,770

Individual Financial Statements/Statement of Value Added

(In thousands of reais)

Account Code	Account description	Current quarter		Prior quarter	
		01/01/2017 to 03/31/2017	01/01/2016 to 03/31/2016	01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
7.01	Revenues	1,736,622		1,781,283	
7.01.01	Financial intermediation	1,377,332		1,288,496	
7.01.02	Services Provided	584,422		532,106	
7.01.03	(Reversal of) Allowance for loan losses	(218,949)		(171,433)	
7.01.04	Other	(6,183)		132,114	
7.02	Expenses from financial intermediation	(903,113)		(792,877)	
7.03	Inputs acquired from third parties	(277,458)		(240,682)	
7.03.01	Materials, energy and other expenses	(22,808)		(20,973)	
7.03.02	Third-parties services	(134,986)		(123,031)	
7.03.04	Other	(119,664)		(96,678)	
7.03.04.01	Data processing and telecommunications	(72,985)		(55,739)	
7.03.04.02	Advertising, promotions and publications	(5,279)		(3,539)	
7.03.04.03	Transportation	(6,966)		(6,557)	
7.03.04.04	Security	(15,885)		(13,508)	
7.03.04.05	Travel	(3,080)		(2,944)	
7.03.04.06	Other	(15,469)		(14,391)	
7.04	Gross Value Added	556,051		747,724	
7.05	Retentions	(10,171)		(10,801)	
7.05.01	Depreciation, amortization and depletion	(10,171)		(10,801)	
7.06	Net value added produced	545,880		736,923	
7.08	Total Value Added to be Distributed	545,880		736,923	
7.09	Distribution of Value Added	545,880		736,923	
7.09.01	Personnel	391,410		370,300	
7.09.01.01	Work compensation	273,289		258,109	
7.09.01.02	Benefits	97,159		92,720	
7.09.01.03	FGTS	20,962		19,471	
7.09.02	Taxes, charges and contributions	162,617		279,463	
7.09.02.01	Federal	155,244		272,828	
7.09.02.02	State	13		2	
7.09.02.03	Municipal	7,360		6,633	
7.09.03	Debt Remuneration	9,613		9,352	
7.09.03.01	Rent	9,613		9,352	
7.09.04	Equity Remuneration	(17,760)		77,808	
7.09.04.01	Interest on Equity (IOE)	-		26,147	
7.09.04.03	Retained Earnings/Losses for the period	(17,760)		51,661	

Operating performance

BNB entered into 1,107,442 loan and financing transactions in the total amount of \$4.2 billion in the first quarter of 2017, a decrease of 5.2% in the number of such transactions and a 0.9% decrease in the total amount of these transactions compared to the first quarter of 2016.

The funds used in long-term loan transactions mostly derived from Fundo Constitucional de Financiamento do Nordeste (FNE). In the first quarter of 2017, loan transactions were contracted in the amount of R\$2.1 billions with proceeds from FNE, aggregating a total of 135,293 transactions, a 13.9% increase in the contracted amount and an 6.1% increase in the number of transactions compared to the same period in 2016.

Through its urban production-oriented microloan program, denominated Crediamigo, BNB disbursed approximately R\$1.8 billion, contracting 906,687 transactions in the first quarter of 2017. It represents a 4,1% decrease in the contract amount and a 6,3% decrease in the number of transactions.

In relation to the Programa Nacional de Fortalecimento da Agricultura Familiar (Pronaf), BNB contracted 127,020 financing transactions totaling the amount of R\$606.2 millions in the first quarter of 2017, which represents a 3.1% increase in the contracted amount and a 5,3% increase in the number of transactions.

Under the Pronaf program, BNB operates the rural production-oriented microloan program denominated Agroamigo. Under this type 122,202 transactions were contracted in the first quarter of 2017 with family farmers, in the total amount of R\$499.7 million, representing a 5.6% increase in the contracted amount and a 5.2% increase in the number of transactions in relation to the same period of 2016.

Under the urban production-oriented microloan program, Crediamigo, and the rural, Agroamigo program, a total amount of approximately R\$2.3 billion was disbursed in the first quarter of 2017, with a total of 1,028,889 contracted transactions providing support to micro-entrepreneurs in the urban and rural areas within the Bank's jurisdiction.

In relation to support to micro and small enterprises, BNB entered into 12,861 transactions in the amount of R\$527.9 millions in the first quarter of 2017, a 12.0% increase in the contracted amount and a 4.5% increase in the number of transactions.

In relation to the financial performance, BNB posted net loss of R\$17.8 millions in the first quarter of 2017, although in the same period in 2016 it had a net income of R\$77.8 millions.

CVM Rule No. 381, of January 14,2003

In relation to CVM Rule No. 381/03, dated 01.14.2003, Banco do Nordeste informs hereby that Ernst & Young Auditores Independentes S/S, engaged as Independent Auditor, did not provide, in the first quarter of 2017, any services other than independent audit services.

NOTES TO FINANCIAL STATEMENTS
Quarters ended March 31, 2017 and 2016
Amounts expressed in thousands of reais, unless otherwise stated

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Note 11 - Foreign Exchange Portfolio	Note 27 - Risk Management and Basel Index
Note 12 - Permanent Assets	Note 28 - Related Parties
Note 13 - Deposits, Open Market Funding, Funds from Acceptance and Issue of Securities, Debt Instruments Eligible to Capital and Subordinated Debts	Note 29 - Statement of Comprehensive Income (loss)
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Note 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is a mixed economy publicly-held financial institution established by Federal Law No. 1649 of July 19, 1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará, Brazil, and its mission is: “to operate as the Development Bank for the Brazilian Northeast Region”. Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks, except mortgage loan portfolio. As an institution devoted to regional development, the Bank operates as the executive agent of public policies and is responsible for managing 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 (Programa Nacional de Fortalecimento da Agricultura Familiar - Pronaf) in its jurisdiction. The Bank is also the operator of the Northeast Investment Fund (Fundo de Investimentos do Nordeste - FINOR) and the Northeast Development Fund (Fundo de Desenvolvimento do Nordeste - FDNE). It has the largest micro-financing program in Latin America, consolidated under Crediamigo and Agroamigo, which facilitate access to loans to small entrepreneurs who engage in production-related, product sale, and service activities in urban and rural areas. In addition to federal funds, the Bank has access to other sources of financing in the domestic and foreign markets through funds raised directly, as well as partnerships with domestic and foreign institutions, including multilateral institutions such as the World Bank and the InterAmerican Development Bank (IDB).

Note 2 - Basis of Preparation and Presentation of Financial Statements

The financial statements were prepared in accordance with the provisions from the 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 (Conselho Monetário Nacional - CMN), the Central Bank of Brazil (Banco Central do Brasil - Bacen), and the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (Plano Contábil das Instituições do Sistema Financeiro Nacional - Cosif).

The pronouncements issued by Brazil’s Financial Accounting Standards Board – FASB (Comitê de Pronunciamentos Contábeis - “CPC”) in the process of convergence between the Brazilian accounting standards and the International Financial Reporting Standards (IFRS), adopted by the CMN by way of rules amended as

well as those approved by the CVM that do not clash with CMN rules, are included in the Bank's financial statements as follows:

- CPC 00 (R1) - The Conceptual Framework for Financial Reporting (CMN Resolution No. 4144 of 09.27.2012);
- CPC 01 - Impairment of Assets (CMN Resolution No. 3566 of 05.29.2008);
- CPC 02 (R2) - Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements (CMN Resolution No. 640 of 10.07.2010);
- CPC 03 - Cash Flow Statement - (CMN Resolution No. 3604 of 08.29.2008);
- CPC 05 - Related-Party Disclosures (CMN Resolution No. 3750 of 06.30.2009);
- CPC 09 - Statement of Value Added (CVM Rule No. 557 of 11.12.2008);
- CPC 12 - Present Value Adjustment (CVM Rule No. 564 of 12.17.2008);
- CPC 22 - Segment Reporting (CVM Rule No. 582 of 07.31.2009);
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors (CMN Resolution No. 4007 of 08.25.2011);
- CPC 24 - Subsequent Events (CMN Resolution No. 3973 of 05.26.2011);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution No. 3823 of 12.16.2009);
- CPC 26 (R1) - Presentation of Financial Statements (CVM Rule No. 760 of 12.22.2016);
- CPC 27 - Property, Plant and Equipment (CVM Rule No. 583 of 07.31.2009);
- CPC 32 - Income Taxes (CVM Rule No. 599 of 09.15.2009);
- CPC 33 (R1) - Employee Benefits (CMN Resolution No. 4424 of 06.25.2015); 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 initially recognized at the average currency rate in force on the transaction date, while nonmonetary assets are stated at historical cost.

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

b) P&L recognition criteria

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

c) Current and noncurrent assets and liabilities

Assets and receivables are stated at realizable values, plus income earned and currency variations and currency fluctuation, less unearned income or allowance, if applicable. Liabilities are stated at original amounts plus, if applicable, charges and monetary and currency variations incurred, less deferred expenses. Available funds from FNE are classified in Current liabilities and Long-term payables according to the expected outflow of funds.

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

d) Cash and Cash Equivalents

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

e) Interbank Investments

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

f) Marketable Securities

Marketable securities are recorded at cost, plus brokerage and other fees, and are classified and evaluated as follows:

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 matched against Equity; and

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

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

g) Derivative financial instruments

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

Swap transactions are stated in statement of financial position and memorandum accounts, according to their nature, based on prevailing accounting standards and legal provisions. They are measured at market value upon preparation of monthly trial balances and half-yearly statements of financial position. Valuations or devaluations are stated in income or expense accounts. The rates disclosed by BM&FBOVESPA are used to calculate the market 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 - Eurobonds, the Bank designated derivative financial instruments (swap contracts) to fully hedge the loans raised and corresponding interest payable (market risk hedge). To equalize the effects of marked-to-market of derivative financial instruments designated as hedging instruments, the hedged item is also adjusted for changes in market value.

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

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

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

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

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

H-rated operations remain under this rating for 180 days, when they are then written off against the existing allowance and controlled for at least five years, no longer being included in the statements of financial position. Renegotiated operations are kept at least at the same level into which they were classified.

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

i) Prepaid expenses

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

j) Permanent assets

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

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

Intangible assets comprise disbursements for acquisition of software rights that are currently in the implementation phase, the useful lives of which are 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.

k) Taxes

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 20% (until 12.31.2018, in compliance with Law No. 13169 of 10.06.2015), after adjustments in corporate profit 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, provisions for post-employment benefits, mark-to-market of marketable securities, derivative financial instruments, and hedged item.

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

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), on an accrual basis.

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

For “defined benefit” plans and for the portion of unplanned 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 amounts considered in net interest, are recognized under “Equity adjustments”, in Equity.

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

m) Deposits and open market funding

Deposits and open market funding are recognized at the amount of liabilities, and related charges, when applicable, are recorded on a *pro rata* day basis.

n) Impairment of assets

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

o) 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 No. 3823 of 12.16.2009, and BACEN Circular Letter No. 3429 of 02.11.2010.

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 assessed as probable, the settlement of which is likely to result in an outflow of economic benefits, and the amounts involved can be reliably measured upon court reference/notification, reviewed as required by procedural changes, and monetarily restated on a monthly basis.

The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing claims are made by the Banks’s Legal Department, case by case, and are classified according to the likelihood of loss, as probable, possible and remote. Such classification is based on analysis of the following factors: i) reasonableness of the factual and legal arguments of the other party; ii) arguments and legal basis developed by the Bank; iii) history of losses in similar cases; iv) understanding of higher courts and supervisory authorities on the matters in litigation; v) decisions already rendered on each proceeding (decision, award, injunction, interim relief, writ of payment or writ of attachment, etc.); and vi) existence of procedural defects in administrative and legal proceedings.

Contingencies classified as probable losses are accounted for and represented by Civil proceedings (claiming compensation for pain and suffering and property damages, including, among others, protest of notes, return of checks, and provision of information to credit reporting agencies); Labor claims (claiming labor rights, in light of specific professional category legislation, such as overtime pay, salary equalization, job reinstatement, transfer allowance, severance pay, retirement supplementation, including enforcement notices issued by Regional Labor Offices and others); Tax and Social Security proceedings (represented by legal and administrative proceedings involving federal and municipal taxes); and Other proceedings (such as enforcement notices issued by Regional Councils that regulate the exercise of professions). For lawsuits unfavorable outcome of which is possible or remote, provisions are not set up, as provided for in legal and regulatory requirements, except for legal obligations.

Contingent assets and liabilities are not recognized in the financial statements.

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

p) Subordinated debts

Subordinated debts are recorded at the cost of acquisition, restated by reference to the extra-market rate disclosed by BACEN when the funds are available and, when invested, by reference to the charges agreed upon by the borrowers.

q) Interest on Equity (IOE) and Dividends

The shareholders are entitled to receive, as mandatory minimum dividend for each year, 25% (twenty-five percent) of the net income for the year, as established in the Bank's Chart. Interest on equity may be levied on mandatory minimum dividends.

r) Use of estimates

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

s) Earnings per share

The 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.

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

For the periods ended 03.31.2017 and 12.31.2016, no revenue from transactions with one single customer accounted for 10% or more of the Bank's total revenue.

The table below 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 03.31.2017			01.01 to 03.31.2016		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	973,077	891,651	1,864,728	1,214,158	750,099	1,964,257
Income from loans	479,446	-	479,446	516,420	-	516,420
Gains (losses) on marketable securities transactions	345,870	569,678	915,548	402,804	440,873	843,677
Gains (losses) on derivative financial instruments	(33,355)	-	(33,355)	(130,693)	-	(130,693)
Foreign exchange gains (losses)	22,559	-	22,559	41,261	-	41,261
Compulsory investment yield	(6,866)	-	(6,866)	17,831	-	17,831
Other income	165,423	321,973	487,396	366,535	309,226	675,761
Expenses	(578,020)	(833,496)	(1,411,516)	(543,282)	(615,931)	(1,159,213)
Expenses on open market funding	(319,305)	-	(319,305)	(363,301)	-	(363,301)
Expenses on borrowings and onlending	(39,766)	(544,042)	(583,808)	(8,548)	(421,028)	(429,576)
Allowance for loan losses	(218,949)	(289,434)	(508,383)	(171,433)	(194,592)	(366,025)
Other contingent liabilities	-	-	-	-	(212)	(212)
PROAGRO provision receivable	-	(20)	(20)	-	(99)	(99)
Financial margin	395,057	58,155	453,212	670,876	134,168	805,044
Service revenues	232,793	335,375	568,168	93,303	426,434	519,737
Income from fees, charges and commissions	16,254	-	16,254	12,369	-	12,369
PASEP and COFINS	(33,992)	(33,351)	(67,343)	(27,601)	(37,106)	(64,707)
Income after fees and commissions	610,112	360,179	970,291	748,947	523,496	1,272,443
Administrative expenses			(753,153)			(686,862)
Personnel expenses			(455,911)			(426,027)
Depreciation and amortization			(10,171)			(10,801)
Other administrative expenses			(287,071)			(250,034)
Other expenses			(155,110)			(326,687)
Expenses with provisions, except allowance for loan losses			(56,766)			(28,995)
Income before taxation and profit sharing			5,262			229,899
Income and social contribution taxes			(23,022)			(148,590)
Profit sharing			-			(3,501)
Net income (loss)			(17,760)			77,808

NOTE 5 - Cash and Cash Equivalents

Specification	03.31.2017	12.31.2016
Cash and cash equivalents in local currency	117,126	127,664
Cash in foreign currency	40,528	56,911
Total cash and cash equivalents	157,654	184,575
Interbank investments ⁽¹⁾	8,526,857	9,244,654
Total cash and cash equivalents	8,684,511	9,429,229

(1) Transactions whose maturity on the investment date is within 90 days.

NOTE 6 - Interbank investments

a) Breakdown

Specification	03.31.2017	12.31.2016
a) Open market investments	8,601,049	9,314,933
Resale agreements pending settlement - Self-funded position	8,526,857	9,244,654
Resale agreements pending settlement - Financed position	74,192	70,279
b) Interbank deposits	153,485	150,350
Interbank investments	153,485	150,350
Total	8,754,534	9,465,283
Short-Term	8,754,534	9,465,283

b) Income from interbank investments

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
a) Income from open market investments (Note 7.b)	264,518	319,566
Self-funded position	262,368	317,428
Financed position	2,150	2,138
b) Income from interbank deposits (Note 7.b)	3,135	-
Total	267,653	319,566

NOTE 7 - Marketable securities and derivative financial instruments

a) Marketable securities

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

a.1) Marketable Securities and Derivative Financial Instruments

Specification	03.31.2017	12.31.2016
Available-for-sale securities	23,809,015	20,259,164
Held-to-maturity securities	190,044	186,224
Swap differential receivable	370,134	403,488
Total	24,369,193	20,848,876
Short-Term	3,255,107	4,050,575

Long-Term	21,114,086	16,798,301
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a.2) Available-for-sale securities

Specification	03.31.2017								
	No maturity	Maturity				Cost value	Market/book value	Market adjustment	Maturity
		0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days				
Fixed income securities	-	-	1,799,071	1,409,761	20,281,421	24,008,170	23,490,253	(517,917)	
Financial Treasury Bills (LFT)	-	-	1,513,206	1,080,866	17,230,954	19,848,852	19,825,026	(23,826)	2017 to 2023
National Treasury Notes (NTN)	-	-	-	-	1,682,677	1,525,060	1,682,677	157,617	2050
Financial Bills	-	-	285,756	328,871	1,251,564	1,917,861	1,866,191	(51,670)	2017 to 2019
Debentures	-	-	-	-	111,744	676,860	111,744	(565,116)	2018 to 2041
Federal government securities - FCVS	-	-	-	-	4,160	5,001	4,160	(841)	2027
Federal government securities - other	-	-	-	-	-	33,953	-	(33,953)	1993
Agrarian Debt Securities (TDAs)	-	-	109	24	322	583	455	(128)	2017 to 2022
Investment fund shares	348	-	-	-	-	1,932	348	(1,584)	
Social Development Funds (FDS)	-	-	-	-	-	1,584	-	(1,584)	No maturity
Investment Guarantee Fund (FGI)	332	-	-	-	-	332	332	-	No maturity
Operation Guarantee Fund (FGO)	16	-	-	-	-	16	16	-	No maturity
Variable income securities	24,656	-	-	-	-	13,025	24,656	11,631	
Other tax incentives (FINOR)	117	-	-	-	-	109	117	8	No maturity
Publicly-traded companies shares	24,539	-	-	-	-	12,916	24,539	11,623	No maturity
Security deposits⁽¹⁾	-	-	-	-	293,758	294,502	293,758	(744)	
Financial Treasury Bills (LFT)	-	-	-	-	272,482	272,470	272,482	12	2020 to 2023
Federal government securities – Nuclebrás	-	-	-	-	-	859	-	(859)	1993
Debentures	-	-	-	-	21,276	21,173	21,276	103	2019
Total of category	25,004	-	1,799,071	1,409,761	20,575,179	24,317,629	23,809,015	(508,614)	
Tax credit (Note 21.b)								277,974	
Provision for deferred taxes and contributions (Note 21.c)								(68,724)	
Total market value adjustment								(299,364)	

Specification	12.31.2016								
	No maturity	Maturity				Cost value	Market/book value	Market adjustment	Maturity
		0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days				
Fixed income securities	-	-	2,113,406	1,606,186	16,191,268	20,574,867	19,910,860	(664,007)	
Financial Treasury Bills (LFT)	-	-	1,975,238	1,468,599	12,997,447	16,474,904	16,441,284	(33,620)	2017 to 2022
National Treasury Notes (NTN)	-	-	-	-	1,561,353	1,532,143	1,561,353	29,210	2050
Financial Bills	-	-	138,060	137,564	1,528,758	1,858,041	1,804,382	(53,659)	2017 to 2019
Debentures	-	-	-	-	98,278	670,579	98,278	(572,301)	2018 to 2041
Federal government securities - FCVS	-	-	-	-	5,133	5,116	5,133	17	2027
Federal government securities - other	-	-	-	-	-	33,507	-	(33,507)	1993
Agrarian Debt Securities (TDAs)	-	-	108	23	299	577	430	(147)	2017 to 2022
Investment fund shares	327	-	-	-	-	1,895	327	(1,568)	
Social Development Funds (FDS)	-	-	-	-	-	1,568	-	(1,568)	No maturity
Investment Guarantee Fund (FGI)	313	-	-	-	-	313	313	-	No maturity
Operation Guarantee Fund (FGO)	14	-	-	-	-	14	14	-	No maturity
Variable income securities	32,477	-	-	-	-	13,025	32,477	19,452	
Other tax incentives (FINOR)	109	-	-	-	-	109	109	-	No maturity
Publicly-traded companies shares	32,368	-	-	-	-	12,916	32,368	19,452	No maturity
Security deposits⁽¹⁾	-	-	287,504	-	27,996	316,390	315,500	(890)	
Financial Treasury Bills (LFT)	-	-	287,504	-	7,439	295,107	294,943	(164)	2017 to 2022
Federal government securities – Nuclebrás	-	-	-	-	-	848	-	(848)	1993
Debentures	-	-	-	-	20,557	20,435	20,557	122	2019
Total of category	32,804	0	2,400,910	1,606,186	16,219,264	20,906,177	20,259,164	(647,013)	
Tax credit (Note 21.b)								284,811	
Provision for deferred taxes and contributions (Note 21.c)								(20,670)	
Total market value adjustment								(382,872)	

(1) Breakdown: Guarantees on stock exchange transactions R\$237,711 (R\$230,402 at 12.31.2016); guarantees on clearing house association transactions R\$2,705 (R\$2,617 at 12.31.2016); guarantees on legal proceedings R\$28,864 (R\$58,733 at 12.31.2016); and other guarantees R\$24,479 (R\$23,748 at 12.31.2016).

Account “Federal Government Securities - Other” under items Fixed Income Securities and Security Deposits records cash investments in government securities denominated by the National Treasury as NUCL910801 and CVSB970101 maturing on 08.31.1993 and 01.01.2027, but not yet redeemed by the National Treasury. These securities recorded a full devaluation due to their maturity, without, however, falling under the concept of permanent loss, as provided by BACEN Circular Letter No. 3068 of 11.08.2001.

In view of the classification of assets under “Available-for-sale securities”, the amount of (R\$508,614) ((R\$647,013) at 12.31.2016) was recorded in Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to (R\$299,364) ((R\$382,872) at 12.31.2016).

a.3) Held-to-maturity securities

Specification	03.31.2017							
	Maturity					Cost/book value	Market value ⁽¹⁾	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
Fixed income securities	-	-	-	21,270	168,774	190,044	133,679	
National Treasury Notes (NTN) - P	-	-	-	-	159,172	159,172	102,807	2030
Investment Fund Shares - Criatec	-	-	-	11,046	-	11,046	11,046	2017
Investment Fund Shares – Criatec II	-	-	-	-	9,054	9,054	9,054	2023
Investment Fund Shares – Criatec III	-	-	-	-	339	339	339	2025
FIP Brasil Agronegócios	-	-	-	10,225	-	10,225	10,225	2018
Nordeste III FIP	-	-	-	-	208	208	208	2022
Total of category	-	-	-	21,271	168,773	190,044	133,679	

Specification	12.31.2016							
	Maturity					Cost/book value	Market value ⁽¹⁾	Maturity
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
Fixed income securities	-	-	-	10,676	175,548	186,224	144,981	
National Treasury Notes (NTN) - P	-	-	-	-	156,328	156,328	115,085	2030
Investment Fund Shares - Criatec	-	-	-	10,676	-	10,676	10,676	2017
Investment Fund Shares – Criatec II	-	-	-	-	8,366	8,366	8,366	2023
Investment Fund Shares – Criatec III	-	-	-	-	438	438	438	2025
FIP Brasil Agronegócios	-	-	-	-	10,237	10,237	10,237	2018
Nordeste III FIP	-	-	-	-	179	179	179	2022
Total of category	-	-	-	10,676	175,548	186,224	144,981	

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

a.4) In the 1st quarter of 2017, there were no reclassifications of marketable securities into the categories above, and no held-to-maturity securities were sold.

a.5) The criteria below are used to obtain market value, according to the following order of priority:

- 1st - Market Prices disclosed by the National Association of Financial Market Institutions (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais - Anbima) and BM&FBOVESPA;
- 2nd - Goodwill/Negative Goodwill on transactions occurred over the past 3 months in CETIP S.A. - Mercados Organizados; and
- 3rd - Calculation of probable realizable value based on own pricing model.

a.6) Bank Management states that the institution has the financial capacity and the intention to keep these securities held under this category until maturity.

b) Gain (loss) on marketable securities

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Open market investments (Note 6.b)	264,518	319,566
Interbank deposits (Note 6.b)	3,135	-
Fixed income securities	647,444	523,850
Variable income securities	451	261
Total	915,548	843,677

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 indexes.

As at 03.31.2017, the Bank had swap transactions registered with CETIP S.A. (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 03.31.2017									
Specification	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net	
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative		
Long position									
Foreign currency (dollar)	578,615	370,134	-	356,359	-	13,775	-	13,775	
Short position									
Fixed rate	-	-	-	-	-	-	-	-	
Total	578,615	370,134		356,359		13,775		13,775	
Provision for deferred taxes and contributions (Note 21.c)									5,510

Breakdown at 12.31.2016									
Specification	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net	
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative		
Long position									
Foreign currency (dollar)	578,615	403,488	-	392,844	-	10,644	-	10,644	
Short position									
Fixed rate	-	-	-	-	-	-	-	-	
Total	578,615	403,488		392,844		10,644		10,644	
Provision for deferred taxes and contributions (Note 21.c)									4,258

Specification	03.31.2017		12.31.2016	
	Differential receivable	Differential payable	Differential receivable	Differential payable
1 to 3 years	370,134		403,488	-
3 to 5 years	-		-	-
Total	370,134		403,488	

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

Specification	03.31.2017				
	Curve value		Market value		Market value adjustment
Hedging instruments	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI	
Swap - Foreign currency - Long position	967,616	611,257	981,390	611,256	13,775
Hedged item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
Eurobonds - Senior Unsecured Notes	967,616		981,394		13,778
Tax credit (Note 21.b)					5,511

(1) Net of tax effects at source on interest from loan of R\$2,343.

Specification	12.31.2016				
	Curve value		Market value		Market value adjustment
Hedging instruments	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI	
Swap - Foreign currency - Long position	984,503	591,659	995,147	591,659	10,644
Hedged item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
Eurobonds - Senior Unsecured Notes	984,622		995,151		10,529
Tax credit (Note 21.b)					4,211

(1) Net of tax effects at source on interest from loan of R\$984.

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

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 Letter No. 3082 of 01.30.2002, based on the financial flows (principal and interest) of the hedged item, Eurobonds - Senior Unsecured Notes and of hedging instruments (swap contracts).

d) Gain (loss) on derivative financial instruments

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Swap	(33,355)	(130,693)
Total	(33,355)	(130,693)

Note 8 - Interbank accounts - Linked credits

a) Linked credits

Specification	03.31.2017			12.31.2016		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory payments	221,662	-	221,662	122,735	-	122,735
Compulsory reserves - Cash funds	106,063	-	106,063	95,600	-	95,600
National Housing System (SFH)	71,762	(15,925)	55,837	70,580	(4,511)	66,069
National Treasury - Rural credit	659	(659)	-	651	(645)	6
Total	400,146	(16,584)	383,562	289,566	(5,156)	284,410
Short-Term	327,725	-	327,725	218,341	(6)	218,335
Long-Term	72,421	(16,584)	55,837	71,225	(5,150)	66,075

b) Compulsory investment yield/loss

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Income from linked credits - Central Bank of Brazil	3,352	1,836
Income from linked credits - SFH	1,182	1,262
Income from linked credits - Rural Credit	14	24
Appreciation (Depreciation) of linked credits	(11,414)	14,709
Total	(6,866)	17,831

NOTE 9 - Loan portfolio and allowance for loan losses

(a) Loan portfolio and allowance for loan losses

Specification	03.31.2017		12.31.2016	
	Gross amount	Allowance	Gross amount	Allowance
Loans	11,764,346	(1,301,823)	12,373,957	(1,235,550)
Short-Term	4,918,972	(731,898)	5,322,670	(548,029)
Long-Term	6,845,374	(569,925)	7,051,287	(687,521)
Other accounts with loan features	591,768	(196,482)	619,979	(195,538)
Short-Term	589,105	(196,482)	616,758	(195,538)
Long-Term	2,663	-	3,221	-
Total	12,356,114	(1,498,305)	12,993,936	(1,431,088)

a.1) Breakdown of loan portfolio

Specification	03.31.2017	12.31.2016
Advances to depositors	2,512	441
Loans	4,876,894	5,313,172
Discounted notes	41,309	49,836
Financing	2,313,310	2,412,656
Financing in foreign currency	67,391	62,423
Refinancing with the Federal Government (Note 28.a.1)	566,969	552,221
Rural and agroindustrial financing	1,872,300	1,872,488
Real estate financing ⁽¹⁾	243	243
Infrastructure and development financing	2,023,418	2,110,477
Loans subtotal	11,764,346	12,373,957
Income receivable from advances granted	41,767	38,950
Debtors for purchase of assets	2,354	3,172
Notes and credits receivables	66,436	70,841
Advances on Exchange Contracts (ACC) ⁽²⁾ (Note 11.a)	481,211	507,016
Other accounts with loan features subtotal	591,768	619,979
Total	12,356,114	12,993,936

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

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

a.2) Income from loans

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Loans and discounted notes	263,608	289,177
Financing	154,271	146,462
Rural and agroindustrial financing	42,295	67,596
Recovery of loans written off as losses	19,269	13,180
Other amounts	3	5
Total	479,446	516,420

b) Breakdown by maturity

b.1) Current loans⁽¹⁾

Type of Customer/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 03.31.2017	Total at 12.31.2016
Rural	19,805	669	4,318	24,223	10,431	1,716,120	1,775,566	1,780,128
Manufacturing	58,577	77,016	76,683	160,762	201,223	1,827,582	2,401,843	2,653,134
Government	16,116	16,117	16,116	74,400	96,699	1,103,553	1,323,001	1,380,519
Other services	153,352	114,109	130,305	196,377	281,563	1,249,200	2,124,906	2,471,145
Trade	705,519	590,301	485,096	750,114	373,654	527,927	3,432,611	3,773,594
Financial brokers	54	10	7	17	22	50	160	207
Housing	74	23	14	29	36	377	553	672
Individuals	27,019	11,858	8,589	16,690	13,183	16,267	93,606	94,793
Total	980,516	810,103	721,128	1,222,612	976,811	6,441,076	11,152,246	12,154,192

⁽¹⁾ Include loans overdue up to 14 days.

b.2) Past-Due loans

Falling due installments								
Type of Customer/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 03.31.2017	Total at 12.31.2016
Rural	1,886	598	683	2,616	4,996	27,454	38,233	36,609
Manufacturing	4,406	4,123	4,013	12,655	21,721	183,134	230,052	118,231
Other services	9,420	7,989	7,509	21,239	36,205	92,469	174,831	137,527
Trade	19,901	16,968	13,850	32,533	50,607	103,109	236,968	220,678
Financial brokers	1	1	1	2	4	8	17	19
Individuals	315	435	484	930	830	1,504	4,498	3,635
Total	35,929	30,114	26,540	69,975	114,363	407,678	684,599	516,699

Past-due installments									
Type of Customer/Activity	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Above 360 days	Total at 03.31.2017	Total at 12.31.2016
Rural	376	354	1,610	696	4,885	47,894	240	56,055	52,671
Manufacturing	1,966	3,256	5,391	5,131	8,578	8,353	332	33,007	36,110
Other services	3,846	17,189	161,132	38,536	16,335	37,480	1,173	275,691	73,492
Trade	4,120	13,519	19,098	14,804	35,549	50,864	172	138,126	143,418
Financial brokers	-	-	-	1	-	-	-	1	2
Housing	-	4	14	-	123	315	-	456	396
Individuals	75	1,092	1,672	1,444	3,476	8,166	8	15,933	16,956
Total	10,383	35,414	188,917	60,612	68,946	153,072	1,925	519,269	323,045

c) Breakdown by risk level

Risk level	03.31.2017				12.31.2016			
	Current loan ⁽¹⁾	Past-Due loan	Total portfolio	Allowance	Performing loan ⁽¹⁾	Non-performing loan	Total portfolio	Allowance
AA	5,110,003	-	5,110,003	-	5,269,455	-	5,269,455	-
A	3,435,400	-	3,435,400	(17,177)	3,796,590	-	3,796,590	(18,983)
B	658,281	59,861	718,142	(7,181)	792,390	45,384	837,774	(8,378)
C	621,581	61,895	683,476	(20,504)	657,005	51,108	708,113	(21,243)
D	579,702	71,149	650,851	(65,085)	712,588	43,742	756,330	(75,633)
E	264,027	58,738	322,765	(96,830)	185,810	92,886	278,696	(83,609)
F	20,113	182,221	202,334	(101,167)	22,255	118,838	141,093	(70,546)
G	94,157	48,450	142,607	(99,825)	110,218	67,075	177,293	(124,104)
H	368,982	721,554	1,090,536	(1,090,536)	607,881	420,711	1,028,592	(1,028,592) ⁽²⁾
Total	11,152,246	1,203,868	12,356,114	(1,498,305)	12,154,192	839,744	12,993,936	(1,431,088)

⁽¹⁾ Include loans overdue up to 14 days.

⁽²⁾ Include provisions to cover the Bank risk on loan transactions with indication of irregularities in the amount of R\$200.

d) Changes in the allowance for the period

Specification	03.31.2017	12.31.2016
Opening balance of Allowance for losses on loan portfolio	1,431,088	1,127,873
(+) Allowance recognized for the period	218,856	791,974
(-) Loans written off as loss for the period	(151,639)	(488,759)
(=) Net Allowance for losses on loan portfolio	1,498,305	1,431,088
Opening balance of Allowance for losses on other receivables without loan features	28,824	46,804
(+) Allowance recognized for the period	135	230
(+) Reversal of allowance for the period	(37)	(18,210)
(=) Net allowance for losses on other receivables without loan features (Note 10.e)	28,922	28,824
(=) Balance of allowance for loan losses	1,527,227	1,459,912

e) Breakdown of the allowance expense balance

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
(+) Expenses with allowance for loan losses	215,706	188,502
(+) Expenses with allowance for losses on other receivables	3,150	-
(+) Reversal of operating allowances	-	(17,169)
(=) Balance of expenses with allowance for losses on other receivables with loan features	218,856	171,333
(+) Allowance for losses on other receivables without loan features	134	137
(-) Reversals of allowances for other receivables without loan features	(41)	(37)
(=) Balance of expenses on allowance for loan losses (Note 4)	218,949	171,433

f) Loan concentration

Specification	03.31.2017		12.31.2016	
	Balance	% of portfolio	Balance	% of portfolio
10 major debtors	2,608,667	21.11	2,643,611	20.34
50 major debtors	4,870,216	39.42	4,948,296	38.08
100 major debtors	5,615,175	45.44	5,729,029	44.09

g) In the 1st quarter of 2017, receivables that had been written off as loss were recovered in the amount of R\$ 19,269 (R\$ 13,180 at 03.31.2016) and renegotiations amounted to R\$ 180,596 (R\$ 443,253 at 03.31.2016).

NOTE 10 - Other receivables

Specification	03.31.2017	12.31.2016
a) Foreign Exchange Portfolio (Note 11.a)	607,992	612,278
b) Income receivable	17,086	13,921
c) Trading and intermediation of securities	12	12
d) Sundry	3,532,481	3,748,539
Tax credits on Provisions (Note 21.b)	2,122,085	2,132,416
Tax credits on marketable securities, derivative financial instruments and hedged item (Note 21.b)	283,485	289,022
Debtors for escrow deposits	706,392	692,167
Taxes and contributions to be offset	45,002	303,112
Tax incentive options	26,748	26,748
Notes and receivables	66,436	70,841
Advances and early salary payment	36,739	2,446
Payments to be refunded	13,616	17,802
Other amounts	231,978	213,985
e) Allowance for losses on other receivables	(225,404)	(224,362)
Receivables with loan features (Note 9.a)	(196,482)	(195,538)
Receivables without loan features (Note 9.d)	(28,922)	(28,824)
Total	3,932,167	4,150,388
Short-Term	1,693,343	2,257,019
Long-Term	2,238,824	1,893,369

NOTE 11 - Foreign exchange portfolio

a) Breakdown

Specification	03.31.2017	12.31.2016
Assets - Other receivables		
Foreign exchange purchase pending settlement	550,095	570,689
Rights on foreign exchange sales	16,886	2,639
Advances received in local currency	(756)	-
Income receivable from advances granted	41,767	38,950
Current assets (Note 10.b)	607,992	612,278
Liabilities - other liabilities		
Foreign exchange purchase obligations	497,002	508,389
Foreign exchange sales pending settlement	16,926	2,649
(Advances on exchange contracts - ACC) (Note 9.a.1)	(481,211)	(507,016)
Current liabilities (Note 16.b)	32,717	4,022

b) Foreign exchange gains (losses)

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Exchange gains	22,745	41,525
Exchange losses	(186)	(264)
Total	22,559	41,261

Note 12 - Permanent assets

a) Investments

Specification	12.31.2016	01.01.2017 to 03.31.2017			03.31.2017	
	Book balance	Changes		Book balance	Cost value	Book balance
		Additions	Exclusions			
Shares and units of interest	652	-	-	652	652	652
Artworks and valuables	1,257	3	-	1,260	1,260	1,260
Total	1,909	3	-	1,912	1,912	1,912

b) Property and equipment

Specification	12.31.2016	01.01.2017 to 03.31.2017			03.31.2017			
	Book balance	Changes			Book balance	Cost value	Accumulated depreciation	Book balance
		Additions	Exclusions	Depreciation				
Buildings	82,859	431	(422)	(2,556)	80,312	259,145	(178,833)	80,312
Data processing system	46,757	11,319	(4,532)	(5,241)	48,303	155,172	(106,869)	48,303
Furniture and equipment in use	29,126	2,415	(269)	(1,383)	29,889	77,729	(47,840)	29,889
Land	17,631	(55)	-	-	17,576	17,576	-	17,576
Facilities	5,536	24	-	(296)	5,264	20,747	(15,483)	5,264
Communication system	43	22	(6)	(3)	56	308	(252)	56
Security system	7,760	99	(60)	(340)	7,458	18,949	(11,491)	7,458
Transportation system	3,045	-	-	(351)	2,694	14,364	(11,670)	2,694
Total	192,757	14,255	(5,289)	(10,170)	191,552	563,990	(372,438)	191,552

c) Intangible assets

Specification	12.31.2016	01.01.2017 to 03.31.2017			03.31.2017		
	Book balance	Changes			Book balance	Cost value	Book balance
		Additions	Exclusions	Amortization			
Spending on intangible assets under development	19,903	-	-	-	19,903	19,903	19,903
Total	19,903	-	-	-	19,903	19,903	19,903

In the 1st quarter no impairment losses were recorded on permanent assets.

NOTE 13- Deposits, Open Market Funding, Funds from Acceptance and Issue of Securities, Debt Instruments Eligible for Capital and Subordinated Debts

a) Breakdown of deposits, funds from acceptance and issue of securities, debt instruments eligible for capital and subordinated debts by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Above 15 years	Total at 03.31.2017	Total at 12.31.2016
Demand deposits	230,174	-	-	-	-	-	230,174	345,990
Demand deposits	230,174	-	-	-	-	-	230,174	345,990
Savings deposits	1,955,298	-	-	-	-	-	1,955,298	2,113,346
Interbank deposits	654,826	555,221	81,175	-	-	-	1,291,222	1,198,845
Time deposits	849,771	1,036,113	3,200,624	977,519	1,228,663	22,014	7,314,704	6,949,139
Time deposits	287,215	1,003,301	2,705,972	852,489	1,115,235	22,014	5,986,226	5,517,628
Interest-yielding judicial deposits	549,962	-	-	-	-	-	549,962	520,393
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	-	-	421,609	59,743	59,743	-	541,095	655,578
FAT - Available funds	2,426	5,837	8,925	6,518	5,318	-	29,024	28,279
FAT - invested funds	10,168	26,664	64,118	58,769	48,367	-	208,086	226,701
Other	-	311	-	-	-	-	311	560
Funds from acceptance and issue of securities	113,204	210,883	966,272	-	-	-	1,290,359	1,298,870
Eurobonds	19,439	-	964,298	-	-	-	983,737	996,135
Agribusiness Credit Bills (LCA)	93,765	210,883	1,974	-	-	-	306,622	302,735
Debt instruments eligible for capital	-	-	-	-	-	1,000,000	1,000,000	1,000,000
Subordinated debts	-	-	-	-	-	2,068,301	2,068,301	2,012,874
Total	3,803,273	1,802,217	4,248,071	977,519	1,228,663	3,090,315	15,150,058	14,919,064
Short-Term							5,605,490	6,259,711
Long-Term							9,544,568	8,659,353

b) Deposits

Specification	03.31.2017	12.31.2016
Demand deposits	230,174	345,990
Government deposits	13,221	13,196
Restricted deposits	85,204	180,732
Legal entities	93,567	114,855
Individuals	37,638	35,462
Other amounts	544	1,745
Savings deposits	1,955,298	2,113,346
Free savings deposits - Individuals	1,316,682	1,359,437
Free savings deposits - Legal entities	637,835	753,097
From related parties and Financial System Institutions	781	812
Interbank deposits	1,291,222	1,198,845
Time deposits	7,314,704	6,949,139
Time deposits	5,986,226	5,517,628
Interest-yielding judicial deposits	549,962	520,393
Other time deposits	778,516	911,118
Interest-yielding special deposits/FAT (Notes 26 and 28)	237,110	254,980
Available funds (Note 26)	29,024	28,279
Proger Urbano	1,493	1,709
Protrabalho	2,543	709
Infrastructure	21,264	22,297
National Program for Production-Oriented Microcredit (PNMPO)	3,724	3,564
Funds invested (Note 26)	208,086	226,701
Proger Urbano	11,998	12,717
Protrabalho	59,275	63,802
Infrastructure	50,808	60,055
PNMPO	86,005	90,127
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	541,095	655,578
Other amounts	311	560
Total	10,791,398	10,607,320
Short-Term	5,281,403	5,949,100
Long-Term	5,509,995	4,658,220

c) Open market funding

Specification	03.31.2017	12.31.2016
Own portfolio	843,924	899,357
Financial Treasury Bills (LFT)	843,924	899,357
Third-party portfolio	74,192	70,280
National Treasury Notes (NTN)	-	70,280
National Treasury Bills (LTN)	74,192	-
Total	918,116	969,637
Short-Term	915,258	966,859
Long-Term	2,858	2,778

d) Expenses with open market funding

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Funding expenses	(290,907)	(307,828)
Time deposits	(168,466)	(171,911)
Savings deposits	(26,908)	(28,484)
Judicial deposits	(13,881)	(21,266)
Interbank deposits	(11,607)	(13,613)
Special deposits	(19,886)	(22,585)
Funds from acceptance and issue of securities	(47,029)	(47,013)
Other deposits	(3,130)	(2,956)
Expenses with open market funding	(28,398)	(55,473)
Third-party portfolio	(2,150)	(2,138)
Own portfolio	(26,248)	(53,335)
Total	(319,305)	(363,301)

NOTE 14 - Borrowings and onlending

a) Borrowings and onlending by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Above 15 years	Total at 03.31.2017	Total at 12.31.2016
Foreign borrowings	241,931	353,975	-	-	-	-	595,906	637,742
Domestic onlending	45,185	111,594	353,727	385,299	590,169	162,765	1,648,739	1,669,248
Foreign onlending	49,855	88,561	228,537	231,116	124,442	-	722,511	764,276
Total	336,971	554,130	582,264	616,415	714,611	162,765	2,967,156	3,071,266
Short-Term							891,101	930,043
Long-Term							2,076,055	2,141,223

b) Borrowings

Specification	Annual restatement rate (%)	03.31.2017	12.31.2016
Foreign borrowings/Foreign currency payables	USD	595,906	637,742
Total		595,906	637,742
Short-Term		595,906	637,742

c) Domestic onlending - official institutions

Specification	Annual restatement rate (%)	03.31.2017	12.31.2016
National Treasury	IGP-DI + 2.00	456	451
BNDES		1,538,034	1,552,591
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	Fixed rate 1.50 to 10.50/TJLP + 0.00 to 4.00/IPCA + 9.41/Exc. var. + 2.00 to 4.00	1,136,794	1,158,948
Credit Facility for investment in agriculture		401,240	393,643
FINAME		110,249	116,206
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)	Fixed rate 1.50 to 7.00/TJLP + 0.00 to 4.00/Exc. var. + 2.00 to 4.00	88,002	94,315
Agricultural Program		22,247	21,891
Total (Note 29.a.1)		1,648,739	1,669,248
Short-Term		156,779	150,737
Long-Term		1,491,960	1,518,511

d) Foreign onlending

Specification	Annual restatement rate (%)	03.31.2017	12.31.2016
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 4.82	279,089	283,715
BID-Prodetur II	USD + 1.99	437,299	473,742
BID - Other programs	USD + 1.99	6,123	6,819
Total		722,511	764,276
Short-Term		138,416	141,564
Long-Term		584,095	622,712

e) Expenses on borrowings and onlending

Specification	01.01. to 03.31.2017	01.01 to 03.31.2016
Expenses on onlending	(56,887)	(50,438)
Domestic onlending - Official institutions in Brazil	(35,694)	(43,407)
National Treasury	(5)	(10)
BNDES	(34,572)	(41,789)
FINAME	(1,117)	(1,608)
Foreign onlending expenses	(21,193)	(7,031)
Expenses on onlending with foreign banks	(17,836)	(3,168)
Expenses on financial and development funds	(509,085)	(375,970)
Total	(583,808)	(429,576)

NOTE 15 - Funds from acceptance and issue of securities

a) Liabilities for foreign marketable securities

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 03.31.2017 ⁽²⁾	Market value at 03.31.2017 ⁽²⁾	Market value at 12.31.2016 ⁽²⁾
Eurobonds - Senior Unsecured Notes ⁽¹⁾	05.03.2012	05.03.2019	4.375	300,000	969,959	983,737	996,135
Total				300,000	969,959	983,737	996,135
Short-Term						19,439	7,876
Long-Term						964,298	988,259

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

(2) Considering tax effects.

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

b) Agribusiness Credit Bills (LCAs) issued

Specification	Annual interest (%)	Nominal value	03.31.2017	12.31.2016
Agribusiness Credit Bills (LCA) ⁽¹⁾	82.62 of CDI	290,176	306,622	302,735
Short-Term			304,648	302,735
Long-Term			1,974	-

(1) Note with average maturity term of 189 days.

NOTE 16 - Other liabilities

Specification	03.31.2017	12.31.2016
a) Collection of taxes and other contributions	17,052	2,547
Funds from PROAGRO	164	313
Federal taxes received	13,859	361
IOF payable	1,090	1,439
Other taxes and levies	1,939	434
b) Foreign exchange portfolio (Note 11.a)	32,717	4,022
c) Social and statutory	164,522	164,522
Dividends and bonuses payable	118,810	118,810
Profit sharing	45,712	45,712
d) Tax and social security	269,307	618,741
Provision for tax contingencies	-	64,902
Taxes and contributions	-	812
Tax proceedings (Note 22.h.1)	-	64,090
Provision for deferred taxes and contributions	178,763	129,346
Marketable securities and derivative financial instruments (Note 21.c)	74,234	24,928
Revaluation of buildings and land (Note 21.c)	1,445	2,305
From credits recovered and hedged items (Note 21.c)	103,084	102,113
Provision for income and social contribution taxes (Note 21.a.2)	9,921	335,687
Income tax	5,260	181,602
Social contribution tax	4,661	154,085
Taxes and contributions payable	80,623	88,806
e) Securities trading	153	153
f) Financial and development funds	19,520,204	17,637,800
FNE (Note 28.a.1)	18,560,049	16,674,513
Other amounts	960,155	963,287
g) Debt instruments eligible for capital (Notes 17 and 28.a.1)	1,000,000	1,000,000
b) Subordinated debts eligible for capital (Notes 18 and 28.a.1)	2,068,301	2,012,874
i) Other	5,836,257	5,563,107
Provision for contingencies	424,964	3,581,564
Labor claims (Note 22.f.1.ii)	173,774	172,866
Civil proceedings (Note 22.f.1.iii)	171,214	166,126
Other proceedings (Note 22.f.1.iv)	11,397	899
Tax proceedings (Note 22.f.1.i)	68,579	-
Provision for financial guarantees provided	3,384,872	-
FNE (Note 22.e.2.i)	3,383,494	3,229,308
Onlending	1,215	1,128
Full risk - BNB	154,403	145,238
Shared risk	3,227,876	3,082,942
FDNE (Note 22.f.2.ii)	1,129	604
Proagro (Note 22.f.2.iii)	249	1,088
Other contingent liabilities (Note 22.h.2.iv)	-	10,673
Accrued payments	1,760,215	1,729,014
Employee benefits	1,294,099	1,287,567
Retirement and DB pension plan (Notes 24.b and 28.a.2)	356,045	363,118
Health care plan (Notes 24.b and 28.a.2)	819,738	807,550
Life insurance - Post-employment benefit (Notes 24.b and 28.a.2)	118,316	116,899
Personnel expenses	197,366	181,576
Other amounts	57,672	55,007
Interest and charges on debt instruments eligible for capital	211,078	204,864
Other amounts	266,207	252,529
Total	28,908,513	27,003,766
Short-Term	10,154,405	8,372,512
Long-Term	18,754,108	18,631,254

NOTE 17 - Debt instruments eligible for capital

Specification	Amount issued	Remuneration	Funding date	03.31.2017	12.31.2016
Debt instruments eligible for capital (Notes 16.g and 28.a.1)	1,000,000	Profitability on Equity	01.19.2016	1,000,000	1,000,000
Short-Term				1,000,000	1,000,000

NOTE 18 - Subordinated debts

Specification	03.31.2017	12.31.2016
Fundo Constitucional de Financiamento do Nordeste - FNE ⁽¹⁾	2,068,301	2,012,874
Funds available	1,529,558	1,459,779
Funds invested	538,743	553,095
Total (Notes 16.h and 28.a.1)	2,068,301	2,012,874

⁽¹⁾ These comprise two funding operations with FNE in the original amounts of R\$600,000 and R\$400,000 of 07.20.2009 and 03.01.2010, respectively.

NOTE 19 - Equity

a) Capital

The Bank's capital in the amount of R\$2,844,000 (R\$2,844,000 at 12.31.2016) is represented by 86,371,464 common, book-entry, paid-in shares with no par value, held as follows:

Breakdown at 03.31.2017		
Shareholders	Number of shares	% of Capital
Federal Government	44,049,447	51.00
BB FGEDUC Multimarket Investment Fund	30,210,518	34.98
BB FGO Investment Fund Shares	6,223,650	7.21
National Development Fund (FND)	3,846,968	4.45
Other	2,040,881	2.36
Total	86,371,464	100.00

Breakdown at 12.31.2016		
Shareholders	Number of shares	% of Capital
Federal Government	44,049,447	51.00
BB FGEDUC Multimarket Investment Fund	30,212,068	34.98
BB FGO Investment Fund Shares	6,225,200	7.21
National Development Fund (FND)	3,846,968	4.45
Other	2,037,781	2.36
Total	86,371,464	100.00

b) Revaluation reserve

The amount of R\$13,359 (R\$14,491 at 12.31.2016) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its effective realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565 of 05.29.2008. In this quarter, a reserve amounting to R\$1,131 (R\$2,130 at 12.31.2016) was transferred.

c) Additional IOE for 2016

At the Special/Annual General Meeting held on 03.24.2017, the payment of additional Interest on Equity (IOE) for the year ended 12.31.2016 was approved, amounting to R\$118,576.

d) Equity adjustment

Specification	03.31.2017	12.31.2016
Marketable securities available for sale	83,510	134,788
Actuarial Gains and Losses (Post-employment Benefits)	(758)	(172,871)
Equity Adjustment	82,752	(38,083)

NOTE 20 - Other operating income (expenses)

Specification	01.01. to 03.31.2017	01.01. to 03.31.2016
a) Service revenue	568,168	519,737
Investment fund management	8,016	7,244
Fund and program management	471,331	430,450
Services rendered	88,821	82,043
b) Income from bank fees	16,254	12,369
c) Personnel expenses	(455,911)	(426,027)
Earnings	(269,864)	(251,532)
Social charges	(95,729)	(90,959)
Retirement and pension plan - DB and VC I Capef Plans	(24,602)	(20,958)
Health care plan - Camed Natural Plan	(23,140)	(25,032)
Life insurance - Post-employment benefit	(2,577)	(1,208)
Benefits, training sessions, fees and compensation of interns	(39,999)	(36,338)
d) Other administrative expenses	(297,242)	(260,835)
Data processing	(64,273)	(48,230)
Advertising and publicity	(2,353)	(1,831)
Third-parties services	(115,403)	(108,807)
Rentals, material and public utilities	(20,262)	(18,964)
Travel	(3,080)	(2,944)
Communications	(8,712)	(7,509)
Depreciation and amortization	(10,171)	(10,801)
Asset maintenance and upkeep	(12,159)	(11,361)
Surveillance, security and transportation	(22,851)	(20,065)
Promotions, public relations and publications	(2,926)	(1,708)
Financial system services	(11,653)	(7,197)
Specialized technical services	(7,930)	(7,027)
Insurance	(522)	(811)
Court, notary and attorney fees	(10,753)	(10,133)
Worker' union dues and Associations	(606)	(877)
Condominium fees, catering, kitchen and meals	(1,509)	(1,339)
Other amounts	(2,079)	(1,231)
e) Tax expenses (Note 21.d)	(75,095)	(71,645)
COFINS and PIS/PASEP	(67,379)	(64,707)
ISS and IPTU/Improvement tax	(6,748)	(6,022)
Other amounts	(968)	(916)
f) Other operating income	489,242	675,385
<i>Del credere</i> commission on fund management	323,471	311,027
Exchange loss on borrowings	69,205	307,179
Exchange losses on funding expenses	47,940	-
Exchange losses on Development Financial Fund	2,631	-
Reversal of operating provisions for risks on FNE transactions	413	1
Recovery of charges and expenses	1,129	1,708
Reversal of operating provisions	5,517	8,788
Interest and commissions	135	708
Monetary restatement	509	1,012
Mark-to-market adjustment	3,604	22,138
FNE - Recovery of amounts settled by the Bank	19,301	8,576
Other amounts	15,387	14,248
g) Other operating expenses	(493,578)	(543,647)
Exchange losses on exchange area	(156)	-
Exchange loss on loans granted	(72,603)	(201,862)
Negative monetary restatement of loans	-	(39)
Discounts granted in renegotiations	(4,223)	(321)
Loan charges	(3,502)	(1,576)
Tax contingencies	(3,677)	(13,246)
Risks on FNE transactions	(289,454)	(194,592)
Risks on FDNE transactions	(525)	(12)
Labor claims	(7,314)	(4,452)
Civil proceedings	(45,731)	(11,246)
Other ⁽¹⁾	(44)	(263)
Hybrid debt/equity instruments	-	(19,688)
Debt instruments eligible for capital	-	(38,531)
FNE remuneration - available funds - article 9-A of Law No. 7827	(42,394)	(36,932)
FNE remuneration - invested funds - article 9-A, Law No. 7827	(13,033)	(14,553)
Other amounts	(10,922)	(6,334)
Total	(248,162)	(94,663)

⁽¹⁾ In compliance with BACEN Circular Letter No. 3782 of 9.19.2016, the balance under "Other Contingent Liabilities" was transferred. At 12.31.2016, such balance amounted to R\$212.

NOTE 21 - Taxes and contributions

a) Income and social contribution taxes

The Bank is subject to the taxable profit regime whereby taxes are computed based on the Bank's accounting records, and income and social contribution taxes are paid monthly on an estimated basis, and may be suspended or reduced whenever the taxable profit calculation is more favorable to the Bank when compared to the estimate. Income and social contribution tax expenses are as follows:

a.1) Specification of the provision for income and social contribution tax expense	Income tax		Social contribution tax	
	01.01 to 03.31.2017	01.01 to 03.31.2016	01.01 to 03.31.2017	01.01 to 03.31.2016
Income before income taxes and profit sharing	5,262	229,899	5,262	229,899
Statutory profit sharing	-	(3,501)	-	(3,501)
Interest on Equity (IOE)	-	(26,147)	-	(26,147)
Income before taxes, less statutory profit sharing and interest on equity (A)	5,262	200,251	5,262	200,251
Permanent additions/exclusions	(10,714)	20,245	(10,671)	20,418
Temporary additions/exclusions	28,713	28,357	28,713	28,357
Taxable income	23,261	248,853	23,304	249,026
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(5,809)	(62,207)	(4,661)	(49,805)
Deductions (tax incentives)	549	2,081	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	(1,026)	242	(821)	194
Current IRPJ/CSLL expenses - after tax incentives and revaluation reserve	(6,286)	(59,884)	(5,482)	(49,611)
Provision for deferred taxes and contributions - arising from tax credits recovered and derivative financial instruments	(1,429)	3,816	(794)	2,210
Provision for IRPJ and CSLL	(7,715)	(56,068)	(6,276)	(47,401)
IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	3,097	(21,005)	(12,128)	(24,116)
Total income and social contribution taxes (B)	(4,618)	(77,073)	(18,404)	(71,517)
Effective rate (%) B/A	87.76	38.49	349.75	35.71
a.2) Specification of the provision for income and social contribution taxes	Income tax		Social contribution tax	
	03.31.2017	12.31.2016	03.31.2017	12.31.2016
Provision for income and social contribution taxes	6,286	180,472	5,482	153,177
Provision for taxes on revaluation reserve realized	(1,026)	968	(821)	775
Provision for taxes on adjustments to Retained earnings (accumulated losses)	-	162	-	133
Provision for income and social contribution taxes (Note 16.d)	5,260	181,602	4,661	154,085
Taxes recoverable on prepayments, including withholding taxes	(17,783)	(162,776)	(15,119)	(127,628)
Taxes payable (to be offset) for the period	(12,523)	18,826	(10,458)	26,457

b) Tax credits on temporary differences

Income and social contribution tax credits on temporary differences of allowances for loan losses and provisions for post-employment benefits are recorded in conformity with the following major standards: CMN Resolution No. 3059 of 12.20.2002, BACEN Circular Letter No. 3171 of 12.30.2002 and CVM Ruling No. 371 of 06.27.2002; and are based on technical studies on conducted every six months on recognition of deferred tax assets and liabilities, indicating the likelihood of realization of the tax credit for a 10-year term.

In accordance with BACEN Circular Letters No. 3068 of 11.08.2001 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.

Specification	03.31.2017		12.31.2016		03.31.2017	12.31.2016
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Provisions						
Opening balance	1,268,001	864,415	843,437	616,226	2,132,416	1,459,663
Recognition	527,004	421,608	704,980	564,004	948,612	1,268,984
Realization/ reversal	(524,720)	(434,223)	(280,416)	(315,815)	(958,943)	(596,231)
Closing balance (Note 10.d)	1,270,285	851,800	1,268,001	864,415	2,122,085	2,132,416
b) Derivative financial instruments						
Opening balance	-	-	-	-	-	-
Recognition	-	-	8,919	5,352	-	14,271
Realization/ reversal	-	-	(8,919)	(5,352)	-	(14,271)
Closing balance (Note 7.c)	-	-	-	-	-	-
c) Hedged item						
Opening balance	2,632	1,579	5,786	3,472	4,211	9,258
Recognition	2,812	1,687	26,004	15,602	4,499	41,606
Realization/ reversal	(1,999)	(1,200)	(29,158)	(17,495)	(3,199)	(46,653)
Closing balance (Note 7.c.1)	3,445	2,066	2,632	1,579	5,511	4,211
Effect on equity						
d) Marketable securities						
Opening balance	174,065	110,746	223,773	151,483	284,811	375,256
Recognition	29,279	22,443	495,382	358,110	51,722	853,492
Realization/ reversal	(33,602)	(24,957)	(545,090)	(398,847)	(58,559)	(943,937)
Closing balance (Note 7.a.2)	169,742	108,232	174,065	110,746	277,974	284,811

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

Specification	Income tax		Social contribution tax	
	03.31.2017	12.31.2016	03.31.2017	12.31.2016
1. Total temporary differences	6,105,028	6,186,088	6,105,028	6,186,088
2. Tax credits on temporary differences	1,526,257	1,546,522	1,192,754	1,237,218
3. Tax credits recognized in assets on Provisions	1,270,285	1,268,001	851,800	864,415
4. Tax credits recognized in assets due to marked-to-market of marketable securities, derivative financial instruments and hedged item	173,187	176,697	110,298	112,325
5. Total tax credits recognized in assets (item 3 + item 4) ⁽¹⁾	1,443,472	1,444,698	962,098	976,740
6. Tax credits not recognized in assets (item 2 - item 5) ⁽²⁾	82,785	101,824	230,656	260,478

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

⁽²⁾ Not recognized in assets as they do not meet the realization requirements provided for in CMN Resolution No. 3355 of 03.31.2006, and considering a technical study on recognition of deferred tax assets and liabilities.

Estimated realization of tax credits on temporary differences of provisions at 03.31.2017 is as follows:

Period	Goal for over - SELIC rate - average (%) ⁽¹⁾	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2017	8.76	287,800	281,822	230,240	225,458	518,040	507,280
2018	8.63	160,326	144,523	128,260	115,618	288,586	260,141
2019	8.74	93,225	77,282	55,935	46,369	149,160	123,651
2020	8.62	121,965	93,082	73,179	55,849	195,144	148,931
2021	8.54	214,613	150,904	128,769	90,543	343,382	241,447
2022	8.54	186,651	120,917	111,991	72,550	298,642	193,467
2023	8.54	51,772	30,899	31,062	18,540	82,834	49,439
2024	8.54	50,270	27,643	30,163	16,586	80,433	44,229
2025	8.54	51,177	25,927	30,707	15,556	81,884	41,483
2026	8.54	42,736	19,947	25,641	11,968	68,377	31,915
From 2026 onwards	8.54	9,750	4,193	5,853	2,517	15,603	6,710
Total		1,270,285	977,139	851,800	671,554	2,122,085	1,648,693

⁽¹⁾ For present value calculation purposes, we considered the goal for average Over - Selic rates projected by BACEN at 03.31.2017.

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	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2017	9,453	9,453	7,563	7,563	17,016	17,016
2018	22,477	22,477	17,982	17,982	40,459	40,459
2019	7,583	7,583	4,550	4,550	12,133	12,133
2020	367	367	220	220	587	587
2021	2,097	2,097	1,258	1,258	3,355	3,355
2022	3,597	3,597	2,158	2,158	5,755	5,755
From 2026 onwards	127,613	127,613	76,567	76,567	204,180	204,180
Total	173,187	173,187	110,298	110,298	283,485	283,485

Total estimated realization of tax credits at 03.31.2017 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value ⁽¹⁾	Book value ⁽²⁾	Present value	Book value	Present value
2017	297,253	291,275	237,803	233,021	535,056	524,296
2018	182,803	167,000	146,242	133,600	329,045	300,600
2019	100,808	84,865	60,485	50,919	161,293	135,784
2020	122,332	93,449	73,399	56,069	195,731	149,518
2021	216,710	153,001	130,027	91,801	346,737	244,802
2022	190,248	124,514	114,149	74,708	304,397	199,222
2023	51,772	30,899	31,062	18,540	82,834	49,439
2024	50,270	27,643	30,163	16,586	80,433	44,229
2025	51,177	25,927	30,707	15,556	81,884	41,483
2026	42,736	19,947	25,641	11,968	68,377	31,915
From 2026 onwards	137,363	131,806	82,420	79,084	219,783	210,890
Total	1,443,472	1,150,326	962,098	781,852	2,405,570	1,932,178

c) Provision for deferred taxes

Specification	03.31.2017		12.31.2016		03.31.2017	12.31.2016
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Derivative financial instruments						
Opening balance	2,661	1,597	5,781	3,469	4,258	9,250
Recognition	2,783	1,670	14,318	8,591	4,453	22,909
Realization/ reversal	(2,001)	(1,200)	(17,438)	(10,463)	(3,201)	(27,901)
Closing balance (Note 7.c)	3,443	2,067	2,661	1,597	5,510	4,258
b) Revaluation reserve						
Opening balance	1,281	1,024	2,249	1,799	2,305	4,048
Recognition	25	20	-	-	45	-
Realization/ reversal	(503)	(402)	(968)	(775)	(905)	(1,743)
Closing balance (Note 16.d)	803	642	1,281	1,024	1,445	2,305
c) From taxes recovered ⁽¹⁾						
Opening balance	61,352	40,761	56,342	42,172	102,113	98,514
Recognition	711	472	5,106	3,349	1,183	8,455
Realization/ reversal	(64)	(148)	(96)	(4,760)	(212)	(4,856)
Closing balance (Note 16.d)	61,999	41,085	61,352	40,761	103,084	102,113
Effect on equity						
d) Marketable securities						
Opening balance	12,311	8,359	947	667	20,670	1,614
Recognition	77,198	46,342	76,230	47,382	123,540	123,612
Realization/ reversal	(46,920)	(28,566)	(64,866)	(39,690)	(75,486)	(104,556)
Closing balance (Note 7.a.2 and Note 16.d)	42,589	26,135	12,311	8,359	68,724	20,670

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

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

Period	IRPJ		CSLL		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2017	2,908	2,908	2,326	2,326	5,234	5,234
2019	3,571	3,571	2,143	2,143	5,714	5,714
2022	22	22	13	13	35	35
2023	127	127	76	76	203	203
From 2026 onwards	39,404	39,404	23,644	23,643	63,048	63,047
Total	46,032	46,032	28,202	28,201	74,234	74,233

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

Period	Goal for over - SELIC rate - average (%) ⁽¹⁾	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2017	8.76	723	708	578	566	1,301	1,274
2018	8.63	80	72	64	58	144	130
Total		803	780	642	624	1,445	1,404

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

Period	Goal for over - Selic rate - average ⁽¹⁾	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2017	8.76	10,053	9,845	8,043	7,876	18,096	17,721
2018	8.63	9,381	8,456	7,505	6,765	16,886	15,221
2019	8.74	7,932	6,575	4,759	3,945	12,691	10,520
2020	8.62	6,483	4,948	3,890	2,969	10,373	7,917
2021	8.54	4,382	3,081	2,629	1,848	7,011	4,929
2022	8.54	4,269	2,765	2,561	1,659	6,830	4,424
2023	8.54	4,304	2,568	2,582	1,541	6,886	4,109
2024	8.54	4,509	2,480	2,706	1,488	7,215	3,968
2025	8.54	4,170	2,113	2,502	1,268	6,672	3,381
2026	8.54	1,086	507	652	304	1,738	811
From 2026 onwards	8.54	5,430	2,335	3,256	1,401	8,686	3,736
Total		61,999	45,673	41,085	31,064	103,084	76,737

Total amounts of provisions for tax liabilities at 12.31.2016 are as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value ⁽¹⁾	Book value ⁽²⁾	Present value	Book value	Present value
2017	13,684	13,461	10,947	10,768	24,631	24,229
2018	9,462	8,528	7,569	6,823	17,031	15,351
2019	11,503	10,146	6,902	6,088	18,405	16,234
2020	6,483	4,948	3,890	2,969	10,373	7,917
2021	4,382	3,081	2,629	1,848	7,011	4,929
2022	4,291	2,787	2,574	1,672	6,865	4,459
2023	4,431	2,695	2,658	1,617	7,089	4,312
2024	4,509	2,480	2,706	1,488	7,215	3,968
2025	4,170	2,113	2,502	1,268	6,672	3,381
2026	1,086	507	652	304	1,738	811
From 2026 onwards	44,833	41,739	26,901	25,044	71,734	66,783
Total	108,834	92,485	69,930	59,889	178,764	152,374

d) Tax expenses

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
COFINS and PIS/PASEP	(67,379)	(64,707)
ISS and IPTU/Improvement tax	(6,748)	(6,022)
Other amounts	(968)	(916)
Total (Note 20.e)	(75,095)	(71,645)

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

(a) The Bank is a party to various ongoing administrative and legal proceedings involving civil, tax, labor and other matters. Bank management understands that the provisions set up are sufficient to cover the likelihood of losses arising from the respective legal and administrative proceedings, as follows:

Specification	03.31.2017		12.31.2016	
	Base value	Provision	Base value	Provision
a) Contingencies	3,689,078	242,353	3,492,249	237,768
a.1) Tax proceedings (Note 22 f.1.i)	3,232,016	68,579	3,035,605	64,902
Probable	68,579	68,579	64,902	64,902
Possible	3,032,621	-	2,844,284	-
Remote ⁽¹⁾	130,816	-	126,419	-
a.2) Labor claims	457,062	173,774	456,644	172,866
Probable (Note 22 f.1.ii)	173,774	173,774	172,866	172,866
Possible	152,320	-	145,990	-
Remote	130,968	-	137,788	-
b) Other liability provisions				
b.1) Civil proceedings	5,577,962	171,214	5,483,090	166,126
Probable (Note 22 f.1.iii)	171,214	171,214	166,126	166,126
Possible	1,138,433	-	1,256,790	-
Remote ⁽²⁾	4,268,315	-	4,060,174	-
b.2) Tax proceedings (Note 22 f,1.iv)	735,055	11,397	711,329	11,572
i) Securitized transactions	10,464	10,464	10,673	10,673
ii) Other proceedings				
Probable	933	933	899	899
Possible	10,078	-	9,716	-
Remote ⁽³⁾	724,044	-	700,714	-

⁽¹⁾ Contingent liabilities relating to tax proceedings assessed as remote loss are concentrated in one (1) proceeding, whose contingent liability balance amounts to R\$108,484 at 03.31.2017. At 12.31.2016, risk was also concentrated in one (1) proceeding, whose contingent liability balance amounted to R\$105,310.

⁽²⁾ Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in five (5) proceedings, whose contingent liability balance amounts to R\$2,550,651 at 03.31.2017. At 12.31.2016, risk was also concentrated in five (5) proceedings, whose contingent liability balance amounted to R\$2,456,133.

⁽³⁾ Contingent liabilities relating to other proceedings assessed as remote loss are concentrated in one (1) proceeding, whose contingent liability balance amounts to R\$722,016 at 03.31.2017. At 12.31.2016, risk was also concentrated in one (1) proceeding, whose contingent liability balance amounted to R\$698,862.

(b) The Bank is involved in lawsuits handled by outside attorneys, most of which relate to loan collection actions, whose assessment of the provision for contingent liabilities is performed by its Legal Department.

(c) Tax proceedings classified as Legal Obligation pursuant to the terms of BACEN Circular Letter No. 3429 of 02.11.2010, whose amounts were presented in the table above, challenge municipal taxes.

(d) Below is a brief description of proceedings to which the Bank is party, involving significant contingent liabilities assessed as possible risk of loss:

Tax

Six tax proceedings challenging the tax deficiency notice. The estimated financial losses total R\$2,871,110 at 03.31.2017 (R\$2,693,427 at 12.31.2016).

Civil

Civil proceeding challenging loss of profits and payment of management fees. At 03.31.2017, the estimated amount for this proceeding totals R\$222,070 (R\$213,840 at 12.31.2016).

Civil proceeding challenging payment of fees. At 03.31.2017, the estimated amount for this proceeding totals R\$86,511 (R\$83,305 at 12.31.2016).

Civil proceeding challenging reassessment (solutio indebiti). At 03.31.2017, the estimated amount for this proceeding totals R\$61,952 (R\$59,656 at 12.31.2016).

Civil proceeding claiming compensation. At 03.31.2017, the estimated amount for this proceeding totals R\$91,854 (R\$52,748 at 12.31.2016).

Civil proceeding filed in 2014 related to post-employment benefits. At 03.31.2017, the estimated possible financial loss totals R\$34,026 (R\$34,026 at 12.31.2016).

(e) Legal and appeal deposits made to guarantee legal and administrative proceedings, recognized for probable possible and/or remote contingent liabilities, are set out as under:

Specification	03.31.2017	12.31.2016
Labor claims	473,705	463,666
Tax proceedings	128,684	126,816
Civil proceedings	73,606	72,857
Total	675,995	663,339

f) Changes in provisions

f.1) Tax, Labor, Civil and Other Contingencies

Specification	03.31.2017	12.31.2016
i) Tax proceedings		
Opening balance	64,902	47,584
Recognition	3,822	23,930
Reversal	(145)	(5,121)
Write-off	-	(1,491)
Closing balance (Note 22.a.1)	68,579	64,902
ii) Labor claims		
Opening balance	172,866	249,461
Recognition	9,710	113,406
Reversal	(2,863)	(41,995)
Write-off	(5,939)	(148,006)
Closing balance (Note 22.a.2)	173,774	172,866
iii) Civil proceedings		
Opening balance	166,126	142,592
Recognition	47,601	70,865
Reversal	(2,483)	(27,237)
Write-off	(40,030)	(20,094)
Closing balance (Note 22.b.1)	171,214	166,126
iv) Other proceedings		
Opening balance	11,504	38,520
Recognition	45	1,928
Reversal	(152)	(407)
Write-off	-	(28,469)
Closing balance (Note 22.b.2) ⁽¹⁾	11,397	11,572

⁽¹⁾ These record amounts corresponding to the credit risk on securitized transactions, based on Law No. 9138 of 11.29.1955, which are allocated to clearing accounts and until 12.31.2016 were recorded under "Other Contingent Liabilities". Balance at 3.31.2017: R\$10,464 (R\$10,577 at 12.31.2016). At 3.31.2017, no balance is recorded referring to the provision for losses arising from Loan Transactions Inventory (R\$96 at 12.31.2016).

f.2) Provisions for financial guarantees provided

Specification	03.31.2017	12.31.2016
i) FNE		
Opening balance	3,229,308	2,792,367
Recognition	510,400	1,785,737
Reversal/use/write-off	(356,215)	(1,348,796)
Closing balance (Note 16.i)	3,383,493	3,229,308
ii) FDNE		
Opening balance	604	654
Recognition	525	33
Reversal/use/write-off	-	(83)
Closing balance (Note 16.i)	1,129	604
iii) Proagro		
Opening balance	1,088	2,644
Recognition	3	668
Reversal/use/write-off	(842)	(2,224)
Closing balance (Note 16.i)	249	1,088

g) The allowance for loss on Bank loans granted with indication of irregularities amounts to R\$41,620 (R\$43,347 at 12.31.2016) and comprises the balance under “Provisions for financial guarantee provided”.

NOTE 23 - Employee and officer compensation (in Brazilian reais)

a) Monthly employee compensation

Gross compensation ⁽¹⁾	01.01 to 03.31.2017	01.01 to 03.31.2016
Maximum	39,549	36,619
Minimum	1,570	1,427
Average	10,339	9,274

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

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

Specification	03.31.2017	03.31.2016	03.31.2017	03.31.2016	03.31.2017	03.31.2016
Gross compensation ⁽¹⁾	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation ⁽²⁾	190,113	195,053	16,800	16,785	15,770	15,756
Lowest individual compensation ⁽³⁾	135,722	135,814	12,874	12,862	12,874	12,862
Average individual compensation ⁽⁴⁾	192,323	176,489	13,528	13,647	14,032	14,020
Number of officers/directors ⁽⁵⁾	7	7	6	5	5	5

⁽¹⁾ Amounts approved at the 99th Annual General Meeting held on 12.14.2016.

⁽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 03.31.2017, the Bank had 7,205 employees (7,214 at 12.31.2016), a headcount decrease of 0.12%.

NOTE 24 - Post-employment benefits

Pursuant to CMN Resolution No. 4424, which approved CPC 33 (R1) - Employee Benefits, the post-employment benefit information is presented below. Actuarial evaluations are conducted by a qualified independent actuary, based on information provided by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF), Caixa de Assistência dos Funcionários do Banco do Nordeste (CAMED) and the Bank.

a) General description of the benefit plan characteristics

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

The Bank sponsors two supplementary pension plans named Defined Benefit (DB) and Variable Contribution (CV I) managed by CAPEF, a closed-ended private pension plan entity that provides supplementary retirement benefits based on the contribution period, age and disability to the plan participants, as well as supplementary pension and savings plans to their dependents.

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 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 VC I plan is supported by the Actuarial Solvency Fund that will be used to cover any future actuarial insufficiency of mutual pension plan portfolios, as well as supported by the Mutual Fund for Risk Benefits, in order to supply the payment of supplementary capital in case of disability or death of the participant, referring to the insurance coverage of the benefits resulting from these events. The Actuarial Solvency Fund consists of amounts received from participants on a monthly basis, from the application of the actuarial solvency rate on the amount of contributions of active participants; balance of the sponsor's account related to active participant that has opted for redemption and for the amount obtained by the recovery of supplementary capital for disability in case of return of the vested participant due to pension for disability, having returned to the 'able' condition, provided that the referred to supplementary capital for disability has arisen from the insurer. The Mutual Fund for Risk Benefits is established from the application of a risk rate (of death or disability) on the monthly contributions received from active participants.

According to the statutes of the DB and VC I Plans, the following statutory bodies are responsible for the management and oversight of CAPEF: Decision-Making Board, Executive Board and Supervisory Board.

The Decision-Making Board is a body for top-tier decision and guidance and shall primarily define the CAPEF's management policy and benefit plans. It is composed of representatives of the Bank, active participants and participants' and vested beneficiaries' representatives.

The Executive Board is responsible for executing the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, charter, benefit plan regulations, covenants and adhesion terms.

The Supervisory Board is the internal control body and shall mainly monitor and oversee CAPEF activities. The DB and VC I Plans are ruled by MPS/CGPC Resolution No. 26 of 09.29.2008, amended by CNPC Resolutions No. 10 of 12.19.2012; No. 13 of 11.04.2013; No. 14 of 02.24.2014; No. 16 of 11.19.2014; and No. 22 of 11.25.2015, which provides for conditions and procedures to be observed by closed-end supplementary pension entities in determining P&L, allocation and use of surplus and in deficit restructuring of pension benefit plans. Pursuant to the legislation mentioned above, the surplus of VC I Plan, within CAPEF, is fully allocated to the Reserve for Contingency, and for purposes of compliance with the provision of CMN Resolution No. 4424, which approved CPC 33 (R1), it is not recognized by the Bank, as described in subparagraph II of sub item b.1.

a.1.1) Actuarial method in the scope of the Plans administered by CAPEF

Classified as defined benefit, the DB plan adopts the fully funded financial system in the actuarial calculation of math reserves related to all benefits offered to its participants and beneficiaries. VC I plan 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 math reserves for planned benefits and the shared risk coverage regime for the other benefits offered to its participants and beneficiaries.

a.1.2) Past due obligations and contributions due

At 03.31.2017, the Bank has no past due obligations or contribution due 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 No. 20 of 12.15.1998, with a contribution ratio of 1:1 at 03.31.2017 (1:1 at 12.31.2016).

a.2) Health insurance plan

The Bank is the sponsor of a health care plan managed by CAMED, named Natural Plan, whose primary purpose is to provide health care to its associate participants and dependents, through granting of subsidies to cover or reimburse expenses incurred in connection with health promotion, protection and recovery.

The Natural Plan is adapted to Law No. 9656 of 06.03.1998, which regulates the Brazilian health insurance plans. CAMED is registered with the National Regulatory Agency for Private Health Insurance and Plans (ANS), the regulatory body of this sector, under registration No. 38.569-7.

CAMED is subject to set up financial guarantees established by ANS to comply with the requirements of the adjusted Minimum Required Capital (MRC) for operations, Solvency Margin and set up of Technical Reserves in order to ensure payment to service providers, by binding of collateral assets as established by regulation.

CAMED statutory bodies are: Social Board, Decision-Making Board, Executive Board and Supervisory Board. The CAMED's Decision-Making Board is a body for monitoring and top-tier administrative decision, composed of representatives of the Bank and of the Social Board. The Executive Board is responsible for executing the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation and in CAMED's charter.

The Supervisory Board is the supervisory body of CAMED's management acts and shall essentially monitor and direct the company's activities.

a.2.1) Past due obligations and contributions due

At 03.31.2017, the Bank has no past due obligations or contribution due 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 enrollment of natural dependents, financial protection and emergency service fees, financial co-participation paid by each associate participant for services utilized and matched contributions from the Bank.

In 2016, CAMED started to refund the contributions prepaid by the Bank as follows: a) lump-sum payment of: R\$22,504; and b) the remaining balance in monthly installments of R\$432.

a.2.3) Contribution Ratio (Participants/Sponsor)

At 03.31.2017, the ratio of participants' contributions to Bank contributions meets the parity set by Resolution No. 9 of 10.8.1996 of the Department for Coordination and Control of State-Owned Entities (CCE), with a contribution ratio of 1:1 (1:1 at 12.31.2016).

a.3) Group life insurance

The Bank's benefits policy to its employees comprises collective policy agreement of group life insurance intended for its employees and retired former employees. Such policy provides basic coverage for death by natural and accidental causes and additional coverage for disability caused by accident and disease. Insurance premiums are determined by applying rates by age groups. The employees contribute with 50% of this premium amount and the Bank with the remaining 50%, in the form of the Collective Bargaining Agreement (2016/2018). Retirees are responsible for full payment of the premium. Every six-month period, the Bank actuarially assesses the benefit that consists of indirect subsidy to vested participants.

a.3.1) Past due obligations and contributions due

At 03.31.2017, the Bank has no past due obligations or contribution due referring to the group life insurance, neither informal practices that originate constructive obligations that may be included in the measurement of the plans' defined benefit obligation related to the life insurance.

a.4) Risk exposure

The Defined Benefit, Variable Contribution I, Natural and Group Life Insurance plans are mainly exposed to the following risks:

Plan	Type of risk	Risk description
DB/ VC I/ Natural	Actuarial Risk	The actuarial risk is related to the plan's failure to honor the payment of benefits, due to the adoption of inappropriate actuarial tables and assumptions, or even mismatch between assets and liabilities. In the case of health care plans, this risk associated with the activity of provision of services through accredited chain and/or reimbursement of supplementary health events. This risk is related both to the adequacy of the technical bases used in pricing and to the adequacy of the provision level. Any mismatches in these two variables may have an impact on the health provider's loss ratio.
DB/ VC I/ Natural	Liquidity Risk	Liquidity risk is the possibility of mismatches between tradable assets and liabilities, which may affect the ability to have funds available for payment of benefits and other plan obligations.
DB/ VC I/ Natural	Operational/legal risk	The operational risk is associated with losses resulting from the plan operation and may be subdivided into four categories: people risk (unpreparedness, negligence or fraud); process risk (inefficient organization, flow of information and of weak processes, ill defined responsibilities, etc.); legal risk (arising from processes and routines that flout the legal system); and risk of technology (data processing subject to errors and equipment failures).
DB/VC I/Natural/Group Life Insurance	Market Risk	The market risk is related to changes in interest rates and asset prices that impact the economic and financial performance of the benefit plan.
DB and VC I	Credit Risk	The credit risk arises when counterparties do not wish or are not able to fulfill their contractual obligations. Its effect is measured by the cost of cash flow replacement in the event of default by the counterparty. The rating downgrade by specialized agencies may also increase the credit risk, given that investors' confidence is affected, which may cause reduction in the market value of organizations.
DB/VC I/Natural/Group Life Insurance	Longevity risk	The present value of the plan liabilities is calculated based on the best mortality estimate of the plan participants. An increase in the life expectancy of plan participants will increase the plan liabilities.
Natural	Administrative expense risk	Risk generated by the possibility of administrative expenses being higher than those estimated in the assessment, increasing actuarial liabilities.
DB/Natural	Risk of retirement postponement	The present value of the plan liabilities is calculated considering the possibility of retirement postponement, and in the event such postponement does not become effective, the amount of liabilities is likely to increase.
VC I	Risk of disability or death and coverage of supplementary capital	Risk of participant becoming disabled or in case of death without a reserve sufficient to pay for the benefits.

a.5) Number of participants of the post-employment benefit plan

Specification	Active participants	Vested participants	Total
DB Plan	1,718	4,760	6,478
VC I Plan	5,126	105	5,231
Natural Plan	6,828	4,784	11,612
Group life insurance	5,206	3,434	8,640

a.6) Strategies for Crosschecking Assets and Liabilities

The actuarial risks associated with the DB Plan are related to the variation and changes in the participant’s registry and events expressed by the actuarial tables. No variation is expected on the contribution salary or benefit amounts in addition to those provided for in the plan’s regulations.

Regarding the VC I Plan, the actuarial risk is reduced since the obligations relating to individual accounts of participants and benefits provided under the defined income phase at a defined term have full protection against actuarial deficits, although the smaller pension plan obligations relating to the benefits provided under the life annuity phase may occasionally develop actuarial imbalances. For these obligations, there are protection mechanisms against actuarial deficits such as: i) the establishment of pension funds; and ii) the adjustment of the benefit calculated based on the investment profitability statutory rate achieved, with limitations set out in the Regulation. This plan also relies on pension funds aiming to restore the plan’s actuarial balance whenever there is actuarial deficit and still provide the insurance coverage of benefits arising from disability or death of a participant. In addition, for both plans, periodic registry updates are performed, as well as specific technical studies to assess adherence and convergence of assumptions used in the plan’s actuarial valuations.

CAPEF counts on specific areas for investment management in addition to management advisory services that strengthens the monitoring of investment risks. Investments are monitored on a daily basis in order to check issues focused on classification, returns on assets and follow-up of the evolution of the plan’s actuarial goal. The Investment Committee holds monthly meetings for discussion of the risks involved in operations, impacts on plan, classification matters and analysis of the economic scenario, and also quarterly risk reports are prepared, with simulation of the monthly and annual profitability, crosschecking of returns on assets against the actuarial goal over time, the plan’s liquidity projected in the long-term, Markovitz efficient frontier for variable income funds, follow-up of assets of corporate bonds, comments on investments of the various investment portfolios, and VaR of fixed and variable income segments. The Asset Liability Management (ALM) study is conducted every year and aims to assist the plan’s administrators in choosing the most suitable portfolio to their goals, taking into consideration the characteristics and peculiarities of the assets and the plan’s financial position. The result of this study allows long-term investments, without compromising the obligations or the achievement of the actuarial goal.

Concerning the Natural Plan, it is highlighted the actuarial or underwriting risk associated with the activity of provision of services through accredited chain and/or reimbursement of supplementary health events. This risk is related both to the adequacy of the technical bases used in pricing and to the adequacy of the provision level. The risk assessment by CAMED is performed by preparing actuarial studies, through detailed analysis of the plan.

CAMED has financial instruments to fund its activities or invest its funds available. The risks associated with these instruments are managed through conservative strategies, intended to ensure liquidity, profitability and safety. The criteria for investments consider fund allocation limits in accordance with the regulation established by ANS. The credit risk associated with these investments is reduced by the restriction of its operations with top-tier financial institution according to the market and concentration of investments in fixed income government securities and corporate bonds with short-term maturity. The credit risk associated with the possibility of not receiving monthly amounts and charges is mitigated by the possibility of collection in payroll and authorization to debit in current account, as well as by the legal possibility of interrupting the service to beneficiaries of the health insurance plans after a certain period of default. Risk management monitors the changes in exposure scenarios to which CAMED is subject.

b) Net obligation

Specification	03.31.2017	12.31.2016
DB Plan (Notes 16.i and 28.a.2)	356,045	363,118
Natural Plan (Notes 16.i and 28.a.2)	819,738	807,550
Life Insurance (Notes 16.i and 28.a.2)	118,316	116,899

c) Amounts recognized in P&L

Specification	Capef			
	DB Plan		VC I Plan	
	01.01 to 03.31.2017	01.01 to 03.31.2016	01.01 to 03.31.2017	01.01 to 03.31.2016
1. Current service cost, net	(2,020)	(1,810)	389	172
2. Net interest	(8,646)	(6,587)	-	-
3. Total (item 1 + item 2)	(10,666)	(8,397)⁽¹⁾	389⁽²⁾	172⁽²⁾

(1) Including transferred employees' contribution: DB Plan - 01.01 to 03.31.2016: R\$2.

(2) This amount was recorded under "Reversal of operating provisions".

Specification	Natural Plan		Life insurance	
	01.01 to 03.31.2017	01.01 to 03.31.2016	01.01 to 03.31.2017	01.01 to 03.31.2016
	1. Current service cost, net	(2,085)	(185)	472
2. Net interest	(21,067)	(24,858)	(3,050)	(1,772)
3. Total (item 1 + item 2)⁽³⁾	(23,152)	(25,043)	(2,578)	(1,209)

(3) Including transferred employees' contribution: Natural Plan 01.01 to 03.31.2017: R\$12; and 01.01 to 03.31.2016: R\$11 and Group Life Insurance - 01.01 to 03.31.2017: R\$1; and 01.01 to 03.31.2016: R\$1.

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 03.31.2017	01.01 to 03.31.2016
1. Contributions (DC portion) ⁽⁴⁾	(12,349)	(11,097)

(4) Including transferred employees' contribution: VCI Plan - 01.01 to 03.31.2017: R\$61; and 01.01 to 03.31.2016: R\$77.

The administrative expenses of the DB plan are accounted for under "Post-employment benefit expenses", as stated below:

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
1. Administrative expenses	(1,648)	(1,543)

d) Amounts recognized in equity

Over the periods from 01.01 to 03.31.2017 and 01.01 and 03.31.2016, there are no gains (losses) recorded for DB, Natural and Group life insurance plans, since no actuarial valuations were performed at 03.31.2017 and 03.31.2016. For the VC I Plan, actuarial gains (losses) recorded in the period refer to the ceiling effect of the asset, as follows:

Specification	VC I Plan	
	03.31.2017	03.31.2016
Actuarial gains (losses)	(758)	(511)

NOTE 25 - Fundo Constitucional de Financiamento do Nordeste (FNE)

a) The total assets of FNE, amounting to R\$69,326,413 (R\$67,428,548 at 12.31.2016) are recorded in the Bank's memorandum accounts "Net assets of managed public funds".

b) Cash and cash equivalents and funds committed to loan transactions, which represent cash and cash equivalents of FNE in the amount of R\$18,551,194 (R\$16,665,297 at 12.31.2016), recorded under "Other obligations/Financial and development funds" bear interest at the extra-market rate. In this quarter, the interest expense on cash and cash equivalents totaled R\$501,647 (R\$369,544 at 03.31.2016).

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

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

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

c.3) The Bank assumes all the risks on renegotiated and reclassified FNE loan transactions, as set forth by Law No. 11775 of 09.17.2008, and transactions recognized in “Onlending debtors”, 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 financing balances and provisions recorded under “Provision for financial guarantees provided” of the Bank are broken down as follows:

Risk level	Balances	Provision at 03.31.2017	Provision at 12.31.2016
AA	10,577,901	-	-
A	9,772,354	24,560	27,119
B	9,487,026	47,834	48,565
C	2,414,062	36,081	32,843
D	1,753,628	87,625	89,640
E	729,777	109,440	94,982
F	809,662	202,467	102,062
G	702,574	247,117	258,215
H ⁽¹⁾	5,176,221	2,628,371	2,575,882
Total	41,423,205	3,383,495	3,229,308

⁽¹⁾ The balance of the Provision at 03.31.2017 includes R\$41,620 (R\$43,347 at 12.31.2016), arising from loan transactions with indications of irregularities.

d) The Bank's *del credere* commission on transactions entered into by 11.30.1998 is nil. For transactions entered after this date, *del credere* commission 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, item A of Law No. 7827 of 09.27.1989. In transactions reclassified for FNE based on Law No. 11775 of 09.17.2008, *del credere* commission is 3% p.a. or 6% p.a., as regulated by Interministerial Ruling No. 245 of 10.14.2008, of the Ministry of Finance and Ministry of National Integration. Income from *del credere* commission totaled R\$321,561 (R\$309,225 at 03.31.2016).

e) The administration fee of 3% p.a. is calculated on the Fund's net asset, less the amounts under the onlending agreement entered into with the Bank, balances of onlending to other institutions with the risk fully assumed by the Bank, and the balances of PRONAF investments (Groups B, A/C, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Funding), and is limited to 20% of the transfers made by the National Treasury. In the period, the administration fee totaled R\$376,066 (R\$342,099 at 03.31.2016).

NOTE 26 - Workers' Assistance Fund (Fundo de Amparo ao Trabalhador - FAT)

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

Specification	Tade	03.31.2017	12.31.2016
Proger-Urbano - Investment	017/2006	2,055	2,526
FAT - Infrastructure	018/2006	167,088	173,200
Protrabalho - Investment	004/2007	186,075	192,365
PNMPO	001/2010	92,281	96,514
Total		447,499	464,605

Obligations derived from the FAT, recorded under 'Interest-yielding special deposits', totaling R\$237,110 (R\$254,980 at 12.31.2016), are subject to SELIC rate while they are not used in loans, and subject to TJLP after they are released to final borrowers. Available funds yielding interest at SELIC totaled R\$29,024 (R\$28,279 at 12.31.2016).

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			03.31.2017		
		Form ⁽¹⁾	RA	SELIC remuneration	Cash and cash equivalents TMS ⁽²⁾	TJLP ⁽³⁾ applied	Total
Proger - Urbano - Investment	17/2006	RA	1,202	49	1,493	11,998	13,491

FAT - Infrastructure ⁽⁴⁾	18/2006	RA	11,891	642	21,264	50,808	72,072
Protrabalho-Investment	04/2007	RA	3,827	11	2,543	59,275	61,818
PNMPO	01/2010	RA	5,657	116	3,724	86,005	89,729
Total (Notes 13.b and 28.a.1)			22,577	818	29,024	208,086	237,110

Specification	Tade	Return of FAT funds			12.31.2016		
		Form ⁽¹⁾	RA	SELIC remuneration	Cash and cash equivalents TMS ⁽²⁾	TJLP ⁽³⁾ applied	Total
Proger - Urbano - Investment	17/2006	RA	7,460	304	1,709	12,717	14,426
FAT - Infrastructure ⁽⁴⁾	18/2006	RA	50,250	3,035	22,297	60,055	82,352
Protrabalho-Investment	04/2007	RA	17,036	42	709	63,802	64,511
PNMPO	01/2010	RA	25,484	753	3,564	90,127	93,691
Total (Notes 13.b and 28.a.1)			100,230	4,134	28,279	226,701	254,980

(1) RA - Automatic Return (Monthly, 2% on balance);

(2) Funds yielding SELIC rate;

(3) Funds yielding SELIC rate; and

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

NOTE 27 - Risk management and Basel Index

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, 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 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 forwards for approval by the Executive Board proposals for creation of and adjustments in strategies, policies, models and procedures for risk management. The Control and Risk Executive Board coordinates the implementation thereof and the Bank's performance, through a specific unit that manages credit, operational, market and liquidity risks at corporate level, defining management methodologies and models, as well as promoting the dissemination of the risk management culture.

Further information relating to risk management focused on matters related to Base Capital and the amount of Risk-Weighted Assets (RWA), in accordance with BACEN Circular Letter No. 3678 of 10.31.2013, can be found at www.bnb.gov.br, clicking the link "Sobre o Banco".

Capital management structure

The Executive Board is responsible for approving the capital management structure of the Bank, including the Capital Plan for the period from 2017 to 2019, which was also approved by the Board of Directors on 11.30.2016. The Control and Risk Executive Board is responsible for Capital Management, and a specific administrative unit has been structured for this purpose, as required by CMN Resolution No. 3988 of 06.30.2011. The Capital Management Structure information is available at www.bnb.gov.br, clicking the link "Sobre o Banco".

b) Credit risk

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

Specification	Exposure	
	03.31.2017	12.31.2016
Loans, co-obligations and guarantees given	32,054,547	32,994,183
Public sector	1,380,758	1,437,712
Private sector	30,673,789	31,556,471
Trade	3,841,941	3,940,690
Foreign trade	417,991	439,266
Housing	170	170
Manufacturing	9,073,281	9,374,031
Infrastructure	2,623,315	2,681,649
Urban micro-financing	2,639,976	2,867,269
Individuals	130,212	125,180
Rural	7,302,293	7,346,517
Other services	4,644,610	4,781,699
Market transactions	34,452,355	31,830,474
Federal Government securities	31,463,370	28,744,042
Repurchase agreements	10,364,466	11,184,789
Other	21,098,904	17,559,253
Interbank deposits	152,365	150,350
Other marketable securities	1,856,650	1,923,756
Other transactions	979,970	1,012,326
Other assets	5,020,888	4,984,341
Total	71,527,790	69,808,998

The Bank uses the constant information flow to identify, measure, control and mitigate risks, thus ensuring that credit risk exposure is within acceptable parameters. Accordingly, the Bank uses instruments, such as: credit policies, risk assessment models and methodologies, managerial reports, and system for risk rating and for calculation of expenses related to allowance for loan losses.

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 automatically calculated or 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 their value, term, nature and purpose characteristics and conditions of collaterals as to their sufficiency and liquidity.

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

The collaterals for loans are determined based on their quality, capacity to be removed and sufficiency. Balances exposed to risk of loans above R\$5,000 amount to R\$4,601,004 (R\$4,716,104 at 12.31.2016). These transactions are backed by collaterals totaling R\$5,363,665 (R\$5,425,536 at 12.31.2016).

c) Liquidity risk

Liquidity risk is the possibility of mismatches between tradable assets and liabilities that could affect the Bank's ability to pay, as well as the possibility of the institution being unable to negotiate a position at market price due to its volume being greater than the volume normally traded in the market or due to any discontinuity thereof.

The Bank adopts projection models to estimate changes in cash and manage its capacity to honor future commitments, communicating the Company's liquidity position to management through daily reports.

The daily market and liquidity risk management report includes, among other, 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, highly liquid portion of interbank deposits, repurchase agreements and own securities portfolio.

Specification		03.31.2017 (%)	12.31.2016 (%)
Liquidity ratio	At reporting date	710.71	537.33

	Average for the last 12 months	515.68	481.00
	Maximum for the last 12 months	710.71	573.00
	Minimum for the last 12 months	398.42	344.26

d) Market risk

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

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

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

The preparation of daily, monthly, quarterly and annual managerial reports for management and supervisory and control 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, currency exposure levels and liquidity levels.

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

Risk exposure limits	Control procedure
<ul style="list-style-type: none"> Trading portfolio: 1% of Base Capital Non-trading portfolio: 5% of Base Capital 	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 various risk factors in trading and non-trading portfolio transactions, and its results are as follows:

Portfolio/risk factor	Type of risk	Scenario 1 (Probable)	Scenario 2 (variation of 25%)		Scenario 3 (variation of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	7,726,521	7,719,808	(6,712)	7,713,269	(13,252)
Non-trading portfolio						
Dollar coupon	Reduction in coupon	(281,298)	(284,463)	(3,165)	(287,869)	(6,571)
Euro coupon	Increase in coupon	(6,942)	(6,943)	(1)	(6,943)	(1)
IGP coupon	Increase in coupon	1,031,208	985,404	(45,804)	943,218	(87,990)
IPCA coupon	Reduction in coupon	1,682,989	1,397,588	(285,401)	1,183,676	(499,313)
TJLP coupon	Increase in coupon	175,054	173,364	(1,690)	171,784	(3,270)
TR coupon	Increase in coupon	(1,847,646)	(1,872,906)	(25,260)	(1,891,480)	(43,834)
Fixed interest rate	Increase in interest rate	3,538,780	3,463,710	(75,070)	3,402,672	(136,108)

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 market risk factors considered, and new net balances were estimated for the portfolios. Losses correspond to the differences between the balances under scenario 1 and the balances under scenarios 2 and 3.

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

Nature of transaction	Type of risk	Financial instrument	Scenario 1 (Probable)	Scenario 2 (variation of 25%)	Scenario 3 (variation of 50%)
Hedging derivatives	Increase in Referential Rate - BM&FBOVESPA DI x dollar	Dollar x DI Swap	989,571	1,001,542	1,013,819
		Liabilities in FC	(1,018,490)	(1,030,721)	(1,043,263)
		Net exposure	(28,919)	(29,179)	(29,444)

Market value losses were considered in the net exposure of scenarios 2 and 3 and, as regards scenario 1, arising from a possible stressed increase in exchange coupon in foreign-currency denominated transactions.

The method used to prepare the sensitivity analysis of foreign exchange hedge and respective notes was to determine the balances of liabilities 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 fixed interest *swap* rate was applied.

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

e) Operational risk

The operational risk is the possibility of losses arising from failures, deficiencies or inadequacies of internal processes, people and systems or resulting from external events, including those related to legal issues.

Operational risk management requires continuous commitment and involvement of all managers, employees and collaborators, whose main purpose is to mitigate the possibility and impact of operating losses.

The corporate operating risk management system aims at ensuring compliance with the corporate policy 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.

The Bank's corporate operational risk is managed through a process view and a specific organizational structure designed to support assessment activities in all supporting and business processes of the Institution, mainly based on the Resolutions issued by the Central Bank. The qualitative approach comprises process risk assessment methodologies, follow-up of mitigating measures and managerial reports. Another methodology used is the RCSA (Risk and Control Self-Assessment) that allows simulating risks inherent to activities and procedures, as well as defining their impact. RCSA further allows building a Risk Matrix and defining indicators, aiming at reaching an expanded vision of the processes and improved management.

f) Foreign exchange exposure

Transactions under agreements that provide for currency adjustment clause presented net balance of currency exposure sold, in the amount of R\$47,541 (R\$25,470 at 12.31.2016 - short position), as follows:

Specification	03.31.2017	12.31.2016	Specification	03.31.2017	12.31.2016
Cash and cash equivalents	40,529	56,911	Deposits	-	-
Interbank Investments	-	-	Interbranch accounts	5,849	7,170
Loans	667,774	734,445	Borrowings and onlending - in Brazil	71,559	76,062
Other receivables	659,253	672,061	Borrowings and onlending – abroad	1,706,248	1,760,411
			Other liabilities	612,831	640,391
Total assets in foreign currency, excluding derivatives	1,367,556	1,463,417	Total liabilities in foreign currencies	2,396,487	2,484,034
Swap transactions	981,390	995,147			
Total long position in foreign currencies	2,348,946	2,458,564	Total short position in foreign currencies	2,396,487	2,484,034

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

g) Operating limits - Basel Accord

At 03.31.2017, the Bank had a wide Basel rate (including capital to cover RBAN) of 14.96% (15.00% at 12.31.2016) and Tier I rates and Principal Capital were both at 10.63% (10.80% at 12.31.2016). RE computed was R\$6,123,101 (R\$6,099,931 at 12.31.2016), Tier I and Principal Capital had the same amount of R\$4,075,830 (R\$4,109,061 at 12.31.2016), while risk weighted assets (RWA amount) totaled R\$38,346,473 (R\$38,048,564 at 12.31.2016).

i. Minimum Required Capital - MRC (Basel III)

Specification	03.31.2017	12.31.2016
Referential Equity (RE)	6,123,101	6,099,931
. Tier I	4,075,830	4,109,061
. Principal Capital	4,075,830	4,109,061
. Tier II	2,047,271	1,990,870
Risk-Weighted Assets (RWA)	38,346,473	38,048,564
. RWACPAD	29,898,298	30,634,885
. RWACAM	320,152	257,977
. RWAJUR	109,708	57,155
. RWACOM	6,216	5,843
. RWAOPAD	8,012,099	7,092,704
RBAN amount	2,584,694	2,624,533
Margin on RE (RE - [RWA * 9.25%])¹	2,576,052	2,342,635
Margin on RE considering RBAN {RE - ([RWA + RBAN] * 9.25%)}⁽¹⁾	2,336,968	2,083,462
Margin on Tier I RE (Tier I RE - RWA * 6%)	1,775,041	1,826,147
Margin on Required Principal Capital (Principal Capital - RWA * 4.5%)	2,350,238	2,396,875
Required Additional Capital (RWA * 1.25%)⁽²⁾	479,331	237,804
Margin on Additional Required Capital (whichever is lower of margins - additional required principal capital)	1,295,710	1,588,343
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	10.63%	10.80%
. Tier I index (minimum requirement of 6.0%)	10.63%	10.80%
. Basel index (minimum requirement of 9.25%) ⁽¹⁾	15.97%	16.03%
. Basel index including RBAN	14.96%	15.00%

⁽¹⁾ In December 2016 it was 9.875%.

⁽²⁾ In December 2016 it was 0.625%.

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.
- . 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.

ii. Breakdown of RE (Basel III)

Specification	03.31.2017	12.31.2016
Referential Equity (RE)	6,123,101	6,099,931
Tier I Referential Equity	4,075,830	4,109,061
Principal Capital	4,075,830	4,109,061
Capital	2,844,000	2,844,000
Income reserves	1,157,951	1,157,951
Capital and revaluation reserve	13,359	14,491
Remaining balances and retained earnings	4,437	-
Credit P&L accounts	2,869,567	-
Debt P&L accounts	(2,887,327)	-
Unrealized gains or losses - equity valuation and marketable securities	(571,194)	(653,947)
Debt instruments eligible for Principal Capital	1,000,000	1,000,000
Prudential Adjustments	(354,963)	(253,434)
Prudential Adjustments - intangible assets	(9,525)	(7,144)
Prudential adjustment - Deferred assets	-	-
Prudential adjustment - Tax credits from temporary differences	(307,389)	(235,335)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(38,049)	(10,955)
Tier II Referential Equity	2,047,271	1,990,870
Instruments eligible for Tier II	2,068,301	2,012,874
Investment in other entities deducted of Tier II	(21,030)	(22,004)

The Subordinated Debt Instruments entered into with FNE, authorized to comprise Tier II RE before the entry into force of CMN Resolution No. 4192 of 03.01.2013, according to paragraph 2 of its article 23, shall remain eligible up to their amortization.

On 12.21.2016, BACEN authorized the inclusion in the Tier I Referential Equity (RE) of the Bank, as Principal Capital, the novation and acknowledgment of debt agreement entered into with the Federal Government, named Debt instruments eligible to Principal Capital, which replaced the Hybrid Debt and Equity Instrument, which was recorded under Tier II of the RE until 12.31.2015.

iii. Leverage Ratio (LR)

On 02.27.2015, BACEN published Circular Letter No. 3748 effective from October 2015, which describes the calculation methodology of Leverage Ratio (LR). This calculation is the result of the division of Tier I RE, calculated according to CMN Resolution No. 4192 of 03.01.2013, by Total Exposure defined in subparagraph II, article 2 of BACEN Circular Letter No. 3748. At 12.31.2016, the Leverage Ratio of the Bank was 6.03% (4.25% at 12.31.2015), as follows:

Specification	03.31.2017	12.31.2016
Tier I Referential Equity	4,075,830	4,109,061
Total exposure for Leverage Ratio	69,825,304	68,182,830
Leverage Ratio (%)	5.84	6.03

iv. Investment index

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

Specification	03.31.2017	12.31.2016
Referential Equity for investment limit	6,123,100	6,099,931
Investment limit (50% of adjusted RE)	3,061,550	3,049,965
Situation	203,841	207,424
Margin	2,857,709	2,842,541
Investment index	3.33%	3.40%

NOTE 28 - 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	03.31.2017	12.31.2016
Assets		
Loans - refinancing with the Federal Government (Note 9.a.1)	566,969	552,221
Total	566,969	552,221

Specification	03.31.2017	12.31.2016
Liabilities		
Time deposits - FAT (Note 13.b. and Note 26)	237,110	254,980
Domestic onlending - Official institutions (Note 14.c.)	1,648,739	1,669,248
National Treasury	456	451
BNDES	1,538,034	1,552,591
FINAME	110,249	116,206
Other liabilities	22,494,828	20,553,676
FNE (Note 16.f)	18,560,049	16,674,513
FDNE	761,902	758,798
Merchant Marine Fund (FMM)	104,576	107,491
Debt instruments eligible to capital (Notes 16g and 17)	1,000,000	1,000,000
Subordinated debts eligible for capital (Notes 16.h and 18)	2,068,301	2,012,874
Total	24,380,677	22,477,904

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

Specification	03.31.2017	12.31.2016
Liabilities		
Post-employment benefits - CAPEF DB Plan (Notes 16.j and 24.b)	356,045	363,118
Post-employment benefits - Camed Natural Plan (Notes 16.j and 24.b)	819,738	807,550
Post-employment benefits - Life insurance (Notes 16.i and 24.b)	118,316	116,899
Total	1,294,099	1,287,567

a.3) Significant revenues and expenses with related parties are as follows:

Specification	03.31.2017	03.31.2016
Loans - refinancing with the Federal Government	18,951	27,406
Time deposits - FAT	(19,886)	(22,585)
National Treasury	(5)	(10)
BNDES	(34,572)	(41,789)
FINAME	(1,117)	(1,608)
FMM	(2,115)	(1,030)
FNE	(35,856)	56,891
FDNE	6,677	6,777
Hybrid debt/equity instruments	-	(38,531)
Debt instruments eligible to capital	-	(19,688)
Subordinated debts eligible for capital	(42,394)	(36,932)
Post-employment benefit - Capef DB Plan	(12,314)	(9,938)
Post-employment benefits - VC I Plan	(11,899)	(10,848)
Post-employment benefit - Camed Natural Plan	(23,140)	(25,032)
Post-employment benefits - life insurance	(2,577)	(1,208)

b) Management compensation

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

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Fees	1,015	959
Executive Board	874	831
Board of Directors	77	64
Supervisory Board	64	64
Other	491	356
Annual variable compensation - exclusive for officers (*)	1,614	1,839
Total short-term benefits	1,506	1,315
Post-employment benefits	54	58
Total	4,680	4,527

(*) 50% of the annual variable compensation correspond to share-based instrument, the provision and payment of which are based on the quoted price of the Bank's shares at Bovespa. The amounts in the table above correspond to the provision for payments to be made in the year, as well as to the deferred installments to be settled in the subsequent three years, in accordance with CMN Resolution No. 3921 of 11.25.2010.

The Bank offers to its officers, as post-employment benefits, Pension and Health Care Plans under the same conditions offered to employees.

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

NOTE 29 - Statement of comprehensive income

Specification	01.01 to 03.31.2017	01.01 to 03.31.2016
Net income (loss)	(17,760)	77,808
Other comprehensive income	83,884	67,922
Equity adjustment to available-for-sale securities	138,399	113,588
Tax effect on Equity adjustment to available-for-sale securities	(54,889)	(45,688)
Revaluation reserve realized	1,991	969
Tax effect on revaluation reserve realized	(859)	(436)
Actuarial gains (losses)	(758)	(511)
Comprehensive income	66,124	145,730

NOTE 30 - Other Information

a) Guarantees given

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

Specification	03.31.2017	12.31.2016
Import financing	6,906	1,822
Financial guarantees provided	21,066,287	21,050,778
In connection with the International Commodity Trade	1,780	699
Other bank guarantees	450	-
Other financial guarantees provided		
- FNE	20,942,371	20,930,819
- FDNE	121,686	119,260
Credit assignment co-obligations	18,000	18,171
Total	21,091,193	21,070,771

b) Statement of compliance

We confirm that all significant information of the financial statements themselves, and only such information, is being disclosed and corresponds to that used in the management of Banco do Nordeste.

c) Approval of financial statements

These financial statements were approved at an Executive Board meeting held on April 25, 2017.

Fortaleza (CE), April 25, 2017

The Executive Board

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

Quarterly Information (ITR)

Banco do Nordeste do Brasil S.A.

March 31, 2017

With Independent Auditor's Review Report

A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's review report on Quarterly Information (ITR)

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

Introduction

We have reviewed the interim financial information of Banco do Nordeste do Brasil S.A. ("Bank"), contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, comprising the statement of financial position as at March 31, 2017 and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory information.

Management is responsible for the preparation of the interim financial information in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Information (ITR).

Other matters

Interim financial information of value added

We also reviewed the interim financial information of value added (SVA), for the three-month period ended March 31, 2017, prepared under the responsibility of Bank management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR). This statement was subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, in accordance with the overall interim financial information.

São Paulo, May 11, 2017.

Ernst & Young
Auditores Independentes S.S.
CRC-2SP015199/O-6

Eduardo Wellichen
Accountant CRC - 1SP184050/O-6