

Quarterly Information (ITR)

Banco do Nordeste do Brasil S.A.

September 30, 2016
with Independent Auditor's Review Report



São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo – SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

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

The Shareholders, Board of Directors 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 September 30, 2016, comprising the balance sheet as at September 30, 2016 and the related statements of income and of comprehensive income (loss) for the three and nine-month periods then ended, the statements of changes in equity and of cash flows for the nine-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 nine-month period ended September 30, 2016, 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, November 11, 2016.

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

Eduardo Wellichen
Accountant CRC-1SP184050/O-6

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Company Information/Capital Breakdown

Number of shares (in thousands)	Current quarter 09/30/2016
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	03/31/2016	Interest on Equity (IOE)	04/22/2016	Common		0.20583
Board of Directors' Meeting	08/08/2016	Interest on Equity (IOE)	08/28/2016	Common		0.62534

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 09/30/2016	Prior year 12/31/2015
1	Total assets	43,567,609	41,421,935
1.01	Current assets	19,698,232	21,939,440
1.01.01	Cash and cash equivalents	138,136	209,975
1.01.02	Interbank investments	7,963,572	12,445,108
1.01.02.01	Open market investments	7,963,572	12,444,473
1.01.02.02	Interbank deposits	-	635
1.01.03	Marketable securities	4,113,842	253,302
1.01.03.01	Own portfolio	3,031,601	227,797
1.01.03.02	Linked to repurchase agreements	777,459	-
1.01.03.03	Linked to guarantees given	304,782	25,505
1.01.04	Interbank accounts	280,760	178,168
1.01.04.01	Unsettled payments and receipts	67,405	1,378
1.01.04.02	Central Bank deposits	211,254	173,609
1.01.04.03	National Treasury - Rural Credit Funds	-	102
1.01.04.04	Interbank Onlending	774	1,885
1.01.04.05	Correspondents	1,327	1,194
1.01.06	Loans	4,561,097	5,476,359
1.01.06.01	Public sector	211,922	243,022
1.01.06.02	Private sector	4,983,949	5,734,502
1.01.06.03	(Allowance for loan losses)	(634,774)	(501,165)
1.01.08	Other Credits	2,602,772	3,344,533
1.01.08.01	Guarantees and sureties honored	-	29
1.01.08.02	Exchange portfolio	597,435	818,089
1.01.08.03	Income receivable	12,140	13,075
1.01.08.04	Securities trading	12	4
1.01.08.05	Other	2,198,322	2,719,014
1.01.08.06	(Allowance for losses on other credits)	(205,137)	(205,678)
1.01.09	Other assets	38,053	31,995
1.01.09.01	Other assets	14,234	13,996
1.01.09.02	(Valuation allowances)	(613)	(625)
1.01.09.03	Prepaid expenses	24,432	18,624
1.02	Long-term receivables	23,648,303	19,248,006
1.02.02	Marketable securities	16,014,431	12,073,969
1.02.02.01	Own portfolio	15,527,989	9,455,535
1.02.02.02	Linked to repurchase agreements	42,716	1,606,140
1.02.02.03	Derivative financial instruments	413,605	610,474
1.02.02.04	Linked to guarantees given	30,121	401,820
1.02.03	Interbank accounts	65,005	45,493
1.02.03.01	National Treasury - Rural Credit Funds	6	2
1.02.03.02	National Housing System (SFH)	64,999	44,549
1.02.03.03	Interbank Onlending	-	942
1.02.05	Loans	6,630,952	6,723,551
1.02.05.01	Public sector	1,174,404	1,381,893
1.02.05.02	Private sector	5,993,343	5,762,903
1.02.05.03	(Allowance for loan losses)	(536,795)	(421,245)

Individual Financial Statements/Balance Sheet - Assets**(In thousands of reais)**

Account code	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
1.02.07	Other Credits	937,915	404,993
1.02.07.01	Guarantees and sureties honored	-	117
1.02.07.02	Income receivable	18,049	18,049
1.02.07.03	Other	966,791	433,416
1.02.07.04	(Allowance for losses on other credits)	(46,925)	(46,589)
1.03	Permanent assets	221,074	234,489
1.03.01	Investments	1,898	1,866
1.03.01.04	Other investments	7,201	7,169
1.03.01.05	(Allowance for Losses)	(5,303)	(5,303)
1.03.02	Property and equipment in use	202,120	215,976
1.03.02.01	Properties and equipment in use	170,087	168,413
1.03.02.02	Revaluation of property and equipment in use	107,628	107,628
1.03.02.03	Other property and equipment in use	278,389	263,840
1.03.02.04	(Accumulated Depreciation)	(353,984)	(323,905)
1.03.04	Intangible assets	17,056	16,610
1.03.04.01	Intangible assets	17,056	16,610
1.03.05	Deferred charges	-	37
1.03.05.01	Organization and expansion costs	37	358
1.03.05.02	(Accumulated amortization)	(37)	(321)

Individual Financial Statements/Balance Sheet - Liabilities**(In thousands of reais)**

Account code	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2	Total liabilities	43,567,609	41,421,935
2.01	Current liabilities	15,906,076	15,931,326
2.01.01	Deposits	5,759,460	5,720,863
2.01.01.01	Demand deposits	263,267	333,005
2.01.01.02	Saving deposits	2,067,252	1,854,853
2.01.01.03	Interbank deposits	973,700	1,037,769
2.01.01.04	Time deposits	2,455,241	2,495,236
2.01.02	Open market funding	895,587	1,541,765
2.01.02.01	Own portfolio	816,800	1,474,628
2.01.02.02	Third-party portfolio	78,787	67,137
2.01.03	Funds from acceptance and issue of securities	307,373	224,885
2.01.03.01	Funds from real estate, mortgage, credit and similar notes	287,355	215,449
2.01.03.02	Liabilities for foreign marketable securities	20,018	9,436
2.01.04	Interbank accounts	40,233	363
2.01.04.01	Unsettled payments and receipts	40,233	363
2.01.05	Interdepartmental accounts	14,701	12,373
2.01.05.01	Third-party funds in transit	14,280	12,331
2.01.05.02	Internal Transfers of Funds	421	42
2.01.06	Borrowings	533,679	1,000,882
2.01.06.01	Foreign borrowings	533,679	1,000,882
2.01.07	Domestic Onlending	156,980	150,552
2.01.07.01	National Treasury	450	426
2.01.07.02	BNDES	130,472	123,008
2.01.07.03	FINAME	26,058	27,118
2.01.08	Foreign onlending	142,433	168,823
2.01.09	Other liabilities	8,055,630	7,110,820
2.01.09.01	Collection of taxes and other contributions	52,475	2,312
2.01.09.02	Exchange portfolio	3,700	3,977
2.01.09.03	Social and statutory	11,521	46,661
2.01.09.04	Tax and social security	496,429	583,927
2.01.09.05	Securities trading	153	117
2.01.09.06	Financial and development funds	5,179,827	4,441,912
2.01.09.07	Hybrid debt/equity instruments	-	92,567
2.01.09.08	Other	2,311,525	1,939,347
2.02	Long-term payables	24,635,655	22,647,423
2.02.01	Deposits	4,617,927	5,029,884
2.02.01.01	Interbank deposits	112,892	171,034
2.02.01.02	Time deposits	4,505,035	4,858,850
2.02.02	Open market funding	2,693	129,478
2.02.02.01	Own portfolio	2,693	129,478
2.02.03	Funds from acceptance and issue of securities	1,011,461	1,194,587
2.02.03.01	Funds from real estate, mortgage, credit and similar notes	599	-
2.02.03.02	Liabilities for foreign marketable securities	1,010,862	1,194,587
2.02.07	Domestic Onlending	1,545,437	1,558,594

Individual Financial Statements/Balance Sheet - Liabilities**(In thousands of reais)**

Account code	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2.02.07.02	BNDES	1,448,004	1,444,316
2.02.07.03	FINAME	97,433	114,278
2.02.08	Foreign onlending	667,220	911,560
2.02.09	Other liabilities	16,790,917	13,823,320
2.02.09.01	Financial and development funds	10,767,003	7,882,272
2.02.09.02	Hybrid debt/equity instruments	-	1,408,609
2.02.09.03	Debt instruments eligible to capital	1,000,000	-
2.02.09.04	Subordinated debts eligible to capital	1,956,040	1,792,282
2.02.09.05	Other	3,067,874	2,740,157
2.05	Equity	3,025,878	2,843,186
2.05.01	Capital	2,844,000	2,844,000
2.05.01.01	Domiciled in Brazil	2,844,000	2,844,000
2.05.03	Revaluation reserves	15,023	16,621
2.05.03.01	Own assets	15,023	16,621
2.05.04	Income reserves	771,046	598,429
2.05.04.01	Legal reserve	212,003	200,726
2.05.04.02	Statutory reserve	559,043	397,703
2.05.05	Equity Adjustments	(551,927)	(615,864)
2.05.05.01	Adjustments to marketable securities	(551,927)	(615,864)
2.05.06	Retained Earnings/Accumulated Losses	(52,264)	-

Individual Financial Statements/Income Statement**(In thousands of reais)**

Account Code	Account description	Current YTD			Prior YTD 01/01/2015 to 09/30/2015
		Current quarter 07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	Same prior-year quarter 07/01/2015 to 09/30/2015	
3.01	Income from financial intermediation	1,465,417	4,010,669	2,192,213	4,964,704
3.01.01	Loan	477,568	1,519,026	788,709	1,809,832
3.01.02	Gain (Loss) on marketable securities transactions	914,557	2,610,314	795,297	2,159,918
3.01.03	Gain (loss) on derivative financial instruments	39,151	(216,751)	341,707	571,730
3.01.04	Foreign exchange gains (losses)	22,389	65,526	263,476	409,346
3.01.05	Compulsory investment gain(loss)	11,752	32,554	3,024	13,878
3.02	Expenses from financial intermediation	(1,160,977)	(3,096,084)	(1,873,691)	(4,280,781)
3.02.01	Funding Operations	(376,166)	(1,062,666)	(751,016)	(1,715,105)
3.02.02	Borrowings and onlending	(548,534)	(1,455,819)	(962,154)	(1,863,257)
3.02.03	Allowance for loan losses	(236,277)	(577,599)	(160,521)	(702,419)
3.03	Gross Income from Financial Intermediation	304,440	914,585	318,522	683,923
3.04	Other operating income/expenses	(398,653)	(671,881)	(403,012)	(670,577)
3.04.01	Income for Services Provided	468,729	1,571,103	464,715	1,543,370
3.04.02	Personnel expenses	(424,190)	(1,281,792)	(374,433)	(1,105,598)
3.04.03	Other administrative expenses	(301,396)	(836,057)	(255,027)	(718,045)
3.04.04	Tax expenses	(67,143)	(209,911)	(63,188)	(191,307)
3.04.05	Other operating income	355,555	1,676,342	350,415	1,127,089
3.04.06	Other operating expenses	(430,208)	(1,591,566)	(525,494)	(1,326,086)
3.05	Operating income	(94,213)	242,704	(84,490)	13,346
3.06	Non-operating income	275	480	340	1,644
3.06.01	Revenues	2,021	4,017	2,261	5,474
3.06.02	Expenses	(1,746)	(3,537)	(1,921)	(3,830)
3.07	Income (Loss) before income taxes and profit sharing	(93,938)	243,184	(84,150)	14,990
3.08	Provision for income and social contribution taxes	(72,772)	(231,064)	(108,907)	(270,331)
3.08.01	Provision for income tax	(40,815)	(129,239)	(61,917)	(160,929)
3.08.02	Provision for social contribution tax	(31,957)	(101,825)	(46,990)	(109,402)
3.09	Deferred income tax	113,913	175,838	235,873	489,510
3.10	Statutory contributions/profit sharing	-	(15,191)	-	(33,225)
3.10.01	Profit sharing	-	(15,191)	-	(33,225)
3.13	Net income (loss) for the period	(52,797)	172,767	42,816	200,944
3.99	Earnings (loss) per share (reais/share)	(0.61130)	2.00030	0.49570	2.32650

Individual Financial Statements/Statement of Comprehensive Income (loss)**(In thousands of reais)**

Account Code	Account description	Current quarter 07/01/2016 to 09/30/2016	Current YTD 01/01/2016 to 09/30/2016	Same prior-year quarter 07/01/2015 to 09/30/2015	Prior YTD 01/01/2015 to 09/30/2015
4.01	Net income for the period	(52,797)	172,767	42,816	200,944
4.02	Other comprehensive income (loss)	44,012	65,535	(138,633)	(434,744)
4.02.01	Equity adjustment to available-for-sale securities	74,356	270,606	(243,748)	(250,619)
4.02.02	Tax effect on equity adjustment to available-for-sale securities	(30,249)	(109,115)	104,612	107,360
4.02.03	Realization of revaluation reserve	969	2,905	968	2,905
4.02.04	Tax effect on realization of revaluation reserve	(436)	(1,307)	111	(664)
4.02.05	Actuarial gains (losses)	(628)	(97,554)	(576)	(293,726)
4.03	Comprehensive income (loss) for the period	(8,785)	238,302	(95,817)	(233,800)

Individual Financial Statements/Cash Flow Statement - Indirect Method**(In thousands of reais)**

Account Code	Account description	Current	Prior
		YTD 01/01/2016 to 09/30/2016	YTD 01/01/2015 to 09/30/2015
6.01	Net cash from operating activities	(4,081,168)	4,174,603
6.01.01	Cash from operations	1,963,165	2,515,557
6.01.01.01	Net income for the period	172,767	200,944
6.01.01.02	Depreciation and amortization expenses	31,738	30,328
6.01.01.03	Valuation allowance for other assets	(12)	-12
6.01.01.04	Allowance for loan losses	560,987	546,167
6.01.01.05	Allowance for losses on other receivables	16,612	156,252
6.01.01.06	Allowance for risk on FNE transactions	739,645	891,836
6.01.01.07	Allowance for risk on FDNE transactions	30	42
6.01.01.08	Provision for contingent liabilities	86,323	84,378
6.01.01.09	Provision for post-employment benefits	139,987	109,824
6.01.01.10	Provision for deferred tax asset	175,838	489,510
6.01.01.11	Provision for losses on linked credits - SFH	23,188	212
6.01.01.12	Establishment/Reversal of operating provisions	16,062	6,076
6.01.02	Changes in assets and liabilities	(6,044,333)	1,659,046
6.01.02.01	Interbank investments	(11,015)	76,500
6.01.02.02	Interbank and Interdepartmental accounts	(103,094)	189,141
6.01.02.03	Loans	446,875	(999,196)
6.01.02.04	Other Credits	238,194	(1,532,285)
6.01.02.05	Other assets	(5,915)	(3,416)
6.01.02.06	Deposits	(373,360)	(1,369,082)
6.01.02.07	Open market funding	(772,964)	(89,386)
6.01.02.08	Funds from acceptance and issue of securities	(100,638)	780,904
6.01.02.09	Borrowings and onlending	(744,661)	543,870
6.01.02.10	Derivative financial instruments	196,869	(603,662)
6.01.02.11	Other liabilities	3,316,082	2,735,516
6.01.02.12	Income and social contribution taxes paid	(294,326)	(189,357)
6.01.02.13	Available-for-sale marketable securities	(7,836,380)	2,119,499
6.02	Net cash from investing activities	(18,455)	(31,445)
6.02.02	Addition to Investments	(32)	(19)
6.02.03	Addition to in property and equipment in use	(22,179)	(39,639)
6.02.04	Addition tos in intangible assets	(445)	(204)
6.02.05	Addition to in assets not for own use	(204)	(861)
6.02.06	Disposal of property and equipment in use	4,332	9,244
6.02.07	Disposal of assets not for own use	73	34
6.03	Net cash from financing activities	(464,767)	(473,317)
6.03.01	Dividends, bonuses and Interest on Equity (IOE)paid	(71,377)	(473,317)
6.03.02	Hybrid debt/equity instruments	(393,390)	-
6.05	Increase (decrease) in cash and cash equivalents	(4,564,390)	3,669,841
6.05.01	Cash and cash equivalents at beginning of period	12,587,311	8,365,461
6.05.02	Cash and cash equivalents at end of period	8,022,921	12,035,302

Individual Financial Statements/Statement of Changes in Equity/SCE - 01/01/2016 to 09/30/2016**(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	-	-	-	-	172,767	-	172,767
5.05	Allocations	-	-	-	172,617	(226,629)	-	(54,012)
5.05.02	Interest on Equity (IOE)	-	-	-	-	(54,012)	-	(54,012)
5.05.03	Other allocations	-	-	-	172,617	(172,617)	-	-
5.05.03.01	Legal reserve	-	-	-	11,278	(11,278)	-	-
5.05.03.02	Statutory reserve	-	-	-	161,339	(161,339)	-	-
5.07	Equity Adjustments	-	-	(1,598)	-	1,598	63,937	63,937
5.07.01	Adjustments to marketable securities	-	-	-	-	-	161,491	161,491
5.07.04	Realization of reserve	-	-	(1,598)	-	1,598	-	-
5.07.05	Actuarial gains and losses	-	-	-	-	-	(97,554)	(97,554)
5.13	Closing balance	2,844,000	-	15,023	771,046	(52,264)	(551,927)	3,025,878

Individual Financial Statements/Statement of Changes in Equity/SCE - 01/01/2015 to 09/30/2015**(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	-	19,394	687,911	-	(183,496)	3,367,809
5.03	Adjusted balance	2,844,000	-	19,394	687,911	-	(183,496)	3,367,809
5.04	Income/loss for the period	-	-	-	-	200,944	-	200,944
5.05	Allocations	-	-	-	(214,924)	(173,819)	-	(388,743)
5.05.02	Interest on Equity (IOE)	-	-	-	-	(49,313)	-	(49,313)
5.05.03	Other allocations	-	-	-	(214,924)	(124,506)	-	(339,430)
5.05.03.01	Legal reserve	-	-	-	7,907	(7,907)	-	-
5.05.03.02	Statutory reserve	-	-	-	(185,429)	185,429	-	-
5.05.03.03	Proposed additional dividends	-	-	-	3,061	(18,380)	-	(15,319)
5.05.03.04	Proposed additional dividends in 2014 approved at the Annual and Special General Meeting	-	-	-	(40,463)	(283,648)	-	(324,111)
5.07	Equity Adjustments	-	-	(2,241)	-	1,743	(436,985)	(437,483)
5.07.01	Adjustments to marketable securities	-	-	-	-	-	(143,259)	(143,259)
5.07.04	Realization of reserve	-	-	(2,241)	-	1,743	-	(498)
5.07.05	Actuarial gains and losses	-	-	-	-	-	(293,726)	(293,726)
5.13	Closing balance	2,844,000	-	17,153	472,987	28,868	(620,481)	2,742,527

Individual Financial Statements/Statement of Value Added**(In thousands of reais)**

Account Code	Account description	Current YTD		Prior YTD
		01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
7.01	Revenues	5,089,428		5,608,304
7.01.01	Financial intermediation	4,010,669		4,964,704
7.01.02	Services Provided	1,571,103		1,543,370
7.01.03	(Reversal of) Allowance for loan losses	(577,599)		(702,419)
7.01.04	Other	85,255		(197,351)
7.02	Expenses from financial intermediation	(2,518,485)		(3,578,362)
7.03	Inputs acquired from third parties	(776,860)		(664,560)
7.03.01	Materials, energy and other expenses	(63,020)		(56,903)
7.03.02	Third-parties services	(404,902)		(349,337)
7.03.04	Other	(308,938)		(258,320)
7.03.04.01	Data processing and telecommunications	(182,991)		(138,358)
7.03.04.02	Advertising, promotions and publications	(11,037)		(27,014)
7.03.04.03	Transportation	(20,471)		(18,343)
7.03.04.04	Security	(41,268)		(34,038)
7.03.04.05	Travel	(10,142)		(8,777)
7.03.04.06	Other	(43,029)		(31,790)
7.04	Gross Value Added	1,794,083		1,365,382
7.05	Retentions	(31,738)		(30,328)
7.05.01	Depreciation, amortization and depletion	(31,738)		(30,328)
7.06	Net value added produced	1,762,345		1,335,054
7.08	Total Value Added to be Distributed	1,762,345		1,335,054
7.09	Distribution of Value Added	1,762,345		1,335,054
7.09.01	Personnel	1,117,759		980,551
7.09.01.01	Work compensation	779,456		698,142
7.09.01.02	Benefits	279,787		231,815
7.09.01.03	FGTS	58,516		50,594
7.09.02	Taxes, charges and contributions	444,360		130,402
7.09.02.01	Federal	423,989		109,625
7.09.02.02	State	29		35
7.09.02.03	Municipal	20,342		20,742
7.09.03	Debt Remuneration	27,459		23,157
7.09.03.01	Rent	27,459		23,157
7.09.04	Equity Remuneration	172,767		200,944
7.09.04.01	Interest on Equity (IOE)	54,012		67,694
7.09.04.03	Retained Earnings/Losses for the period	118,755		133,250

Operating performance

Operating performance

BNB entered into 1,157,404 loan and financing transactions in the total amount of R\$4.6 billion in the third quarter of 2016. In current year, by September, 3,678,382 transactions were entered into, totaling R\$15.4 billion.

The funds used in long-term loan transactions mostly derived from Fundo Constitucional de Financiamento do Nordeste (FNE). In the third quarter of 2016, 126,149 transactions were entered into, totaling R\$2.1 billion with FNE funds.

In relation to the Programa Nacional de Fortalecimento da Agricultura Familiar (Pronaf), BNB contracted 117,671 financing transactions, totaling R\$546.2 million in the third quarter of 2016.

Under the Pronaf program, BNB operates the rural production-oriented microloan program denominated Agroamigo. Under this type 113,999 transactions were entered into with family farmers, in the total amount of R\$461.5 million.

Through its urban production-oriented microloan program, denominated Crediamigo, BNB disbursed approximately R\$1.8 billion, contracting 955,251 transactions in the third quarter of 2016 to provide support to micro-entrepreneurs within its jurisdiction.

Under the urban production-oriented microloan program (Crediamigo) and the rural Agroamigo program, a total amount of approximately R\$2.2 billion was disbursed in the third quarter of 2016, with a total of 1,069,250 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 13,005 transactions in the amount of R\$566.1 million throughout the third quarter of 2016.

In relation to the financial performance, BNB posted accumulated net income of R\$172.8 million by September, 13.9% decrease compared to the same period in 2015.

CVM Rule No. 381, dated 01/14/2003

In relation to CVM Rule No. 381/03, dated 01/14/2003, Banco do Nordeste informs hereby that Ernst & Young AuditoresIndependentes S/S, engaged as Independent Auditor, did not provide, in the third quarter of 2016, any services other than independent audit services.

Notes to financial statements

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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 State, 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 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).

Notes to financial statements**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 the Brazilian financial accounting standards board - 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 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).

Notes to financial statements**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 Profit or Loss (P&L).

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, accrued interest and monetary and currency variations, 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.

Notes to financial statements**f) Marketable securities**

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

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

Available-for-sale securities: securities not classified as either securities held for trading 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 balance sheet and memorandum accounts, according to their nature, based on prevailing accounting standards and legal provisions. They are measured at market value upon preparation of monthly trial balances and half-yearly balance sheets. Valuations or devaluations are stated in income or expense accounts. The rates disclosed by the Securities, Commodities and Futures Exchange (BM&FBOVESPA) are used to calculate the market value of these transactions.

Hedge Accounting

Considering the risk of foreign exchange exposure and conditions of the funding market abroad through long-term Senior Unsecured Notes - Eurobonds, the Bank designated derivative financial instruments (swap agreements) to fully hedge the loans raised and corresponding interest payable (market risk hedge). To equalize the effects of marked-to-market of 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 are recognized in P&L. However, the market value adjustment of the hedged item is recorded as part of its book value, and is also recognized in P&L for the period. If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under hedge accounting conditions, the hedging relationship ends.

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

Notes to financial statements**h) Loans, advances on exchange contracts, other receivables with loan features and allowance for loan losses**

Loans, advances on exchange contracts, and other receivables with loan features are classified in accordance with Management's judgment on risk level, taking into consideration the economic scenario, past experience and specific risks related to the operation, debtors and guarantors, considering the standards established by CMN Resolution No. 2682 of 12/21/1999, which require the periodic analysis of the portfolio and its rating into nine risk levels, where "AA" is the minimum risk and "H" is the maximum risk, as well as the classification of operations in arrears for more than 15 days as past due operations.

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

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

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

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

i) Prepaid expenses

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

j) Permanent assets

Investments: 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.

Deferred charges: include expenses on third-party properties and software purchase and development incurred through 09/30/2008 and include amortization calculated by the straight-line method at the annual rate of 20%.

CMN Resolution No. 3617 of 09/30/2008 determines that any balances of property and equipment and deferred charges existing before the Resolution came into effect, which have been recorded based on prior standards, should be maintained until such balances are actually written off.

Notes to financial statements**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 08/31/2015 this rate was 15% and from 09/01/2015 it was changed to 20% up to 12/31/2018, in compliance with the Provisional Executive Order No. 675 (MP No. 675) of 05/21/2015, signed into Law No. 13169 of 10/06/2015), after the adjustments defined in tax legislation. Deferred tax assets and liabilities are calculated on temporary differences between accounting and tax bases, arising from allowances for loan losses, provisions for post-employment benefits, marked-to-market adjustments of marketable securities, of derivative financial instruments, of hedged item and on the provision for labor claim seeking equal pay for equal work to Banco do Brasil personnel.

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

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

l) Employee benefits

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

Post-employment benefits refer to defined benefit and variable contribution pension plans, 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 No. 3429 of 02/11/2010.

Notes to financial statements

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.

Contingent assets 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 care 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.

Notes to financial statements**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: loans 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 quarters ended 09/30/2016 and 09/30/2015, no revenue from transactions with one single external 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":

Notes to financial statements

Specification	01/01 to 09/30/2016			01/01 to 09/30/2015		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	3,302,679	2,384,812	5,687,491	4,233,609	1,859,829	6,093,438
Income from loans	1,519,026	-	1,519,026	1,809,832	-	1,809,832
Gain (Loss) on marketable securities transactions	1,161,600	1,448,714	2,610,314	1,201,420	958,498	2,159,918
Gain (Loss) on derivative financial instruments	(216,751)	-	(216,751)	571,730	-	571,730
Foreign exchange gain (loss)	65,526	-	65,526	409,346	-	409,346
Compulsory investment gain (loss)	32,554	-	32,554	13,878	-	13,878
Other income	740,724	936,098	1,676,822	227,403	901,331	1,128,734
Expenses	(1,669,796)	(2,167,791)	(3,837,587)	(3,374,734)	(1,824,972)	(5,199,706)
Expenses on open market funding	(1,062,666)	-	(1,062,666)	(1,715,105)	-	(1,715,105)
Expenses on borrowings and onlending	(29,531)	(1,426,288)	(1,455,819)	(947,899)	(915,358)	(1,863,257)
Allowance for loan losses	(577,599)	(739,645)	(1,317,244)	(702,419)	(892,015)	(1,594,434)
Other contingent liabilities (Note 20.g)	-	(1,117)	(1,117)	(9,311)	(17,024)	(26,335)
PROAGRO provision receivable	-	(741)	(741)	-	(575)	(575)
Financial margin	1,632,883	217,021	1,849,904	858,875	34,857	893,732
Service revenues	305,482	1,221,437	1,526,919	303,722	1,201,600	1,505,322
Income from fees, charges and commissions	44,184	-	44,184	38,048	-	38,048
PASEP and COFINS	(80,572)	(107,756)	(188,328)	(64,734)	(104,746)	(169,480)
Income after fees and commissions	1,901,977	1,330,702	3,232,679	1,135,911	1,131,711	2,267,622
Administrative Expenses			(2,117,849)			(1,823,643)
Personnel expenses			(1,281,792)			(1,105,598)
Depreciation and amortization			(31,738)			(30,328)
Other administrative expenses			(804,319)			(687,717)
Other expenses			(763,542)			(362,740)
Expenses with provisions, except allowance for loan losses			(108,104)			(66,249)
Income before taxation and profit sharing			243,184			14,990
Income and social contribution taxes			(55,226)			219,179
Profit sharing			(15,191)			(33,225)
Net income			172,767			200,944

Notes to financial statements**NOTE 5 - Cash and cash equivalents**

Specification	09/30/2016	12/31/2015
Cash and cash equivalents in local currency	109,082	151,549
Cash in foreign currency	29,054	58,426
Total cash	138,136	209,975
Interbank investments ⁽¹⁾	7,963,572	12,377,336
Total cash and cash equivalents	8,101,708	12,587,311

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

NOTE 6 - Interbank investments**a) Breakdown**

Specification	09/30/2016	12/31/2015
a) Open market investments	7,963,572	12,444,473
Resale agreements pending settlement - Self-funded position	7,884,785	12,377,336
Resale agreements pending settlement - Financed position	78,787	67,137
b) Interbank deposits	-	635
Interbank deposits	-	635
Total	7,963,572	12,445,108
Short-Term	7,963,572	12,445,108

b) Income from interbank investments

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
a) Income from open market investments (Note 7.b)	914,486	841,058
Self-funded position	907,515	834,540
Financed position	6,971	6,518
b) Income from interbank deposits (Note 7.b)	-	2,419
Total	914,486	843,477

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	09/30/2016	12/31/2015
Available-for-sale securities	19,532,430	11,543,732
Held-to-maturity securities	182,238	173,065
Swap differential receivable	413,605	610,474
Total	20,128,273	12,327,271
Short-Term	4,113,842	253,302
Long-Term	16,014,431	12,073,969

Notes to financial statements

(a.2) Available-for-sale securities

Specification	09/30/2016								
	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	-	-	2,080,908	1,700,521	15,388,466	19,806,839	19,169,895	(636,944)	
Financial Treasury Bills (LFT)	-	-	1,912,876	1,435,140	12,292,907	15,659,439	15,640,923	(18,516)	2017 to 2022
National Treasury Notes (NTN)	-	-	-	-	1,528,650	1,501,863	1,528,650	26,787	2050
Financial Bills	-	-	146,885	265,275	1,484,028	1,939,970	1,896,188	(43,782)	2016 to 2019
Debentures	-	-	21,121	-	77,318	666,305	98,439	(567,866)	2016 to 2035
Federal government securities - FCVS	-	-	-	-	5,241	5,222	5,241	19	2027
Federal government securities - other	-	-	-	-	-	33,434	-	(33,434)	1993
Agrarian Debt Securities (TDAs)	-	-	26	106	322	606	454	(152)	2016 to 2022
Investment fund shares	315	-	-	-	-	1,863	315	(1,548)	
Social Development Funds (FDS)	-	-	-	-	-	1,548	-	(1,548)	No maturity
Investment Guarantee Fund (FGI)	302	-	-	-	-	302	302	-	No maturity
Operation Guarantee Fund (FGO)	13	-	-	-	-	13	13	-	No maturity
Variable income securities	27,317	-	-	-	-	8,745	27,317	18,572	
Other tax incentives (FINOR)	78	-	-	-	-	163	78	(85)	No maturity
Publicly-traded companies shares	27,239	-	-	-	-	8,582	27,239	18,657	No maturity
Security deposits⁽¹⁾	-	-	304,781	-	30,122	335,677	334,903	(774)	
Financial Treasury Bills (LFT)	-	-	278,463	-	7,209	285,682	285,672	(10)	2017 to 2022
Federal government securities -Nuclebrás	-	-	-	-	-	846	-	(846)	1993
Debentures	-	-	-	-	22,913	22,764	22,913	149	2019
Financial Bills	-	-	26,318	-	-	26,385	26,318	(67)	2016
Total of category	27,632	-	2,385,689	1,700,521	15,418,588	20,153,124	19,532,430	(620,694)	
Tax credit (Note 21.b)								284,103	
Provision for deferred taxes and contributions (Note 21.c)								(19,575)	
Total market value adjustment								(356,166)	

(1) Breakdown: Guarantees on stock exchange transactions R\$223,157 (R\$202,078 at 12/31/2015); guarantees on clearing house association transactions R\$2,535 (R\$2,295 at 12/31/2015); guarantees on legal proceedings R\$86,210 (R\$202,124 at 12/31/2015); and other guarantees R\$23,001 (R\$20,828 at 12/31/2015).

Notes to financial statements

Specification	12/31/2015								
	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	-	-	85,314	132,584	10,889,990	11,984,335	11,107,888	(876,447)	
Financial Treasury Bills (LFT)	-	-	-	1,792	7,978,725	7,979,876	7,980,517	641	2016 to 2021
National Treasury Notes (NTN)	-	-	-	-	1,199,577	1,437,494	1,199,577	(237,917)	2050
Financial Bills	-	-	85,303	130,767	1,570,136	1,827,555	1,786,206	(41,349)	2016 to 2019
Debentures	-	-	-	-	135,847	702,235	135,847	(566,388)	2016 to 2035
Federal government securities - FCVS	-	-	-	-	5,553	5,534	5,553	19	2027
Federal government securities - other	-	-	-	-	-	31,383	-	(31,383)	1993
Agrarian Debt Securities (TDAs)	-	-	11	25	152	258	188	(70)	2016 to 2022
Investment fund shares	253	-	-	-	-	1,741	253	(1,488)	
Social Development Funds (FDS)	-	-	-	-	-	1,488	-	(1,488)	No maturity
Investment Guarantee Fund (FGI)	246	-	-	-	-	246	246	-	No maturity
Operation Guarantee Fund (FGO)	7	-	-	-	-	7	7	-	No maturity
Variable income securities	8,266	-	-	-	-	8,745	8,266	(479)	
Other tax incentives (FINOR)	124	-	-	-	-	163	124	(39)	No maturity
Publicly-traded companies shares	8,142	-	-	-	-	8,582	8,142	(440)	No maturity
Security deposits⁽¹⁾	-	-	-	25,491	401,834	440,216	427,325	(12,891)	
Financial Treasury Bills (LFT)	-	-	-	-	376,244	376,229	376,244	15	2017 to 2020
Federal government securities -Nuclebrás	-	-	-	-	-	794	-	(794)	1993
Debentures	-	-	-	-	25,590	37,886	25,590	(12,296)	2019 to 2035
Financial Bills	-	-	-	25,491	-	25,307	25,491	184	2016
Total of category	8,519	-	85,314	158,075	11,291,824	12,435,037	11,543,732	(891,305)	
Tax credit (Note 21.b)								375,256	
Provision for deferred taxes and contributions (Note 21.c)								(1,614)	
Total market value adjustment								(517,663)	

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\$620,694) ((R\$891,305) at 12/31/2015) was recorded in Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to (R\$356,166) ((R\$517,663) at 12/31/2015).

Notes to financial statements

(a.3) Held-to-maturity securities

Specification	09/30/2016					Cost/book value	Market value ⁽¹⁾	Maturity
	Maturity							
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
Fixed income securities	-	-	-	-	182,238	182,238	136,616	
National Treasury Notes (NTN) - P	-	-	-	-	153,258	153,258	107,636	2030
Investment Fund Shares - CRIATEC	-	-	-	-	10,676	10,676	10,676	2017
Investment Fund Shares -Criatec II	-	-	-	-	7,289	7,289	7,289	2023
Investment Fund Shares -Criatec III	-	-	-	-	531	531	531	2025
FIP Brasil Agronegócios	-	-	-	-	10,121	10,121	10,121	2018
Nordeste III FIP	-	-	-	-	363	363	363	2022
Total of category	-	-	-	-	182,238	182,238	136,616	

Specification	12/31/2015					Cost/book value	Market value ⁽¹⁾	Maturity
	Maturity							
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Above 360 days			
Fixed income securities	-	-	480	-	172,585	173,065	85,545	
Investment Fund Shares - Ne Empreendedor	-	-	480	-	-	480	480	2016
National Treasury Notes (NTN) - P	-	-	-	-	144,415	144,415	56,895	2030
Investment Fund Shares - Criatec	-	-	-	-	10,312	10,312	10,312	2017
Investment Fund Shares -Criatec II	-	-	-	-	4,416	4,416	4,416	2023
FIP Brasil Agronegócios	-	-	-	-	13,371	13,371	13,371	2018
Nordeste III FIP	-	-	-	-	71	71	71	2022
Total of category	-	-	480	-	172,585	173,065	85,545	

(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 3rd quarter of 2016, 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 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 of holding to maturity the securities classified as held to maturity.

Notes to financial statements**b) Gain (loss) on marketable securities**

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Open market investments (Note 6.b)	914,486	841,058
Interbank deposits (Note 6.b)	-	2,419
Fixed income securities	1,695,060	1,315,672
Variable income securities	768	769
Total	2,610,314	2,159,918

c) Derivative financial instruments

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

As at 09/30/2016, 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:

Specification	Breakdown at 09/30/2016							
	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative	
Asset position								
Foreign currency (dollar)	578,615	413,605	-	376,488	-	37,117	-	37,117
Liability position								
Fixed rate	-	-	-	-	-	-	-	-
Total	578,615	413,605	-	376,488	-	37,117	-	37,117
Provision for deferred taxes and contributions (Note 21.c)								(14,847)

Specification	Breakdown at 12/31/2015							
	Notional value	Market value		Curve value		Market adjustment		Market adjustment, net
		Differential receivable	Differential payable	Differential receivable	Differential payable	Positive	Negative	
Asset position								
Foreign currency (dollar)	578,615	610,474	-	587,348	-	23,126	-	23,126
Liability position								
Fixed rate	-	-	-	-	-	-	-	-
Total	578,615	610,474	-	587,348	-	23,126	-	23,126
Provision for deferred taxes and contributions (Note 21.c)								(9,250)

Specification	09/30/2016		12/31/2015	
	Differential receivable	Differential payable	Differential receivable	Differential payable
Up to 3 months	-	-	-	-
3 to 12 months	-	-	-	-
1 to 3 years	413,605	-	-	-
3 to 5 years	-	-	610,474	-
Total	413,605	-	610,474	-

Notes to financial statements**(c.1) Derivative financial instruments classified as market risk hedge (Hedge Accounting)**

Specification	09/30/2016				
	Curve value		Market value		Market value adjustment
Hedging instruments	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI	
Swap - Foreign currency - Asset position	991,258	614,769	1,028,375	614,769	37,117
Hedged item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
Eurobonds - Senior Unsecured Notes	991,376		1,028,378		37,002
Tax credit (Note 21.b)					14,800

(1) Net of tax effects at source on interest from loan of R\$2,502.

Specification	12/31/2015				
	Curve value		Market value		Market value adjustment
Hedging instruments	Assets - dollar	Liabilities - CDI	Assets - dollar	Liabilities - CDI	
Swap - Foreign currency - Asset position	1,179,697	592,349	1,202,823	592,349	23,126
Hedged item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
Eurobonds - Senior Unsecured Notes (Note 15.a)	1,179,697		1,202,843		23,146
Tax credit (Note 21.b)					9,258

(1) Net of tax effects at source on interest from loan of R\$1,180.

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

d) Gain (loss) on derivative financial instruments

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Swap	(216,751)	571,730
Total	(216,751)	571,730

Notes to financial statements**NOTE 8 - Interbank accounts - Linked credits****a) Linked credits**

Specification	09/30/2016			12/31/2015		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory payments	110,701	-	110,701	91,341	-	91,341
Compulsory reserves - Cash funds	100,553	-	100,553	82,268	-	82,268
National Housing System (SFH)	69,324	(4,325)	64,999	72,062	(27,513)	44,549
National Treasury - Rural credit	636	(630)	6	692	(588)	104
Total	281,214	(4,955)	276,259	246,363	(28,101)	218,262
Short-Term	211,260	(6)	211,254	174,298	(587)	173,711
Long-Term	69,954	(4,949)	65,005	72,065	(27,514)	44,551

b) Compulsory investment yield

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Income from linked credits - Banco Central do Brasil	5,357	10,487
Income from linked credits - SFH	3,870	3,527
Income from linked credits - Rural Credit	53	47
Appreciation (Depreciation) of linked credits	23,274	(183)
Total	32,554	13,878

NOTE 9 - Loan portfolio and allowance for loan losses**(a) Loan portfolio and allowance for loan losses**

Specification	09/30/2016		12/31/2015	
	Gross amount	Allowance	Gross amount	Allowance
Loan transactions	12,363,618	(1,171,569)	13,122,320	(922,410)
Short-Term	5,195,871	(634,774)	5,977,524	(501,165)
Long-Term	7,167,747	(536,795)	7,144,796	(421,245)
Other accounts with loan features (Note 10.f)	629,208	(205,137)	715,953	(205,463)
Short-Term	626,679	(205,137)	506,014	(205,463)
Long-Term	2,529	-	209,939	-
Total	12,992,826	(1,376,706)	13,838,273	(1,127,873)

(a.1) Breakdown of loan portfolio

Specification	09/30/2016	12/31/2015
Advances to depositors	787	431
Loans	5,335,858	5,761,392
Discounted notes	44,274	61,821
Financing	2,396,846	2,303,910
Financing in foreign currency	6,854	226,222
Refinancing with the Federal Government (Note 28.a.1)	537,522	478,527
Rural and agroindustrial financing	1,875,356	1,767,956
Real estate financing ⁽¹⁾	243	243
Infrastructure and development financing	2,165,878	2,521,818
Loans subtotal	12,363,618	13,122,320
Guarantees and sureties honored	-	146
Income receivable from advances	37,604	28,298
Debtors for purchase of assets	3,730	4,363
Notes and credits receivable	85,160	108,054
Advances on Exchange Contracts (ACC) ⁽²⁾ (Note 11.a)	502,714	575,092
Other accounts with loan features subtotal	629,208	715,953
Total	12,992,826	13,838,273

Notes to financial statements

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

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

(a.2) Income from loans

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Loans and discounted notes	849,849	644,787
Financing	443,876	921,172
Rural and agroindustrial financing	164,521	154,743
Recovery of loans written off as losses	60,662	87,997
Other amounts	118	1,133
Total	1,519,026	1,809,832

(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 09/30/2016	Total at 12/31/2015
Rural	4,463	1,274	2,628	4,028	21,033	1,746,802	1,780,228	1,679,835
Manufacturing	94,559	67,733	72,568	167,873	249,694	1,923,999	2,576,426	2,758,683
Government	15,558	15,468	20,660	67,431	92,806	1,174,404	1,386,327	1,624,916
Other services	114,512	130,609	94,013	377,516	267,562	1,342,626	2,326,838	2,319,861
Trading	752,373	637,702	510,527	803,426	426,549	600,775	3,731,352	4,401,314
Financial brokers	11	9	9	27	44	93	193	479
Housing	232	70	37	49	55	496	939	757
Individuals	27,920	10,073	7,943	11,750	22,215	15,906	95,807	104,541
Total	1,009,628	862,938	708,385	1,432,100	1,079,958	6,805,101	11,898,110	12,890,386

(1) Include loans overdue up to 14 days.

(b.2) Past-due loans

Type of Customer/Activity	Falling due installments						Total at 09/30/2016	Total at 12/31/2015
	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Above 360 days		
Rural	1,767	588	786	2,611	5,471	27,313	38,536	29,108
Manufacturing	4,501	4,313	4,904	11,568	22,992	93,895	142,173	81,414
Other services	9,869	9,511	8,747	24,300	45,357	152,476	250,260	223,173
Trading	26,227	21,442	17,026	34,428	48,260	89,901	237,284	185,359
Financial brokers	-	-	-	-	-	-	-	21
Individuals	268	376	346	724	1,331	1,590	4,635	4,716
Total	42,632	36,230	31,809	73,631	123,411	365,175	672,888	523,791

Type of Customer/Activity	Past due installments						Total at 09/30/2016	Total at 12/31/2015
	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days		
Rural	308	37	554	865	1,616	49,737	53,117	53,382
Manufacturing	1,903	3,502	6,378	6,207	15,024	12,708	45,722	50,825
Other services	4,085	5,667	21,282	70,504	24,199	39,644	165,381	182,454
Trading	4,443	18,594	19,701	15,503	33,173	45,290	136,704	122,980
Financial brokers	-	-	-	-	42	0	42	7
Housing	-	8	60	30	-	353	451	267
Individuals	77	2,342	2,298	1,874	5,604	8,216	20,411	14,181
Total	10,816	30,150	50,273	94,983	79,658	155,948	421,828	424,096

Notes to financial statements**(c) Breakdown by risk level**

Risk level	09/30/2016				12/31/2015			
	Current loan ⁽¹⁾	Past-due loan	Total portfolio	Allowance	Current loan ⁽¹⁾	Past-due loan	Total portfolio	Allowance
AA	5,276,565	-	5,276,565	-	5,218,780	-	5,218,780	-
A	3,398,275	-	3,398,275	(16,991)	4,554,399	-	4,554,399	(22,772)
B	1,891,789	70,210	1,961,999	(19,620)	2,358,464	56,382	2,414,846	(24,148)
C	154,098	114,366	268,464	(8,054)	79,931	116,073	196,004	(5,880)
D	343,903	116,329	460,232	(46,023)	90,151	91,298	181,449	(18,145)
E	175,716	96,537	272,253	(81,676)	61,303	106,863	168,166	(50,450)
F	65,564	118,617	184,181	(92,090)	26,978	75,339	102,317	(51,158)
G	103,587	91,766	195,353	(136,748)	18,055	138,587	156,642	(109,650)
H	488,613	486,891	975,504	(975,504)	482,325	363,345	845,670	(845,670)
Total	11,898,110	1,094,716	12,992,826	(1,376,706)	12,890,386	947,887	13,838,273	(1,127,873)

(1) Include loans overdue up to 14 days.

(d) Changes in the allowance for the period

Specification	09/30/2016	12/31/2015
Opening balance of Allowance for losses on loan portfolio	1,127,873	890,703
(+) Net allowance recognized for the period	577,473	1,002,375
(-) Loans written off as loss for the period	(328,640)	(765,205)
(=) Net Allowance for losses on loan portfolio	1,376,706	1,127,873
Opening balance of Allowance for losses on other receivables without loan features	46,804	46,458
(+) Net allowance for the period	338	701
(-) Loans written off as loss for the period	(217)	(355)
(=) Net allowance for losses on other receivables without loan features (Note 10.f)	46,925	46,804
(=) Balance of allowance for loan losses	1,423,631	1,174,677

(e) Breakdown of the allowance expense balance

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
(+) Expenses on allowance for loan losses	560,982	546,167
(+) Expenses on allowance for losses on other receivables	33,659	156,308
(+) Reversal of operating allowances	(17,168)	-
(=) Balance of expenses with allowance for losses on other receivables with loan features	577,473	702,475
(+) Allowance for losses on other receivables without loan features	208	168
(-) Reversals of allowances for losses other receivables without loan features	(82)	(224)
(=) Balance of expenses on allowance for loan losses	577,599	702,419

(f) Loan concentration

Specification	09/30/2016		12/31/2015	
	Balance	% of portfolio	Balance	% of portfolio
10 major debtors	2,636,849	20.30	2,780,430	20.09
11 to 60 major debtors	2,562,021	19.72	2,777,650	20.07
61 to 160 major debtors	1,025,458	7.89	1,080,185	7.81
Other customers	6,768,498	52.09	7,200,008	52.03
Total	12,992,826	100	13,838,273	100

(g) In the period from 01/01/2016 to 09/30/2016, receivables that had been written off as loss were recovered in the amount of R\$60,662 (R\$87,997 at 09/30/2015) and renegotiations amounted to R\$995,941 (R\$700,402 at 09/30/2015).

Notes to financial statements**(h) Recovery of receivables with legal grounds**

In conformity with Law No. 11322 of 07/13/2006, Law No. 11775 of 09/17/2008, and Law No. 12249 of 06/11/2010, as well as Law No. 12716 of 09/21/2012, concerning rescheduling of debts arising from rural credit transactions, that provides for rebates in the debt balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of the referred to transactions, a positive effect on the Bank's income, referring to 09/30/2016, was recognized in the amount of R\$4,384 (R\$24,679 at 09/30/2015), shown below. Pursuant to the abovementioned legal provisions, part of these transactions was acquired by FNE.

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Income earned	2,603	14,221
Recovery of transactions written off of assets	1,826	12,881
Expenses on discounts	(28)	(345)
Net effect of allowances	(17)	(2,078)
Total	4,384	24,679

NOTE 10 - Other receivables

Specification	09/30/2016	12/31/2015
a) Receivables for guarantees and sureties honored	-	146
b) Foreign exchange portfolio (Note 11.a)	597,435	818,089
c) Income receivable	30,189	31,124
d) Securities trading	12	4
e) Other receivables	3,165,113	3,152,430
Tax credits on Provisions (Note 21.b)	1,629,959	1,459,663
Tax credits on marketable securities, derivative financial instruments and hedged item (Notes 7.a.2, 7.c and 21.b)	298,903	384,514
Debtors for escrow deposits	683,350	669,802
Taxes and contributions to be offset	227,121	278,553
Tax incentive options	26,748	26,748
Notes and loans receivable	85,160	108,054
Prepaid salaries and advances	33,055	2,473
Payments to be refunded	12,716	10,876
Recalculation, discounts, waivers and bonuses in BNDES transactions	-	12
Recalculation, discounts, waivers and bonuses in FAT transactions	-	18
Other amounts	168,101	211,717
f) Allowance for losses on other receivables	(252,062)	(252,267)
Receivables with loan features (Note 9.a)	(205,137)	(205,463)
Receivables without loan features (Note 9.d)	(46,925)	(46,804)
Total	3,540,687	3,749,526
Short-Term	2,602,772	3,344,533
Long-Term	937,915	404,993

Notes to financial statements**NOTE 11 - Exchange portfolio****a) Breakdown**

<u>Specification</u>	<u>09/30/2016</u>	<u>12/31/2015</u>
Assets - Other receivables		
Exchange purchase pending settlement	558,168	786,236
Exchange sales rights	1,670	4,009
Advances received in local currency	(7)	(454)
Income receivable from advances granted	37,604	28,298
Current assets (Note 10.b)	597,435	818,089
Liabilities - other liabilities (Note 16.b)		
Exchange purchase obligations	504,733	575,092
Exchange sale pending settlement	1,681	3,977
(Advances on exchange contracts - ACC) (Note 9.a.1)	(502,714)	(575,092)
Current liabilities (Note 16.b)	3,700	3,977

b) Foreign exchange gain (loss)

<u>Specification</u>	<u>01/01 to 09/30/2016</u>	<u>01/01 to 09/30/2015</u>
Exchange incomes	66,687	410,002
Exchange expenses	(1,161)	(656)
Total	65,526	409,346

Notes to financial statements**NOTE 12 - Permanent assets****(a) Investments**

Specification	12/31/2015	01/01/2016 to 09/30/2016		09/30/2016		09/30/2015	
	Book balance	Changes		Book balance	Cost value	Book balance	Book balance
		Additions	Exclusions				
Shares and units of interest	652	-	-	652	652	652	652
Artworks and valuables	1,214	32	-	1,246	1,246	1,246	1,246
Total	1,866	32	-	1,898	1,898	1,898	1,898

(b) Property and equipment

Specification	12/31/2015	01/01/2016 to 09/30/2016			09/30/2016		09/30/2015		
	Book balance	Additions	Exclusions	Depreciation	Book balance	Cost value	Accumulated depreciation	Book balance	Book balance
Buildings	91,421	1,674	-	(7,669)	85,426	260,083	(174,657)	85,426	93,844
Data processing system	60,804	9,573	(2,635)	(16,652)	51,090	146,008	(94,918)	51,090	59,410
Furniture and equipment in use	28,000	7,752	(1,194)	(4,133)	30,425	76,181	(45,756)	30,425	27,425
Land	17,631	-	-	-	17,631	17,631	-	17,631	17,025
Facilities	4,933	1,935	(19)	(985)	5,864	20,995	(15,131)	5,864	5,181
Communication system	49	14	(5)	(11)	47	316	(269)	47	56
Security system	8,689	1,230	(480)	(1,198)	8,241	20,525	(12,284)	8,241	8,541
Transportation system	4,449	-	-	(1,053)	3,396	14,365	(10,969)	3,396	5
Total	215,976	22,178	(4,333)	(31,701)	202,120	556,104	(353,984)	202,120	211,487

(c) Deferred charges

Specification	12/31/2015	01/01/2016 to 09/30/2016			09/30/2016		09/30/2015		
	Book balance	Additions	Exclusions	Amortization	Book balance	Cost value	Accumulated amortization	Book balance	Book balance
Leasehold improvements	37	-	-	(37)	-	37	(37)	-	55
Total	37	-	-	(37)	-	37	(37)	-	55

Notes to financial statements

(d) Intangible assets

Specification	12/31/2015		01/01/2016 to 09/30/2016			09/30/2016		09/30/2015
	Book balance	Changes			Book balance	Cost value	Book balance	Book balance
		Additions	Exclusions	Amortization				
Spending on intangible assets under development	16,610	446	-	-	17,056	17,056	17,056	16,610
Total	16,610	446	-	-	17,056	17,056	17,056	16,610

(e) In the 3rd quarter no impairment losses were recorded on permanent assets.

NOTE 13 - Deposits, Open market funding, Funds from acceptance and issue of securities, Hybrid equity/debt instruments/Debt instruments eligible to capital and Subordinated debts

a) Breakdown of deposits, funds from acceptance and issue of securities, hybrid equity/debt instruments/debt instruments eligible to 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 09/30/2016	Total at 12/31/2015
Demand deposits	263,267	-	-	-	-	-	263,267	333,005
Demand deposits	263,267	-	-	-	-	-	263,267	333,005
Savings deposits	2,067,252	-	-	-	-	-	2,067,252	1,854,853
Interbank deposits	495,956	477,744	105,741	7,151	-	-	1,086,592	1,208,803
Time deposits	1,247,757	1,207,484	2,434,849	751,031	1,297,684	21,471	6,960,276	7,354,086
Time deposits	718,869	1,165,634	1,963,180	617,267	1,181,257	21,471	5,667,678	5,606,108
Interest-yielding judicial deposits	512,870	-	-	-	-	-	512,870	888,708
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	-	-	395,101	55,327	55,327	-	505,755	526,143
FAT - Available funds	5,309	15,026	2,732	2,649	2,124	-	27,840	37,932
FAT - invested funds	10,409	26,824	73,836	75,534	58,976	-	245,579	294,431
Other	300	-	-	254	-	-	554	764
Funds from acceptance and issue of securities	66,895	240,478	599	1,010,862	-	-	1,318,834	1,419,472
Eurobonds	20,018	-	-	1,010,862	-	-	1,030,880	1,204,023
Agribusiness Credit Bills (LCA)	46,877	240,478	599	-	-	-	287,954	215,449
Hybrid equity/debt instruments	-	-	-	-	-	-	-	1,501,176
Debt instruments eligible to capital	-	-	-	-	-	1,000,000	1,000,000	-
Subordinated debts	-	-	-	-	-	1,956,040	1,956,040	1,792,282
Total	4,141,127	1,925,706	2,541,189	1,769,044	1,297,684	2,977,511	14,652,261	15,463,677
Short-term							6,066,833	6,038,315
Long-Term							8,585,428	9,425,362

Notes to financial statements**b) Deposits**

Specification	09/30/2016	12/31/2015
Demand deposits	263,267	333,005
Government deposits	6,614	4,772
Restricted deposits	128,693	166,320
Legal entities	95,921	120,821
Individuals	31,717	40,376
Other amounts	322	716
Savings deposits	2,067,252	1,854,853
Free savings deposits - Individuals	1,343,917	1,280,523
Free savings deposits - Legal entities	722,510	573,630
From related parties and Financial System Institutions	825	700
Interbank deposits	1,086,592	1,208,803
Time deposits	6,960,276	7,354,086
Time deposits	5,667,678	5,606,108
Interest-yielding judicial deposits	512,870	888,708
Other time deposits	779,728	859,270
Interest-yielding special deposits/FAT (Notes 26 and 28)	273,419	332,363
Available funds (Note 26)	27,840	37,932
Proger Urbano	2,105	2,945
Protrabalho	249	1,282
Infrastructure	22,932	25,820
Programa Nacional de Microcrédito Orientado (PNMPO)	2,554	7,885
Funds invested (Note 26)	245,579	294,431
Proger Urbano	13,595	17,575
Protrabalho	67,055	75,188
Infrastructure	69,664	98,068
PNMPO	95,265	103,600
FINOR/cash and cash equivalents and reinvestments - Law No. 8167	505,755	526,143
Other amounts	554	764
Total	10,377,387	10,750,747
Short-Term	5,759,460	5,720,863
Long-Term	4,617,927	5,029,884

c) Open market funding

Specification	09/30/2016	12/31/2015
Own portfolio	819,493	1,604,106
Financial Treasury Bills (LFT)	819,493	1,604,106
Third-party portfolio	78,787	67,137
National Treasury Notes (NTN)	78,787	67,137
Total	898,280	1,671,243
Short-Term	895,587	1,541,765
Long-Term	2,693	129,478

d) Expenses on open market funding

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Funding expenses	(914,928)	(1,552,222)
Time deposits	(535,870)	(567,890)
Savings deposits	(84,656)	(80,136)
Judicial deposits	(49,236)	(65,773)
Interbank deposits	(40,257)	(43,157)
Special deposits	(66,729)	(64,048)
Funds from acceptance and issue of securities	(129,330)	(721,477)
Other deposits	(8,850)	(9,741)
Expenses on open market funding	(147,738)	(162,883)
Third-party portfolio	(6,971)	(6,501)
Own portfolio	(140,767)	(156,382)
Total	(1,062,666)	(1,715,105)

Notes to financial statements**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 09/30/2016	Total at 12/31/2015
Foreign borrowings	188,715	344,964	-	-	-	-	533,679	1,000,882
Domestic onlending	49,623	107,357	336,788	361,698	638,401	208,550	1,702,417	1,709,146
Foreign onlending	51,720	90,713	253,131	259,205	154,884	-	809,653	1,080,383
Total	290,058	543,034	589,919	620,903	793,285	208,550	3,045,749	3,790,411
Short-Term							833,092	1,320,257
Long-Term							2,212,657	2,470,154

b) Borrowings

Specification	Annual restatement rate (%)	09/30/2016	12/31/2015
Foreign borrowings/Foreign currency payables	USD	533,679	1,000,882
Total		533,679	1,000,882
Short-Term		533,679	1,000,882
Long-Term		-	-

c) Domestic onlending - official institutions

Specification	Annual restatement rate (%)	09/30/2016	12/31/2015
National Treasury	IGP-DI + 2.00	450	426
BNDES		1,578,476	1,567,324
Programa de Operações Conjuntas - 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 7.00/TJLP + 0.00 to 4.00/IPCA + 9.41/Exc. var. + 2.00 to 4.00	1,179,857	1,199,931
Credit Facility for investment in agriculture		398,619	367,393
FINAME		123,491	141,396
“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/IPCA + 9.41/Exc. var. + 2.00 to 4.00	101,407	120,862
Programa Agrícola (Agricultural Program)		22,084	20,534
Total (Note 28.a.1)		1,702,417	1,709,146
Short-Term		156,980	150,552
Long-Term		1,545,437	1,558,594

d) Foreign onlending

Specification	Annual restatement rate (%)	09/30/2016	12/31/2015
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 4.92	333,554	452,848
BID-Prodetur II	USD + 1.92	469,343	618,220
BID - Other programs	USD + 1.92	6,756	9,315
Total		809,653	1,080,383
Short-Term		142,433	168,823
Long-Term		667,220	911,560

Notes to financial statements**e) Expenses on borrowings and onlending**

Specification	01/01. to 09/30/2016	01/01. to 09/30/2015
Expenses on onlending	(150,963)	(532,373)
Domestic onlending - Official institutions in Brazil	(122,002)	(111,758)
National Treasury	(22)	(61)
BNDES	(117,659)	(107,284)
FINAME	(4,321)	(4,413)
Foreign onlending expenses	(28,961)	(420,615)
Expenses on onlending with foreign banks	(22,581)	(508,963)
Expenses on financial and development funds	(1,282,275)	(821,921)
Total	(1,455,819)	(1,863,257)

NOTE 15 - Funds from acceptance and issue of securities**a) Liabilities for foreign marketable securities**

Specification	Funding date	Maturity date	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 09/30/2016 ⁽²⁾	Market value at 09/30/2016 ⁽²⁾	Market value at 12/31/2015 ⁽²⁾
Eurobonds -Senior Unsecured Notes ⁽¹⁾	05/03/2012	05/03/2019	4.375	300,000	993,878	1,030,880	1,204,023
Total				300,000	993,878	1,030,880	1,204,023
Short-Term						20,018	9,436
Long-Term						1,010,862	1,194,587

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

(2) Considering tax effects.

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

b) Agribusiness Credit Bills (LCAs) issued

Specification	Annual interest (%)	Nominal amount	09/30/2016	12/31/2015
Agribusiness Credit Bills (LCA) ⁽¹⁾	85.33% of CDI	272,657	287,954	215,449
Short-Term			287,954	215,449

(1) Note with average maturity term of 194 days.

Notes to financial statements**NOTE 16 - Other liabilities**

Specification	09/30/2016	12/31/2015
a) Collection and transfer of taxes and levies	52,475	2,312
Funds from PROAGRO	136	119
Federal taxes received	50,452	-
IOF payable	1,269	1,912
Other taxes and levies	618	281
b) Exchange portfolio (Note 11.a)	3,700	3,977
c) Social and statutory	11,521	46,661
Dividends and bonuses payable	600	18,296
Profit sharing	10,921	28,365
d) Tax and social security	496,429	583,927
Provision for tax contingencies	62,339	47,584
Taxes and contributions	1,262	1,069
Tax proceedings (Note 22.h.1)	61,077	46,515
Provision for deferred taxes and contributions	135,630	113,426
Marketable securities and derivative financial instruments (Note 21.c)	34,422	10,864
Revaluation of buildings and land (Note 21.c)	2,741	4,048
From credits recovered and hedged items (Note 21.c)	98,467	98,514
Provision for income and social contribution taxes (Note 21.a.2)	226,822	339,231
Income tax	123,746	197,057
Social contribution tax (1)	103,076	142,174
Taxes and contributions payable	71,638	83,686
e) Securities trading	153	117
f) Financial and development funds	15,946,830	12,324,184
FNE (Note 28.a.1)	14,966,666	11,332,783
Other amounts	980,164	991,401
g) Hybrid equity/debt instruments - Hybrid debt/ equity instruments(Notes 17 and 28.a.1)	-	1,501,176
h) Debt instruments eligible to capital (Notes 17 and 28.a.1)	1,000,000	-
i) Subordinated debts eligible to capital (Notes 18 and 28.a.1)	1,956,040	1,792,282
j) Other	5,379,399	4,679,504
Provision for contingent liabilities	3,507,344	3,226,238
Labor claims (Note 22.h.1.iv)	173,632	249,461
Civil lawsuits Civil proceedings(Note 22.h.1.v)	156,052	142,592
Other lawsuits Others proceedings ((Note 22.h.1.vi)	850	720
FNE (Note 22.h.2.i)	3,161,732	2,792,367
Onlending	1,140	999
Full risk – BNB	146,918	133,088
Shared risk	3,013,674	2,658,280
FDNE (Note 22.h.2.ii)	684	654
Proagro (Note 22.h.2.iii)	1,045	2,644
Other contingent liabilities (Note 22.h.2.iv)	13,349	37,800
Accrued payments	1,606,323	1,263,375
Employee benefits	1,209,004	1,064,959
Retirement and DB pension plan (Notes 24.b and 28.a.2)	339,721	235,477
Health care plan (Notes 24.b and 28.a.2)	804,728	772,977
Life insurance - Post-employment benefit (Notes 24.b and 28.a.2)	64,555	56,505
Personnel expenses	235,591	161,263
Other amounts	59,824	37,153
Interest and charges on debt instruments eligible to capital	101,904	-
Other amounts	265,732	189,891
Total	24,846,547	20,934,140
Short-Term	8,055,630	7,110,820
Long-Term	16,790,917	13,823,320

Notes to financial statements**NOTE 17 - Hybrid equity/debt instruments/Debt instruments eligible to capital**

Specification	Amount issued	Remuneration	Funding date	09/30/2016	12/31/2015
Hybrid equity/debt instruments (Notes 16.g and 27.a.1) Hybrid debt/equity instruments	1,000,000	IPCA + 6.5715% p.a.	12/22/2010	-	1,501,176
Debt instruments eligible to capital (Notes 16.h and 27.a.1)	1,000,000			1,000,000	-
Short-Term				-	92,567
Long-Term				1,000,000	1,408,609

The Hybrid Debt/Equity Instrument recorded under Tier II Base Capital until 12/31/2015 does not compose the Base Capital since January 2016, as it is currently replaced by a novation and acknowledgment of debt agreement entered into with Federal Government. The Bank requested of BACEN an authorization so that such novation and acknowledgment of debt agreement be deemed a Debt Instrument eligible to for the Principal Capital.

NOTE 18 - Subordinated debts

Specification	09/30/2016	12/31/2015
Fundo Constitucional de Financiamento do Nordeste (FNE) ⁽¹⁾ (Note 16.i)	1,956,040	1,792,282
Funds available	1,388,812	1,181,091
Funds invested	567,228	611,191
Total (Note 28.a.1)	1,956,040	1,792,282

(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 12/31/2015) is represented by 86,371,464 common registered paid-in shares with no par value, held as follows:

Breakdown at 09/30/2016		
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

Breakdown at 12/31/2015		
Shareholders	Number of shares	% of Capital
Federal Government	44,049,447	51.00
BB FGEDUC Multimarket Investment Fund	30,216,368	34.98
BB FGO Investment Fund Shares	6,229,500	7.21
National Development Fund (FND)	3,846,968	4.45
Other	2,029,181	2.36
Total	86,371,464	100.00

Notes to financial statements**b) Revaluation reserve**

The amount of R\$15,023 (R\$16,621 at 12/31/2015) 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. By the 3rd quarter, a reserve amounting to R\$2,741 (R\$2,275 at 12/31/2015) was transferred to Retained Earnings (Accumulated Losses).

c) Interest on Equity (IOE) paid - 1st half of 2016

Through the Board of Director's Meeting held on 08/08/2016, prepayment of Interest on Equity (IOE), attributable to the dividend, of 25.00% on adjusted net income for referred to six-month period was approved in the amount of R\$54,012. That benefit was paid in 08/29/2016. Total IOE distributed on net income for 06/30/2016 provided, in the same position, a reduction in expenses on tax charges in the amount of R\$23,981.

d) Payment of IOE for 2015

Through the Special/Annual General Meeting held on 03/31/2016, payment of additional IOE was approved for the year ended 12/31/2015, in the amount of R\$17,778. The payment occurred on 04/22/2016.

e) Statement of calculation of IOE for the nine-month period:

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
1. Net income for the period	172,767	200,944
2. Revaluation reserves transferred to retained earnings (accumulated losses)	1,598	1,743
3. Adjusted net income	174,365	202,687
4. Legal reserve calculated ⁽¹⁾	(8,638)	(10,030)
5. Dividends/IOE calculation basis	165,727	192,657
6. Interest on Equity (IOE)	54,012	67,694
7. Withholding Income Tax on IOE	(165)	(204)
8. IOE attributable to dividends (item 6 + item 7)	53,847	67,490

(1) Legal reserve is recognized at every balance sheet. The amount calculated above is intended for determining the Dividends/interest on equity calculation basis.

f) Legal reserve

In the 1st half of 2016, a legal reserve was set up in the amount of R\$11,278, corresponding to 5% of net income for the closing of every six-month period.

g) Statutory reserve

The statutory reserve set up in the 1st half of 2016 in the amount of R\$161,339 represents the remaining balance of net income calculated in the closing of every six-month period, after establishment of the legal reserve and payment of IOE/dividends.

h) Equity adjustment

Specification	09/30/2016	12/31/2015
Marketable securities available for sale	161,491	(249,211)
Actuarial Gains and Losses (Post-employment Benefits)	(97,554)	(183,157)
Equity Adjustment	63,937	(432,368)

Notes to financial statements**NOTE 20 - Other operating income (expenses)**

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
a) Service revenue	1,526,919	1,505,322
Investment fund management	22,848	22,306
Fund and program management	1,234,924	1,216,203
Services Rendered	269,147	266,813
b) Income from bank fees	44,184	38,048
c) Personnel expenses	(1,281,792)	(1,105,598)
Salaries	(754,330)	(655,165)
Social charges	(278,185)	(236,047)
Retirement and pension plan - DB and VC I Capef Plans	(63,206)	(49,764)
Health care plan - Camed Natural Plan	(73,914)	(56,931)
Life insurance - Post-employment benefit	(3,561)	(3,775)
Benefits, training sessions, fees and compensation of interns	(108,596)	(103,916)
d) Other administrative expenses	(836,057)	(718,045)
Data processing	(159,414)	(115,900)
Advertising and publicity	(4,489)	(17,919)
Third-parties services	(360,825)	(304,270)
Rentals, material and public utilities	(55,611)	(49,651)
Travel	(10,142)	(8,777)
Communications	(23,577)	(22,458)
Depreciation and amortization	(31,738)	(30,328)
Asset maintenance and upkeep	(34,868)	(30,409)
Surveillance, security and transportation	(61,739)	(52,381)
Promotions, public relations and publications	(6,548)	(9,095)
Financial system services	(23,867)	(20,253)
Specialized technical services	(20,210)	(24,814)
Insurance	(2,362)	(1,842)
Court, notary and attorney fees	(28,960)	(16,721)
Worker' union dues and Associations	(1,755)	(1,680)
Condominium fees, catering, kitchen and meals	(4,171)	(3,680)
FUNDECI (Science and Technology Development Fund)	(1,000)	-
Other amounts	(4,781)	(7,867)
e) Tax expenses (Note 21.d)	(209,911)	(191,307)
COFINS and PIS/PASEP	(188,351)	(169,503)
ISS and IPTU/Improvement tax	(19,302)	(19,798)
Other amounts	(2,258)	(2,006)
f) Other operating income	1,676,342	1,127,089
Del credere commission on fund management	941,678	906,476
Exchange loss on borrowings	345,376	12,281
Exchange losses on funding expenses	230,940	-
Exchange losses on Development Financial Fund	12,115	-
Reversal of operating provisions for risks on FNE transactions	1	67
Recovery of charges and expenses	4,220	9,328
Reversal of provisions for CSLL and IRPJ	299	-
Reversal of operating provisions	36,835	112,823
Interest and commissions	9,856	5,809
Monetary restatement	2,546	728
Mark-to-market adjustment	22,138	-
FNE – Recovery of amounts settled by the Bank	35,140	37,042
Other amounts	35,198	42,535
g) Other operating expenses	(1,591,566)	(1,326,086)
Exchange losses on exchange area	-	(7,955)
Exchange loss on loans granted	(368,937)	(4,421)
Negative monetary restatement of loans	(46)	(1)
Discounts granted in renegotiations	(1,062)	(814)
Loan charges	(2,573)	(1,619)
Tax contingencies	(16,258)	(8,204)
Risks on FNE transactions	(739,645)	(892,015)
Risks on FDNE transactions	(30)	(42)
Labor claims	(61,987)	(23,823)
Civil proceedings	(29,729)	(34,088)
Other proceedings	(130)	(132)
Other contingent liabilities	(1,117)	(26,335)
Hybrid equity/debt instruments Hybrid debt/equity instruments	(20,213)	(164,851)
Debt instruments eligible to capital	(101,904)	-
FNE remuneration - available funds - article 9-A of Law No. 7827	(120,979)	(88,459)
FNE remuneration - invested funds - article 9-A, Law No. 7827	(42,779)	(47,422)
Other amounts	(84,177)	(25,905)
Total	(671,882)	(670,577)

Notes to financial statements**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:

	Income tax		Social contribution tax	
	01/01 to 09/30/2016	01/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
a.1) Specification of the provision for income and social contribution tax expense				
Income before income taxes and profit sharing	243,184	14,990	243,184	14,990
Social Contribution Tax on Net Profit (CSLL)	(39,098)	141,226	-	-
Statutory profit sharing	(15,191)	(33,225)	(15,191)	(33,225)
Interest on Equity (IOE)	(54,012)	(67,694)	(54,012)	(67,694)
Income before taxes, less statutory profit sharing and interest on equity	134,883	55,297	173,981	(85,929)
Social Contribution Tax on Net Profit (CSLL)	39,098	(141,226)	-	-
Permanent additions/exclusions	(14,852)	(2,727)	(14,436)	(2,272)
Temporary additions/exclusions	355,834	756,934	355,834	756,934
Taxable income	514,963	668,278	515,379	668,733
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(128,723)	(167,052)	(103,076)	(105,469)
Deductions (tax incentives)	4,978	8,221	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	726	726	581	436
Current IRPJ/CSLL expenses - after tax incentives and revaluation reserve	(123,019)	(158,105)	(102,495)	(105,033)
Provision for deferred taxes and contributions - arising from tax credits recovered and derivative financial instruments	(6,220)	(2,824)	670	(4,369)
Provision for IRPJ and CSLL	(129,239)	(160,929)	(101,825)	(109,402)
IRPJ/CSLL tax credits - provisions, derivative financial instruments and hedged item	113,110	238,882	62,728	250,628
Total income and social contribution taxes	(16,129)	77,953	(39,097)	141,226
Effective rate (%)	(11.96)	(90.72)	(22.47)	(164.35)
a.2) Specification of the provision for income and social contribution taxes				
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Provision for income and social contribution taxes	123,019	196,089	102,495	141,545
Provision for taxes on revaluation reserve realized	726	968	581	775
Provision for income and social contribution taxes (Note 16.d)	123,746	197,057	103,076	142,320
Taxes recoverable on prepayments, including withholding taxes	(117,686)	(171,402)	(97,561)	(89,679)
Taxes payable (to be offset) for the period	6,060	25,655	5,515	52,641

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 and BACEN Circular No. 3171 of 12/30/2002; and are based on technical studies conducted every six months determining the probable realization of tax credits for a period of five years.

In accordance with BACEN Circular Letters No. 3068 of 11/08/2011 and No. 3082 of 01/30/2002, the Bank recognized tax credits on market value adjustments to marketable securities classified under 'available-for-sale securities' and on derivative financial instruments (DFI).

Notes to financial statements

Specification	09/30/2016		12/31/2015		09/30/2016	12/31/2015
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Provisions						
Opening balance	843,437	616,226	588,762	353,271	1,459,663	942,033
Establishment	335,611	268,504	494,483	296,704	604,115	791,187
Realization/reversal	(225,965)	(207,854)	(239,808)	(33,749)	(433,819)	(273,557)
Closing balance (Note 10.e)	953,083	676,876	843,437	616,226	1,629,959	1,459,663
b) Derivative financial instruments						
Opening balance	-	-	2,078	1,247	-	3,325
Establishment	8,919	5,352	47,555	31,062	14,271	78,617
Realization/ reversal	(8,919)	(5,352)	(49,633)	(32,309)	(14,271)	(81,942)
Closing balance (Note 7.c)	-	-	-	-	-	-
c) Hedged item						
Opening balance	5,786	3,472	(590)	(354)	9,258	(944)
Establishment	26,004	15,602	104,824	65,429	41,606	170,253
Realization/reversal	(22,540)	(13,524)	(98,448)	(61,603)	(36,064)	(160,051)
Closing balance (Note 7.c.1)	9,250	5,550	5,786	3,472	14,800	9,258
Effect on equity						
d) Marketable securities						
Opening balance	223,773	151,483	112,325	67,396	375,256	179,721
Establishment	413,684	303,029	549,851	368,466	716,713	918,317
Realization/ reversal	(470,631)	(337,235)	(438,403)	(284,379)	(807,866)	(722,782)
Closing balance (Note 7.a.2)	166,826	117,277	223,773	151,483	284,103	375,256

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

Specification	Income tax		Social contribution tax	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
1. Total temporary differences	5,965,733	5,809,498	5,965,733	5,809,498
2. Tax credits on temporary differences	1,491,433	1,452,374	1,175,112	1,133,207
3. Tax credits recognized in assets on Provisions	953,083	843,437	676,876	616,226
4. Tax credits recognized in assets due to marked-to-market of marketable securities, derivative financial instruments and hedged item	176,076	229,559	122,827	154,955
5. Total tax credits recognized in assets (item 3 + item 4) ⁽¹⁾	1,129,159	1,072,996	799,703	771,181
6. Tax credits not recognized in assets (item 2 - item 5) ⁽²⁾	362,274	379,378	375,410	362,025

(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 09/30/2016 is as follows:

Period	Goal for over - SELIC ¹ rate - average (%) ⁽¹⁾	Realization of IRPJ credit		Realization of CSLL credit		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2016	15.04	217,069	195,416	173,656	156,333	390,725	351,749
2017	12.65	223,535	178,640	178,828	142,912	402,363	321,552
2018	11.37	84,470	60,614	67,576	48,490	152,046	109,104
2019	10.88	90,490	58,561	54,293	35,138	144,783	93,699
2020	10.51	190,510	111,565	114,306	66,939	304,816	178,504
1 st half of 2021	10.51	147,009	143,382	88,217	86,039	235,226	229,421
Total		953,083	748,178	676,876	535,851	1,629,959	1,284,029

(1) For present value calculation purposes, we considered the goal for average Over - Selic rates projected by BACEN at 09/30/2016.

¹ Brazil's Central Bank benchmark rate.

Notes to financial statements

Any tax credit on market value adjustments of marketable securities, derivative financial instruments and Hedged item, determined at present value, pursuant to BACEN Circular Letters No. 3068 of 11/08/2001 and No. 3082 of 01/30/2002, will be realized according to the maturities of the securities:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2016	67,861	67,861	54,289	54,289	122,150	122,150
2017	891	891	713	713	1,604	1,604
2018	17,151	17,151	13,721	13,721	30,872	30,872
2019	13,666	13,666	8,199	8,199	21,865	21,865
2020	246	246	149	149	395	395
1 st half of 2021	76,261	76,261	45,756	45,756	122,017	122,017
Total	176,076	176,076	122,827	122,827	298,903	298,903

Total estimated realization of tax credits at 09/30/2016 is as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2016	284,930	263,277	227,945	210,622	512,875	473,899
2017	224,426	179,531	179,541	143,625	403,967	323,156
2018	101,621	77,765	81,297	62,211	182,918	139,976
2019	104,156	72,227	62,492	43,337	166,648	115,564
2020	190,758	111,813	114,454	67,087	305,212	178,900
1 st half of 2021	223,268	219,643	133,974	131,795	357,242	351,438
Total	1,129,159	924,256	799,703	658,677	1,928,862	1,582,933

c) Provision for deferred taxes

Specification	09/30/2016		12/31/2015		09/30/2016	12/31/2015
	IRPJ	CSLL	IRPJ	CSLL	Total	Total
Effect on P&L						
a) Derivative financial instruments						
Opening balance	5,781	3,469	1,573	944	9,250	2,517
Establishment	14,318	8,591	54,535	32,721	22,909	87,256
Realization/reversal	(10,820)	(6,492)	(50,327)	(30,196)	(17,312)	(80,523)
Closing balance (Note 7.c)	9,279	5,568	5,781	3,469	14,847	9,250
b) Revaluation reserve						
Opening balance	2,249	1,799	3,217	1,930	4,048	5,147
Establishment	-	-	-	450	-	450
Realization/reversal	(726)	(581)	(968)	(581)	(1,307)	(1,549)
Closing balance (Note 16.d)	1,523	1,218	2,249	1,799	2,741	4,048
c) From taxes recovered⁽¹⁾						
Opening balance	56,342	42,172	23,481	14,088	98,514	37,569
Establishment	2,818	1,887	32,991	28,163	4,705	61,154
Realization/reversal	(97)	(4,655)	(130)	(79)	(4,752)	(209)
Closing balance (Note 16.d)	59,063	39,404	56,342	42,172	98,467	98,514
Effect on equity						
d) Marketable securities						
Opening balance	947	667	472	283	1,614	755
Establishment	44,412	27,833	18,307	11,200	72,245	29,507
Realization/reversal	(33,708)	(20,576)	(17,832)	(10,816)	(54,284)	(28,648)
Closing balance (Note 7.a.2)	11,651	7,924	947	667	19,575	1,614

(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:

Notes to financial statements

Period	IRPJ	CSLL	Total
2016	4,664	3,731	8,395
2019	9,469	5,682	15,151
1 st half of 2021	6,797	4,079	10,876
Total	20,930	13,492	34,422

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 (%)	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2016	15.04	242	218	194	174	436	392
2017	12.65	968	774	775	619	1,743	1,393
2018	11.37	313	224	249	180	562	403
Total		1,523	1,216	1,218	973	2,741	2,188

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 (%)	IRPJ		CSLL		Total	
		Book value	Present value	Book value	Present value	Book value	Present value
2016	15.04	2,316	2,085	1,853	1,668	4,169	3,753
2017	12.65	9,875	8,890	7,899	7,112	17,774	16,002
2018	11.37	7,639	6,877	6,111	5,502	13,750	12,379
2019	10.88	6,171	5,555	3,703	3,333	9,874	8,888
2020	10.51	5,030	4,528	3,018	2,717	8,048	7,245
1 st half of 2021	10.51	28,032	25,237	16,820	15,142	44,852	40,379
Total		59,063	53,172	39,404	35,474	98,467	88,646

Total amounts of provisions for tax liabilities at 09/30/2016 are as follows:

Period	IRPJ	CSLL	Total
2016	7,222	5,778	13,000
2017	10,843	8,674	19,517
2018	7,952	6,360	14,312
2019	15,640	9,385	25,025
2020	5,030	3,018	8,048
1 st half of 2021	34,829	20,899	55,728
Total	81,516	54,114	135,630

d) Tax expenses

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
COFINS and PIS/PASEP	(188,351)	(169,503)
ISS and IPTU/Improvement tax	(19,302)	(19,798)
Other amounts	(2,258)	(2,006)
Total (Note 20.e)	(209,911)	(191,307)

Notes to financial statements**NOTE 22 - Provisions, contingent assets and 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. To recognize, measure and disclose provisions, contingent assets, contingent liabilities and legal obligations, CPC 25 - Provisions, Contingent Liabilities and Contingent Assets shall be complied with, adopted by BACEN through CMN Resolution No. 3823 of 12/16/2009, and BACEN Circular Letter No. 3429 of 02/11/2010.
- (b) The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing claims are made by the 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.
- (c) Contingencies classified as probable losses are accounted for and represented by Civil lawsuits (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 lawsuits (represented by legal and administrative proceedings involving federal and municipal taxes) and Other lawsuits (such as enforcement notices issued by Regional Councils that regulate the exercise of professions). 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. 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	09/30/2016		12/31/2015	
	Base value	Provision	Base value	Provision
a) Provision for tax contingencies				
a.1) Taxes and contributions - legal obligation	1,262	1,262	1,069	1,069
a.2) Tax lawsuits	2,013,974	61,077	1,905,981	46,515
i) Legal obligation (Note 22.h.1.ii)	331	331	266	266
ii) Other liabilities - other (Note 22.h.1)	2,013,643	60,746	1,905,715	46,249
Probable	60,746	60,746	46,249	46,249
Possible	1,813,538	-	1,723,467	-
Remote ⁽¹⁾	139,359	-	135,999	-
b) Provision for contingent liabilities				
b.1) Labor claims	444,430	173,632	449,384	249,461
Probable (Note 16.j)	173,632	173,632	249,461	249,461
Possible	138,421	-	99,988	-
Remote	132,377	-	99,935	-
b.2) Civil lawsuits	5,291,294	156,052	4,670,770	142,592
Probable (Note 16.j)	156,052	156,052	142,592	142,592
Possible	1,208,764	-	1,035,412	-
Remote ⁽²⁾	3,926,478	-	3,492,766	-
b.3) Other lawsuits	687,107	850	9,589	720
Probable (Note 16.j)	850	850	720	720
Possible	9,317	-	8,522	-
Remote	676,940	-	347	-

Notes to financial statements

- (1) Contingent liabilities relating to tax lawsuits assessed as remote loss are concentrated in two (2) proceedings, whose contingent liability balance amounts to R\$119,063 at 09/30/2016. At 12/31/2015, risk was concentrated in two (2) proceedings, whose contingent liability balances amounted to R\$107,343.
- (2) Contingent liabilities relating to civil lawsuits assessed as remote loss are concentrated in five (5) proceedings, whose balance amounts to R\$2,376,364 at 09/30/2016. At 12/31/2015, risk was concentrated in 5 (five) proceedings, whose contingent liability balance amounted to R\$2,149,032.

- (d) The Bank has 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, pursuant to item “b” above.
- (e) Tax proceedings classified as Legal Obligation pursuant to the terms of BACEN Circular No. 3429 of 02/11/2010, whose amounts were presented in item “c”, subitem a.2.i, challenges municipal taxes.
- (f) Below is a brief description of proceedings to which the Bank is party, involving significant contingent liabilities assessed as possible risk of loss:

Tax

Four tax lawsuits challenging the tax deficiency notice. The estimated financial losses total R\$1,663,688 at 09/30/2016 (R\$1,594,651 at 12/31/2015).

Civil

Civil lawsuit challenging loss of profits and payment of management fees. At 09/30/2016, the estimated amount totals R\$206,895. At 12/31/2015, the estimated amount for this proceeding totaled R\$176,840.

Civil lawsuit claiming compensation and loss of profits. At 09/30/2016, the estimated amount totals R\$140,284. At 12/31/2015, the estimated amount for this proceeding totaled R\$119,905.

Civil lawsuit challenging payment of fees. At 09/30/2016, the estimated amount totals R\$80,599. At 12/31/2015, the estimated amount for this proceeding totaled R\$68,890.

Civil lawsuit challenging reassessment (solution indebiti). At 09/30/2016, the estimated amount totals R\$57,718. At 12/31/2015, the estimated amount for this proceeding totaled R\$49,333.

Civil lawsuit claiming compensation. At 09/30/2016, the estimated amount totals R\$51,035. At 12/31/2015, the estimated amount for this proceeding totaled R\$43,621.

Civil lawsuit filed in 2014 related to post-employment benefits. At 09/30/2016, the estimated possible financial loss totals R\$32,557 (R\$30,659 at 12/31/2015).

- (g) 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	09/30/2016	12/31/2015
Labor claims	459,217	449,031
Tax lawsuits	122,812	114,858
Civil lawsuits	72,003	77,777
Total	654,032	641,666

Notes to financial statements**(h) Changes in provisions****(h.1) Tax, labor, civil and other lawsuits and legal obligation**

Specification	09/30/2016	12/31/2015
i) Taxes and contributions (Legal obligation)		
Opening balance	1,069	90,201
Establishment	193	355
Reversal/use/write-off	-	(89,487)
Closing balance (Note 16.d)	1,262	1,069
ii) Tax lawsuits (Other legal obligations)		
Opening balance	266	284
Establishment	65	55
Reversal/use/write-off	-	(73)
Closing balance (Note 22.c)	331	266
iii) Tax lawsuits (Other liabilities – other)		
Opening balance	46,249	36,525
Establishment	19,097	12,485
Reversal/use/write-off	(4,600)	(2,761)
Closing balance (Note 22.c)	60,746	46,249
iv) Labor claims (Other liabilities – other)		
Opening balance	249,461	221,610
Establishment	32,908	44,607
Reversal/use/write-off	(108,737)	(16,756)
Closing balance (Note 16.j)	173,632	249,461
v) Civil lawsuits (Other liabilities – other)		
Opening balance	142,592	138,045
Establishment	38,178	51,707
Reversal/use/write-off	(24,718)	(47,160)
Closing balance (Note 16.j)	156,052	142,592
vi) Other lawsuits (Other liabilities – other)		
Opening balance	720	608
Establishment	528	460
Reversal/use/write-off	(398)	(348)
Closing balance (Note 16.j)	850	720

(h.2) Other provisions for contingent liabilities

Specification	09/30/2016	12/31/2015
i) FNE		
Opening balance	2,792,367	2,062,717
Establishment	1,289,579	1,820,699
Transfer from "Other contingent liabilities" ⁽¹⁾	18,773	-
Reversal/use/write-off	(938,987)	(1,091,049)
Closing balance (Note 16.j)	3,161,732	2,792,367
ii) FDNE		
Opening balance	654	1,065
Establishment	30	49
Reversal/use/write-off	-	(460)
Closing balance (Note 16.j)	684	654
iii) Proagro		
Opening balance	2,644	2,600
Establishment	613	732
Reversal/use/write-off	(2,212)	(688)
Closing balance (Note 16.j)	1,045	2,644
iv) Other contingent liabilities		
Opening balance	37,800	28,603
Establishment	1,117	26,393
Transfer to "Contingent liabilities" ⁽¹⁾	(18,773)	-
Reversal/use/write-off	(6,795)	(17,196)
Closing balance (Note 16.j)	13,349	37,800

Notes to financial statements

(1) This refers to the accounting reclassification of the provision for loans granted with indication of irregularities, as mentioned in Note 22.i.

- (i) The provision for risk on Bank loans granted with indication of irregularities, which is subject to inquiry proceedings carried out by the Internal Audit, amounts to R\$48,849 and comprises the balance under “Contingent liabilities - FNE” at 09/30/2016. At 12/31/2015, the provision amounting to R\$24,440 comprises the balance of “Other contingent liabilities”.
- (j) At 09/30/2016, “Other contingent liabilities” account records in the following amounts: R\$12,427 (R\$11,244 at 12/31/2015) relating to loan risk on securitized transactions under Law No. 9138 of 11/29/1995, currently recorded in memorandum accounts, and R\$922 (R\$2,116 at 12/31/2015) for provision for risks of losses arising from the Loan Transactions Inventory.

NOTE 23 - Employee and officer compensation (in R\$1.00)**a) Monthly employee compensation**

Gross compensation⁽¹⁾	01/01 to 09/30/2016	01/01 to 12/31/2015
Maximum	36,619.33	36,619.33
Minimum	1,427.35	1,427.35
Average	9,434.83	9,201.87

(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	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Gross compensation⁽¹⁾	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation ⁽²⁾	662,051.71	919,814.85	50,356.71	66,419.46	47,269.71	62,347.80
Lowest individual compensation ⁽³⁾	495,764.73	799,389.54	38,587.59	66,419.46	38,587.59	50,896.23
Average individual compensation ⁽⁴⁾	684,527.27	970,097.67	39,064.62	54,141.05	41,930.50	55,454.12
Number of officers/directors ⁽⁵⁾	7.33	6.83	6.00	5.42	5.22	5.17

(1) Amounts approved at the 63rd Annual General Meeting held on 03/31/2016.

(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 09/30/2016, the Bank had 7,226 employees (7,231 at 12/31/2015), a headcount decrease of 0.07%.

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 - qualified independent actuary, based on information provided by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (Capef), Caixa de Assistência Médica dos Funcionários do Banco do Nordeste do Brasil (Camed) and The Bank.

Notes to financial statements**a) General description of the benefit plan characteristics****a.1) Pension plan of Banco do Nordeste do Brasil's employees**

The Bank sponsors two benefit plans managed by CAPEF, a closed-ended private pension plan entity that provides the payment benefits supplementary to social security (INSS) to participants and beneficiaries.

The pension plans sponsored by the Bank offer 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.

The Defined Benefit plan (DB) is not open to new participants since 11/26/1999. In general terms, to the current participants, the DB plan benefits are calculated based on the difference between the employees' contribution salary and the INSS retirement benefit, weighted by the number of contributions paid to the plan, limited to 360, including any working hours extension, weighted by the number of contributions paid thereon, all effective since July 1997 and projected in accordance with the plan regulation up to the date of the participant's retirement. In addition, a rate equivalent to 21.25% is discounted out of the benefit as a special contribution, resulting on average in 78.75% of the average contribution salary.

The Variable Contribution plan (VC I), authorized to operate by the MPS/Previc /Detec Ordinance No. 189 of 03/25/2010, began its operations on 05/19/2010, on receipt of the first contributions. The scheduled retirement benefits of the VC I plan are calculated based on the balance of the individual account for each participant on the date of retirement and are paid in two phases, as follows: the first phase as annuity within the deadline established under the defined contribution (DC) plan and the second phase as life annuity under the defined benefit (DB) plan. In addition, the plan provides coverage for unplanned benefits, such as disability and death in activity, and these benefits are classified by the Bank as defined benefit.

The 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: Deliberative Council, Executive Board and Supervisory Board.

The Deliberative Council 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 assisted vested beneficiaries' representatives.

Notes to financial statements

The Executive Board is responsible for executing the general guidelines and standards set by the Deliberative Council and other determinations 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 Resolutions No. 22 of 11/25/2015; No. 16 of 11/19/2014; No. 14 of 02/24/2014; No. 13 of 11/04/2013; and No. 10 of 12/19/2012, 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 within 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 09/30/2016, 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 09/30/2016 (1:1 at 12/31/2015).

a.2) Health care 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 care plans. Such Plan is registered with the Agência Nacional de Saúde Suplementar (ANS), the regulatory body of this sector, under registration No. 38.569-7.

Notes to financial statements

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.

In its statute CAMED defines its statutory bodies: Social Board, Deliberative Council, Executive Board and Supervisory Board.

The CAMED's Deliberative Council, is a body for monitoring and top-tier administrative decision, composed of representatives of the Bank and of the Social Board. The sponsors' representatives are chosen by the Bank CEO.

The Executive Board is responsible for executing the general guidelines and standards set by the Deliberative Council, and other determinations contained in the relevant legislation, in its charter and internal regulations.

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 09/30/2016, 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.

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 Labor Agreement (2015/2016). 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 current retirees.

a.3.1) Past due obligations and contributions due

At 09/30/2016, 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.

Notes to financial statements

a.4) Risk exposure

The DB, VC 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, because to the adoption of inappropriate actuarial tables and assumptions, or even mismatch between assets and liabilities.
DB/ VC I/ Natural	Liquidity Risk	The liquidity risk relates to mismatch of cash flows of assets and liabilities, so that funds are available for payment of benefits and other plan obligations.
DB/ VC I/ Natural	Operating/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.
VC I /Natural	Administrative Expense Risk	Risk generated by the possibility of administrative expenses being higher than those estimated in the assessment, increasing actuarial liability
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.
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 disable 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	Assets	Assisted participants	Total
DB Plan	1,729	4,778	6,507
VC I Plan	5,115	99	5,214
Natural Plan	6,834	4,821	11,655
Group life insurance	5,221	3,463	8,684

Notes to financial statements

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.

Notes to financial statements

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 care 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	09/30/2016	12/31/2015
DB Plan (Notes 16.j and 28.a.2)	339,721	235,477
Natural Plan (Notes 16.j and 28.a.2)	804,728	772,977
Life Insurance (Notes 16.j and 28.a.2)	64,555	56,505

c) Amounts recognized in P&L

Specification	Capef			
	DB Plan		VC I Plan	
	01/01 to 09/30/2016	01/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
1. Current service cost, net	(5,397)	(9,145)	694	646
2. Net interest	(19,761)	(8,727)	-	-
3. Total (item 1 + item 2)	(25,158)⁽¹⁾	(17,872)⁽¹⁾	694⁽²⁾	646⁽²⁾

(1) Including transferred employees' contribution: DB Plan 01/01 to 09/30/2016: R\$6; and 01/01 to 09/30/2015: R\$3.

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

Specification	Natural Plan		Life insurance	
	01/01 to 09/30/2016	01/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
	1. Current service cost, net	631	4,606	1750
2. Net interest	(74,573)	(61,563)	(5,316)	(3,154)
3. Total (item 1 + item 2)⁽³⁾	(73,942)	(56,957)	(3,566)	(3,779)

(3) Including transferred employees' contribution: Natural Plan - 01/01 to 09/30/2016: R\$28; and 01/01 to 09/30/2015: R\$26 and Group Life Insurance - 01/01 to 09/30/2016: R\$5; and 01/01 to 09/30/2015: R\$4.

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 09/30/2016	01/01 to 09/30/2015
1. Contributions (DC portion) ⁽⁴⁾	(33,665)	(27,898)

(4) Including transferred employees' contribution: VC I Plan 01/01 to 09/30/2016: R\$237; and 01/01 to 09/30/2015: R\$206.

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

Notes to financial statements

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
1. Administrative Expenses	(4,626)	(4,203)

d) Amounts recognized in equity

Specification	DB Plan ⁽¹⁾		VC I Plan ⁽²⁾	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Actuarial gains (losses)	(128,980) ⁽³⁾	(203,438)	(1,752)	(1,390)

(1) There was no actuarial valuation in the period, therefore, for the DB plan there are no actuarial gains (losses) recorded for the period from 07/01 to 09/30/2016.

(2) Actuarial gains (losses) referring to the VC I plan for the period from 07/01 to 09/30/2016 refer to the asset ceiling effect.

(3) Including estimated contribution difference in the DB Plan actuarial calculation: 01/01 to 09/30/2016; R\$98.

Specification	Natural Plan ⁽¹⁾		Life insurance ⁽¹⁾	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Actuarial gains (losses)	39,889	(75,799)	(6,809)	(13,099)

(1) There was no actuarial valuation in the period, therefore, for Life Insurance and Natural plans there are no actuarial gains (losses) recorded for the period from 07/01 to 09/30/2016.

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

- a) The total assets of FNE, amounting to R\$65,021,339 (R\$59,893,11 at 12/31/2015) are recorded in the Bank's memorandum accounts "Net assets of managed public funds".
- b) The FNE's cash and cash equivalents, totaling R\$14,957,744 (R\$11,324,340 at 12/31/2015), recorded in 'Other liabilities/Financial and development funds' bear interest at extra-market rate. The interest expense on cash and cash equivalents totaled R\$788,367 (R\$462,115 at 06/30/2015).
- 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 Programa da Terra 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 of the Funds", 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 Bank's transactions with other funds, will maintain the same risk position of the transaction to be settled. The balances of financing and allowances accounted for in the Bank's Contingent liabilities are as follows:

Notes to financial statements

Risk level	Balances	Provision at 09/30/2016	Provision at 12/31/2015
AA	9,286,417	-	-
A	11,272,601	28,288	29,476
B	9,510,285	47,828	46,579
C	2,330,856	34,713	32,959
D	1,557,192	77,743	30,288
E	649,109	98,844	102,802
F	509,708	127,301	106,093
G	900,814	315,008	278,590
H ⁽¹⁾	4,751,622	2,432,007	2,165,580
Total	40,768,604	3,161,732	2,792,367

(1) The balance of provision at 09/30/2016 includes R\$48,849 arising from loans granted with indication of irregularities, reclassified from "Other contingent liabilities" to "Provision for contingent liabilities", as described in Note 22.i.

- d) The Bank's del credere commission on transactions entered as agreement 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 Ministérios da Fazenda e da Integração Nacional. Income from del credere commission totaled R\$936,097 (R\$1,206,890 at 12/31/2015).
- 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\$959,694 (R\$1,278,956 at 12/31/2015).

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

The (FAT is a special financial-accounting fund under the Ministério do Trabalho e Emprego (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	09/30/2016	12/31/2015
Proger-Urbano - Investment	017/2006	3,182	6,351
FAT - Infrastructure	018/2006	179,528	197,409
Protrabalho - Investment	004/2007	196,131	180,845
PNMPO	001/2010	113,223	133,780
Total		492,064	518,385

Funds derived from the FAT, recorded under 'Remunerated special deposits', totaling R\$273,419 (R\$332,363 at 12/31/2015), are subject to SELIC rate while they are not used in loans, and subject to Taxa de Juros de Longo Prazo (TJLP) after they are released to final borrowers. Available funds remunerated bearing interest at SELIC totaled R\$27,841 (R\$37,932 at 12/31/2015).

Notes to financial statements

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				09/30/2016	
		Form ⁽¹⁾	RA	SELIC remuneration	Available TMS ⁽²⁾	Applied TJLP ⁽³⁾	Total
Proger - Urbano - Investment	17/2006	LR	8,446	341	2,105	13,595	15,700
FAT - Infrastructure ⁽⁴⁾	18/2006	LR	52,080	3,181	22,933	69,664	92,597
Protrabalho-Investment	04/2007	LR	17,780	44	249	67,055	67,304
PNMPO	01/2010	LR	26,659	823	2,553	95,265	97,818
Total (Note 13.b)			104,965	4,389	27,840	245,579	273,419

Specification	Tade	Return of FAT funds				12/31/2015	
		Form ⁽¹⁾	RA	SELIC remuneration	Available TMS ⁽²⁾	Applied TJLP ⁽³⁾	Total
Proger - Urbano - Investment	17/2006	LR	12,866	464	2,945	17,576	20,521
FAT - Infrastructure ⁽⁴⁾	18/2006	LR	49,508	3,131	25,820	98,068	123,888
Protrabalho-Investment	04/2007	LR	20,276	31	1,282	75,188	76,470
PNMPO	01/2010	LR	30,093	541	7,885	103,599	111,484
Total (Note 13.b)			112,743	4,167	37,932	294,431	332,363

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

(2) Funds remunerated SELIC rate;

(3) Funds remunerated long-term Interest Rate (TJLP); and

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

NOTE 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.

Notes to financial statements

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 Referential Equity(RE) and the amount of Risk-Weighted Assets (RWA), in accordance with Circular No. 3678, dated 10/31/2013, of the BACEN, 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 2016 to 2018, which was also approved by the Board of Directors on 12/03/2015. 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.

Exposure by Industry	Exposure	
	09/30/2016	12/31/2015
Loans, co-obligations and guarantees given	32,689,619	34,774,297
Public sector	1,442,956	1,679,852
Private sector	31,246,663	33,094,445
Trading	3,917,463	4,142,642
Foreign trade	383,032	857,483
Housing	170	170
Manufacturing	9,321,665	9,700,730
Infrastructure	2,715,121	3,184,417
Urban micro-financing	2,751,967	2,993,986
Individuals	128,915	226,259
Rural	7,144,734	7,036,781
Other services	4,883,596	4,951,977
Market transactions	29,396,219	26,957,135
Federal Government Bonds	26,476,278	23,756,920
Repurchase agreements	9,682,709	15,656,753
Other	16,793,569	8,100,167
Other marketable securities	1,898,426	1,981,588
Other transactions	1,021,515	1,218,627
Other assets	4,535,951	3,756,309
Total	66,621,789	65,487,741

Notes to financial statements

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 agencies' 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.

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\$4,896,056 (R\$5,067,776 at 12/31/2015). These transactions are backed by collaterals totaling R\$5,630,456 (R\$3,957,266 at 12/31/2015).

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 because due to its volume being greater than the volume normally traded in the market or in reason 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	09/30/2016 (%)	12/31/2015 (%)
Liquidity ratio		
At reporting date	508.87	460.38
Average for the last 12 months	445.89	346.09
Maximum for the last 12 months	558.83	516.70
Minimum for the last 12 months	249.52	249.52

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.

Notes to financial statements

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 banking portfolios, by risk factor;
- Capital requirement map, for coverage of market and liquidity risks;
- Report of foreign exchange exposure;
- 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 banking portfolios, foreign exchange 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 Referential Equity • Banking portfolio: 5% of Referential Equity 	<p>If the exposure level exceeds 80% of the limit, the risk management area issues a warning to the area responsible for the financial operations.</p>

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 banking portfolio transactions, and its results are as follows:

Portfolio/risk factor	Type of risk	Scenario 1	Scenario 2		Scenario 3	
		(Probable)	(change of 25%)		(change of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	7,111,796	7,100,963	(10,833)	7,090,464	(21,332)
Banking portfolio						
Dollar coupon	Reduction in coupon	(136,772)	(139,737)	(2,965)	(142,943)	(6,170)
Euro coupon	Increase in coupon	(472)	(475)	(3)	(478)	(6)
IGP coupon	Increase in coupon	1,054,456	998,504	(55,952)	947,403	(107,053)
IPCA coupon	Reduction in coupon	445,118	340,278	(104,839)	263,320	(181,797)
TJLP coupon	Increase in coupon	181,493	180,941	(552)	180,412	(1,081)
TR coupon	Increase in coupon	(1,964,899)	(1,986,912)	(22,014)	(2,002,036)	(37,138)
Fixed interest rate	Increase in interest rate	3,775,623	3,711,463	(64,160)	3,654,618	(121,006)

Notes to financial statements

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 (change of 25%)	Scenario 3 (change of 50%)
Hedging derivatives	Increase in Referential Rate - BM&FBOVESPA DI x dollar	Swap Dollar x DI	1,041,700	1,056,145	1,071,023
		Liabilities in Foreign Exchange	(1,059,061)	(1,073,609)	(1,088,591)
		Net exposure	(17,361)	(17,464)	(17,568)

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 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 operational risk management system aims at ensuring compliance with the corporate policy in accordance with governance principles and the policies set by the 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.

Notes to financial statements**f) Foreign exchange exposure**

Transactions under agreements that provide for foreign exchange adjustment clause presented net balance of foreign exchange exposure sold, in the amount of R\$60,115 (R\$67,162 at 12/31/2015 - liability short position), as follows:

Specification	09/30/2016	12/31/2015	Specification	09/30/2016	12/31/2015
Cash and cash equivalents	29,054	58,426	Deposits	-	-
Interbank investments	-	635	Inter departmental accounts	14,280	12,331
Loan	747,777	1,033,285	Borrowings and on lending – domestic	77,772	101,491
Other receivables	602,626	1,040,756	Borrowings and on lending - foreign	1,840,533	2,284,406
			Other liabilities	535,361	1,004,859
Total assets in foreign exchange, excluding derivatives	1,379,457	2,133,102	Total liabilities in foreign exchange	2,467,946	3,403,087
Swap transactions	1,028,374	1,202,823	Total liability position in foreign exchange	2,467,946	3,403,087
Total Asset long position in foreign exchange	2,407,831	3,335,925			

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 09/30/2016, the Bank had an extended Basel Index (including capital to cover RBAN) of 12.20% (13.61% at 12/31/2015) and Tier I rates and Principal Capital were both at 7.62% (7.25% at 12/31/2015). The RE computed was R\$4,739,928 (R\$5,270,254 at 12/31/2015), Tier I and Principal Capital had the same amount of R\$2,836,692 (R\$2,689,059 at 12/31/2015), while risk weighted assets (RWA amount) totaled R\$37,226,021 (R\$37,111,437 at 12/31/2015).

i) Minimum Required Capital - MRC (Basel III)

Specification	09/30/2016	12/31/2015
Referential Equity (RE)	4,739,928	5,270,254
. Tier I	2,836,692	2,689,059
. Principal Capital	2,836,692	2,689,059
. Tier II	1,903,236	2,581,195
Risk-Weighted Assets (RWA)	37,226,021	37,111,437
. RWACPAD	29,703,759	30,704,853
. RWACAM	363,249	372,978
. RWAJUR	60,101	80,718
. RWACOM	6,208	14,146
. RWAOPAD	7,092,704	5,938,742
RBAN amount	1,615,511	1,621,685
Margin on RE (RE - [RWA * 9.8751%])¹	1,063,859	1,187,996
Margin on RE considering RBAN {RE - ([RWA + RBAN] * 9.875%)}	904,327	1,009,611
Margin on Tier I RE (Tier I BC - RWA * 6%)	603,131	462,373
Margin on Required Principal Capital (Principal Capital - RWA * 4.5%)	1,161,521	1,019,045
Required Additional Capital (RWA * 0.625%)	232,663	-
Margin on Additional Required Capital (whichever lower of margins - additional required principal capital)	370,468	462,373
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	7.62%	7.25%
. Tier I index (minimum requirement of 6.0%)	7.62%	7.25%
. Basel index (minimum requirement of 9.875%) ⁽¹⁾	12.73%	14.20%
. Basel index including RBAN	12.20%	13.61%

Notes to financial statements

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 Referential Equity (Basel III)

Specification	09/30/2016	12/31/2015
Referential Equity (RE)	4,739,928	5,270,254
Tier I RE	2,836,692	2,689,059
Principal Capital	2,836,692	2,689,059
Capital	2,844,000	2,844,000
Income reserves	771,046	598,429
Capital and revaluation reserve	15,023	16,621
Remaining balances and retained earnings	533	-
Credit P&L accounts	2,683,785	-
Debt P&L accounts	(2,736,583)	-
Unrealized gains or losses - equity valuation and marketable securities	(551,927)	(615,864)
Treasury shares and other Bank's instruments	-	-
Retained earnings (accumulated losses)	-	-
Prudential Adjustments	(189,185)	(154,127)
Prudential Adjustments - intangible assets	(5,436)	(3,446)
Prudential adjustment - Deferred assets	-	(37)
Prudential adjustment - Tax credits from temporary differences	(163,458)	(135,777)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(20,291)	(14,867)
Tier II Referential Equity	1,903,236	2,581,195
Instruments eligible to Tier II	1,956,040	2,633,957
Investment in other entities deducted from Tier II	(52,804)	(52,762)

The Subordinated Debt Instruments contracted 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.

The Hybrid Debt/Equity Instrument recorded under Tier II of RE until 12/31/2015 does not compose the RE since January 2016, as it is currently replaced by a novation and acknowledgment of debt agreement entered into with Federal Government. The Bank requested of BACEN an authorization so that such novation and acknowledgment of debt agreement be deemed a Debt Instrument eligible for Principal Capital.

iii) Leverage Ratio (LR)

On 02/27/2015, BACEN published Circular 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 No. 3748. At 09/30/2016, the Leverage Ratio of Banco do Nordeste was 4.38, as follows:

Specification	09/30/2016	12/31/2015
Tier I RE	2,836,692	2,689,059
Total exposure for Leverage Ratio	64,925,624	63,250,106
Leverage Ratio (%)	4.37%	4.25%

Notes to financial statements**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	09/30/2016	12/31/2015
RE for investment limit	4,739,928	5,270,254
Investment limit (50% of adjusted RE)	2,369,964	2,635,127
Status	215,638	231,006
Margin	2,154,326	2,404,121
Investment index	4.55%	4.38%

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	09/30/2016	12/31/2015
Assets		
Loans - refinancing with the Federal Government (Note 9.a.1)	537,522	478,527
Total	537,522	478,527

Specification	09/30/2016	12/31/2015
Liabilities		
Time deposits - FAT (Note 13.b. and Note 26)	273,419	332,363
Domestic on lending- Official institutions (Note 14.c.)	1,702,417	1,709,146
National Treasury	450	426
BNDES	1,578,476	1,567,324
FINAME	123,491	141,396
Other liabilities	17,922,706	14,626,241
FNE (Note 16.f)	14,966,666	11,332,783
Hybrid equity/debt instruments (Notes 16.g and 17)	-	1,501,176
Debt instruments eligible to capital (Notes 16h and 17)	1,000,000	-
Subordinated debts eligible to capital (Notes 16.i and 18)	1,956,040	1,792,282
Total	19,898,542	16,667,750

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

Specification	09/30/2016	12/31/2015
Liabilities		
Post-employment benefits - CAPEF DB Plan (Notes 16.j and 24.b)	339,721	235,477
Post-employment benefits - Camed Natural Plan (Notes 16.j and 24.b)	804,728	772,977
Post-employment benefits - Life insurance (Notes 16.j and 24.b)	64,555	56,505
Total	1,209,004	1,064,959

Notes to financial statements**b) Management compensation**

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

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Fees	2,932	2,707
Executive Board	2,507	2,298
Board of Directors	223	206
Supervisory Board	202	203
Other	1,609	971
Profit sharing	770	1,284
Total short-term benefits	5,311	4,962
Post-employment benefits	161	219
Total	5,472	5,181

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

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

NOTE 29 - Statement of comprehensive income

Specification	01/01 to 09/30/2016	01/01 to 09/30/2015
Net income	172,767	200,944
Other comprehensive income (loss)	65,535	(434,744)
Equity adjustment to available-for-sale securities	270,606	(250,619)
Tax effect on Equity adjustment to available-for-sale securities	(109,115)	107,360
Realization of revaluation reserve	2,905	2,905
Tax effect on realization of revaluation reserve	(1,307)	(664)
Actuarial gains (losses)	(97,554)	(293,726)
Comprehensive income (loss)	238,302	(233,800)

NOTE 30 - Other Information**a) Guarantees given**

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

Specification	09/30/2016	12/31/2015
Import financing	3,529	8,980
Export credits confirmed	-	58,500
Guarantee beneficiaries		
- Individuals or non-financial legal entities	-	450
- FNE	20,622,899	19,962,828
- FDNE	118,357	111,941
Credit assignment co-obligations	20,287	19,910

Notes to financial statements

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.

Fortaleza, October 25, 2016.

The Executive Board

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