

*Banco do
Nordeste*



ACCOUNTING STATEMENTS

Bank and FNE

POSITION: 12.31.2000



Accounting Statements

Bank

POSITION: 12.31.2000

**BALANCE SHEET
 ACCORDING TO THE CORPORATE LEGISLATION**

DECEMBER 31ST, 2000
 General Management & Branches in the Country
 Amounts in Thousands of R\$

ASSETS			LIABILITIES		
	12.31.2000	12.31.1999		12.31.2000	12.31.1999
CURRENT.....	3,411,699	2,897,029	CURRENT.....	3,188,995	1,902,951
AVAILABILITIES.....	22,890	29,583	DEPOSITS.....	783,139	804,450
INTERFINANCIAL INVESTMENTS AND LIQUIDITY.....	840,357	361,999	Cash deposits.....	150,367	87,830
Investments in the Open Market.....	830,193	354,122	Savings Deposits.....	350,117	342,763
Investments in Interfinancial Deposits.....	10,164	7,877	Interfinancial Deposits.....	36,681	20,435
SECURITIES.....	254,869	688,645	Term Deposits.....	245,974	353,422
Own Portfolio.....	253,986	553,729	CAPTURES IN THE OPEN MARKET.....	26,758	27,303
Bound to Repurchase Commitments.....	6,000	10,000	Own Portfolio.....	6,000	10,000
Bound to the Central Bank.....	0	123,327	Third Party's Portfolio.....	20,758	17,303
Privatization Certificates.....	0	9,015	LIABILITIES FOR LOCAL TRANSFERS - OFFICIAL INSTITUTIONS.....	212,803	15,685
(Reserves for Devaluations).....	(5,117)	(7,426)	Liabilities due to Foreign Securities.....	212,803	15,685
INTERFINANCIAL RELATIONS.....	132,263	127,145	INTERFINANCIAL RELATIONS.....	0	14,564
Payments & Receipts to be Liquidated.....	239	446	Interfinancial Transfers.....	0	8,441
Bound Credits:			Correspondents.....	0	6,123
Deposits with the Central Bank.....	64,605	61,752	INTERDEPENDENCE RELATIONS.....	11	573
National Treasury - Rural Credit Resources.....	18,179	13,217	Third Party Resources in Transit.....	9	1
SFH - Housing Finance System.....	48,987	45,237	Internal Transfer of Resources.....	2	572
Correspondents.....	253	6,493	LIABILITIES ON LOANS.....	242,721	145,703
INTERDEPENDENCE RELATIONS.....	30,501	1	Internal Country Loans - Official Institutions.....	86,938	8,593
Appeals of third parties in transit.....	0	1	Foreign Loans.....	155,783	137,110
Internal Transfer of Resources.....	30,501	0	LIABILITIES FOR LOCAL TRANSFERS - OFFICIAL INSTITUTIONS.....	1,206,719	684,271
CREDIT TRANSACTIONS.....	1,620,984	1,462,587	National Treasury.....	1,296	0
Credit Transactions:			BNDES.....	236,719	149,266
Public Area.....	141,349	164,303	CEF.....	9,146	15,951
Private Area.....	1,695,755	1,381,583	FINAME.....	200,812	195,833
(Reserve for Doubtful Debts).....	(216,120)	(83,299)	Other Institutions.....	758,746	323,221
OTHER CREDITS.....	502,744	220,402	LIABILITIES FOR FOREIGN TRANSFERS.....	22,104	21,223
Credits for Guarantees Honored.....	13	14	Foreign Transfers.....	22,104	21,223
Exchange Portfolio.....	69,937	57,795	OTHER LIABILITIES.....	694,740	189,179
Receiveable Earnings.....	7,521	2,144	Collection and Receipt of Taxes and the like.....	6,870	9,009
Negotiation and Intermediation of Values.....	38	2,643	Exchange Portfolio.....	4,091	4,509
Specific Credits.....	36,633	21,922	Corporate & Statutory.....	7,450	11,451
Sundry.....	388,602	135,884	Tax & Social Security.....	250,506	75,566
OTHER VALUES AND ASSETS.....	7,091	6,667	Negotiations and Intermediation of Values.....	4	1,963
Other Values and Assets.....	8,523	8,744	Financial and Development Funds.....	367,546	15,859
(Reserves for Devaluations).....	(2,540)	(2,713)	Sundry.....	58,273	70,822
Advanced Expenses.....	1,108	636	LONG TERM LIABILITIES.....	4,619,785	4,899,146
LONG TERM RECEIVABLES.....	5,230,125	4,654,964	DEPOSITS.....	254,873	235,003
SECURITIES.....	813,611	278,810	Term Deposits.....	254,873	235,003
Own Portfolio.....	819,757	263,997	RESOURCES FROM ACCEPTANCE AND SECURITIES ISS.....	208,747	392,430
Bound to the Central Bank.....	0	18,609	Liabilities on Foreign Securities.....	208,747	392,430
Reserves for Devaluation.....	(6,146)	(3,796)	LIABILITIES FOR LOANS.....	211	118,449
INTERDEPENDENCE RELATIONS.....	1,260	4,399	Local Loans - Official Institutions.....	211	73,211
Bound Credits:			Foreign Loans.....	0	45,238
National Treasury - Rural Credit Resources.....	1,260	4,399	LIABILITIES FOR LOCAL TRANSFERS - OFFICIAL INSTITUTIONS.....	3,386,779	3,505,970
CREDIT TRANSACTIONS.....	3,710,262	3,917,168	BNDES.....	1,295,988	1,132,405
Credit Transactions:			CEF.....	21,305	13,682
Public Area.....	728,948	798,619	FINAME.....	221,183	368,860
Private Area.....	3,757,036	4,086,178	Other Institutions.....	1,848,303	1,991,023
(Reserve for Doubtful Debts).....	(775,722)	(967,629)	LIABILITIES FOR FOREIGN TRANSFERS.....	662,349	525,328
OTHER CREDITS.....	704,992	454,587	Foreign Transfers.....	662,349	525,328
Credits for Guarantees Honored.....	0	36,110	OTHER LIABILITIES.....	106,826	121,966
Specific Credits.....	284,581	255,403	Tax & Social Security.....	33,837	33,869
Sundry.....	431,671	237,628	Financial Development Funds.....	13,609	12,330
(Reserve for Doubtful Debts).....	(11,260)	(74,554)	Sundry.....	59,380	75,767
PERMANENT ASSETS.....	164,692	206,400	RESULTS OF FUTURE FISCAL YEARS.....	103	562
INVESTMENTS.....	2,706	2,044	RESULTS OF FUTURE FISCAL YEARS.....	103	562
Interest in Affiliated and Controlled Companies - in the Country.....	3,435	3,435	NET WORTH.....	997,633	955,734
Other Investments.....	3,601	2,832	CAPITAL.....	891,000	831,000
(Reserve for Losses).....	(4,330)	(4,223)	Local Residents.....	891,000	831,000
FIXED ASSETS BEING USED.....	139,228	160,799	CAPITAL RESERVES.....	6,968	6,968
Real Estate being used.....	173,798	191,498	REVALUATION RESERVES.....	53,922	57,669
Other Fixed Assets in Use.....	45,866	46,767	PROFIT RESERVES.....	2,955	4,009
(Accrued Depreciations).....	(80,436)	(77,466)	ACCRUED PROFITS OR LOSSES.....	42,788	56,088
DIFFERED.....	22,758	43,557			
Organization and Expansion Expenditures.....	90,475	118,428			
(Accrued Amortization).....	(67,717)	(74,871)			
TOTAL ASSETS.....	8,806,516	7,758,393	TOTAL LIABILITIES.....	8,806,516	7,758,393

BANCO DO NORDESTE DO BRASIL S.A.HEADQUARTERS: AV. PARANJANA, 5700 - FORTALEZA - CEARÁ
OPEN CAPITAL - LICENSE LETTER Nº 3465 - National Directory of Legal Entities (CNPJ) No. 07.237.373/0001-20**STATEMENT OF RESULTS
ACCORDING TO THE CORPORATE LEGISLATION**DECEMBER 31ST, 2000 AND 1999
General Management and Branches in the Country
(Amounts in thousands of R\$)

	2nd sem/2000	Fiscal Year/2000	Fiscal Year/1999
INCOME OF FINANCIAL INTERMEDIATION	557,752	1,192,768	2,317,963
-Credit Transactions	398,994	895,703	1,724,207
-Results of Transactions with Securities.....	132,228	245,497	362,927
-Results of Exchange Transactions	22,507	44,544	218,373
-Results of the Compulsory Investments	4,023	7,024	12,456
FINANCIAL INTERMEDIATION EXPENSES	(703,771)	(1,553,547)	(2,223,182)
-Capture Transactions in the Financial Market.....	(121,412)	(228,644)	(638,219)
-Loan, Assignment and Transfer Transactions	(374,978)	(705,557)	(1,110,992)
-Reserve for Doubtful Debts	(207,381)	(619,346)	(473,971)
GROSS RESULTS FROM FINANCIAL INTERMEDIATION	(146,019)	(360,779)	94,781
OTHER INCOME/OPERATIONAL EXPENSES.....	195,838	358,221	(27,721)
-Earnings from Services Rendered.....	93,367	170,311	143,221
-Expenses with Personnel	(127,014)	(260,677)	(275,693)
-Other Administrative Expenses	(92,177)	(178,565)	(161,943)
-Tax Expenses	(22,628)	(45,569)	(45,696)
-Other Operational Income	452,081	1,127,222	1,139,261
-Other Operational Expenses	(107,791)	(454,501)	(826,871)
OPERATIONAL RESULTS	49,819	(2,558)	67,060
NON-OPERATIONAL RESULTS.....	600	(381)	2,554
RESULTS BEFORE TAX ON PROFITS AND PARTNERSHIPS.....	50,419	(2,939)	69,614
INCOME TAX AND SOCIAL CONTRIBUTION	(20,392)	60,096	5,761
NET PROFITS.....	30,027	57,157	75,375
No. of Shares (in millions)	70,527	70,527	70,527
Net profits per lot of one thousand shares (in R\$)	0.43	0.81	1.07

**STATEMENT OF CHANGES OF THE NET WORTH
 ACCORDING TO THE CORPORATE LEGISLATION**

DECEMBER 31ST, 2000 and 1999
 General Management and Branches in the Country
 Amounts in thousands of R\$

EVENTS	REALIZED CAPITAL		CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES		ACCRUED PROFITS	TOTAL
	CAPITAL	CAPITAL INCREASE	OTHER CAPITAL RESERVES	OWN ASSETS	LEGAL	STATUTORY		
BALANCES ON 12.31.1998	677,000	95,000	0	55,013	4,192	55,048	0	886,253
CAPITAL INCREASE:								
- Originated from Reserves:								
- Transf for Capital Increase		59,000			(4,000)	(55,000)		0
OTHER EVENTS:								
- Revaluation of Assets:								
- Realization of Reserves:								
.Gross Value.....				(4,976)			4,827	(149)
.Tax Charges				1,782			(1,630)	152
.PM 1.991-12/1999 (change of rate).....				5,850				5,850
- Tax Incentives Deducted from IR/FINOR.....			6,968					6,968
NET PROFITS FOR THE FISCAL YEAR.....							75,375	75,375
DESTINATIONS:								
- Reserves.....					3,769		(3,769)	0
- Dividends.....							(18,715)	(18,715)
BALANCES ON 12.31.1999.....	677,000	154,000	6,968	57,669	3,961	48	56,088	955,734
CHANGES DURING THE FISCAL YEA	0	59,000	6,968	2,656	(231)	(55,000)	56,088	69,481
BALANCES ON 12.31.1999	677,000	154,000	6,968	57,669	3,961	48	56,088	955,734
CAPITAL INCREASE:								
- Originated from Reserves:								
- Transf for Capital Increase		60,000			(3,864)	(48)	(56,088)	0
- Incorporation to Capital.....	154,000	(154,000)						0
OTHER EVENTS:								
- Revaluation of Assets:								
- Realization of the Reserve:								
.Gross Value.....				(11,911)			4,184	(7,727)
.Tax Charges.....				5,418			(1,423)	3,995
.PM 2.113-26/2000 (change of rate)				2,746				2,746
NET PROFITS FOR THE FISCAL YEAR.....							57,157	57,157
DESTINATIONS								
- Reserves.....					2,858		(2,858)	0
- Dividends.....							(14,272)	(14,272)
BALANCES ON 12.31.2000	831,000	60,000	6,968	53,922	2,955	0	42,788	997,633
CHANGES DURING THE FISCAL YEA	154,000	(94,000)	0	(3,747)	(1,006)	(48)	(13,300)	41,899
BALANCES ON 06.30.2000.....	677,000	214,000	6,968	55,289	1,453	0	20,372	975,082
CAPITAL INCREASE:								
- Originated from Reserves:								
- Incorporation to Capital	154,000	(154,000)						0
OTHER EVENTS :								
- Revaluation of Assets :								
- Realization of Reserves:								
.Gross Value.....				(2,070)			2,067	(3)
.Tax Charges.....				703			(703)	0
PM 2.113-26/2000 (change of rate).....								
NET PROFITS OF THE SEMESTER							30,027	30,027
DESTINATIONS:								
- Reserves.....					1,502		(1,502)	0
- Dividends.....							(7,473)	(7,473)
BALANCES ON 12.31.2000.....	831,000	60,000	6,968	53,922	2,955	0	42,788	997,633
CHANGES DURING THE SEMESTER.	154,000	(154,000)	0	(1,367)	1,502	0	22,416	22,551

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**STATEMENTS OF ORIGINS AND INVESTMENT OF RESOURCES
ACCORDING TO THE CORPORATE LEGISLATION**

DECEMBER 31ST, 2000 AND 1999

General Management and Branches in the Country
(Amounts in Thousands of R\$)

	2nd sem/2000	Fiscal Year/2000	Fiscal Year/1999
ORIGIN OF RESOURCES	693,704	1,185,361	3,039,411
ADJUSTED NET PROFITS (1).....	46,638	91,654	110,888
FLUCTUATION OF THE RESULTS OF FUTURE FISCAL YEARS	(130)	(458)	(230)
TAX INCENTIVES DEDUCTED FROM IT/FINOR			6,968
Reversion of Part of the Charges on the REVALUATION RESERVE	(3)	(985)	5,853
THIRD PARTIES RESOURCES ORIGINATED FROM :			
- INCREASE OF THE LIABILITIES SUBGROUPS :			
Deposits	12,556		
Captures in the Open Market (Committed Transactions)	2,611		
Resources from Acceptance and Issue of Securities	26,755	13,435	
Obligations on Loans and Transfers	280,247	519,938	2,787,132
Other Obligations	195,833	490,422	
- REDUCTION OF ASSETS SUBGROUPS :			
Interfinancial Liquidity Investments			82,805
Securities	128,929		
Interfinancial and Interdependency Relations			43,088
Credit Transactions		48,511	
Other Assets			880
- DISPOSAL OF ASSETS AND INVESTMENTS:			
Assets not of own use	493	8,234	911
Used Fixed Assets	(161)	14,545	1,116
Investments.....	(64)	65	
INVESTMENT OF RESOURCES	699,233	1,192,054	3,022,493
DIVIDENDS AND BONUS PROPOSED	7,473	14,272	18,715
INVESTMENTS IN :			
Assets not for own use	1,128	8,930	890
Used Fixed Assets	1,895	4,158	2,192
Investments.....	850	850	363
INVESTMENTS IN DIFFERED	824	1,723	1,517
INCREASE OF ASSETS SUBGROUPS :			
Interfinancial Liquidity Investments	368,055	478,358	
Securities		101,027	47,974
Interfinancial and Interdependency Relations	6,288	32,481	
Credit Transactions	177,774		758,843
Other Credits	98,622	532,745	110,073
Other Assets	407	397	
REDUCTION OF LIABILITIES SUBGROUPS :			
Deposits		1,442	183,864
Captures in the Open Market (Committed Transactions)		545	316
Resources from Acceptance and Issue of Securities			38,741
Interfinancial and Interdependency Relations	35,917	15,126	9,226
Other Obligations			1,849,779
INCREASE/REDUCTION OF AVAILABILITIES	(5,529)	(6,693)	16,918
CHANGES OF THE FINANCIAL POSITION: Increase/Reduction of Availabilities	(5,529)	(6,693)	16,918
Beginning of the Period	28,419	29,583	12,665
End of Period.....	22,890	22,890	29,583
(1)STATEMENT OF THE ADJUSTED NET PROFITS :			
NET PROFITS	30,027	57,157	75,375
AJUSTMENTS TO THE NET PROFITS :			
Depreciations and Amortizations	16,382	33,706	35,333
Reserves for Investment Losses	123	123	
Reserve for Devaluation of Other Assets	106	668	180
ADJUSTED NET PROFITS	46,638	91,654	110,888

EXPLANATORY NOTES TO THE ACCOUNTING STATEMENTS

Fiscal years ended December 31st, 2000 and 1999

1. THE BANK AND ITS CHARACTERISTICS

Banco do Nordeste do Brasil S.A., a private law legal entity, is a public financial institution of regional character, created by means of the Federal Law No. 1.649, dated 07.19.1952. Organized under the form of an open capital corporation of combined economy (public/private capital), it has the object of pushing, in its capacity of financial institution, the sustainable development of the Brazilian Northeast, through the provision of financial resources and support to the technical qualification to projects within the Region.

In order to comply with its mission, in addition to the concession of credits for the implementation of undertakings, Banco do Nordeste excels, through partnerships with its clients, for the continuity and success of the achieved business, through technical and managerial visit procedures, bringing in additional resources when necessary.

Classified as multiple bank, Banco do Nordeste is authorized to operate with all portfolios allowed to the financial institutions of this type, except the real estate credit portfolio. The General Extraordinary Meeting dated 10.17.1997 approved the holding of transactions in the real estate credit portfolio, the process of which is running in the competent spheres.

In its capacity of development bank, Banco do Nordeste operates, among other incentive programs, Fundo de Investimentos do Nordeste – FINOR [Northeast Development Fund], created by Decree-Law No. 1.376, dated 12.12.1974, and Fundo Constitucional de Financiamento do Nordeste - FNE [Constitutional Fund of Development of the Northeast], under the terms of the current constitutional provisions, ruled by Law No. 7.827, dated 09.27.1989, with the amendments introduced by Law No. 9.126, dated 11.10.1995 and Provisional Measure 2.035-28, dated 12.21.2000 (converted into Law No. 10.177, dated 01.12.2001).

2. SUBMISSION OF THE ACCOUNTING STATEMENTS

The Accounting Statements were prepared according to the corporate law, as well as according to the instructions of the Brazilian Central Bank - BACEN and the Comissão de Valores Mobiliários – CVM [Brazilian SEC], taking into consideration, when applicable, the provisions of the tax law.

Circular Letter no. 2.899, dated 03.01.2000, of BACEN, decided to exclude, as of such date, the securities representing Late Credit Transactions, and allow the permanence, up to 08.31.2000, of the items comprising the Doubtful Debt Credit Transactions. In face of this fact, Banco do Nordeste has proceeded with adjustments to its Balance Sheet, position of 12.31.1999, by means of the transfer of the amount of the Late Credit Transactions and of the Doubtful Debt Credit Transactions to the Credit Transactions line.

3. ACCOUNTING GUIDELINES

a) Determination of Results

The determination is made according to the competence accounting system, emphasizing the following procedures:

- ☐ The earnings, charges and monetary or exchange variances levied on the current and long term assets and liabilities are appropriated “pro rata die”;
- ☐ The reserves, including the charges on vacations and 13th salary, are acknowledged by their monthly competence, according to the period incurred;
- ☐ There have been taken into consideration the asset adjustments to the market or realization value, when applicable.

b) Current and Long Term Assets

Presented according to the liquidation values, which incorporate the earnings and the monetary and exchange variances earned, deducted from the corresponding income to be appropriated.

The credit transactions of Banco do Nordeste are agreed at the regular market rates. The reserve for doubtful debts was constituted up to 02.29.2000, according to Resolution No. 1.748, dated 08.30.1990, of the Conselho Monetário Nacional [National Monetary Council], and from 03.01.2000,

based in Resolution No. 2.682, dated 12.21.1999, except in relation to the transactions of Grupo Mendes Júnior (see item “c” below) and that shown under Note 6.c.

c) Exceptionality - Vote No. 142/94, of Conselho Monetário Nacional [National Monetary Council]

On 09.20.1994, the National Monetary Council - C.M.N. approved the Vote No. 142/94, granting exceptional accounting treatment to the finance granted by Banco do Nordeste to Grupo Mendes Júnior. Such finance, made through transfers of funds originated from Banco do Brasil S.A., according to the BACEN Circular Letter No. 708/82, and of internal resources of Banco do Nordeste, arise from decisions made since 1988, regarding the business relations of Brazil with Iraq, as well as the implementation of Resolution No. 881, of Organização para as Nações Unidas [United Nations Organization], concretized in Brazil with the issue of Decree No. 99.441/90.

Until such time when all legal and administrative measures required for the complete solution of the pendency are implemented, Banco do Nordeste is, in relation to the transactions covered by such Vote, released from:

- Ø Constituting, from 07.01.1994, reserve for doubtful debts;
- Ø Include such credits in the indebtedness limit covered by the Resolution No. 1.559/88 of the National Monetary Council.

On the other hand, Banco do Nordeste shall only acknowledge the income of such transactions upon the effective receipt.

The position of the credits of Banco do Nordeste in face of Grupo Mendes Júnior, on 12.31.2000, classified under Long Term Assets, was as follows, in thousands of Brazilian Reais:

	Balance Due	Non-appropriated Income	Net Balance	Reserves Implemented	Non Implemented Reserves
Past Due	1,916,867	1,830,160	86,707	9,581	77,126

Such credits are supported by mortgage guarantee, pledge of equipment, guarantee from the main directors of Grupo Mendes Júnior and escrow of the credit rights.

Banco do Nordeste, through its Legal Superintendence, has endeavored efforts to protect its right in any instance where the pendency may come to be discussed.

d) Permanent Assets

Shown by its acquisition cost, monetarily corrected up to 12.31.1995, observing the following points:

- Ø The Investments are rectified by the Reserve for Losses;
- Ø The Properties Used are accrued by the revaluation amount;
- Ø The Fixed Assets are rectified by the depreciation calculated by the linear method, at the following annual rates:
 - Buildings 4 %
 - Transportation and Data Processing System 20 %
 - Other items 10 %

Ø The Differed assets is comprised basically by the expenditures with the acquisition of logistics and by the differed expenses authorized by the BACEN Circular Letters Nos. 2.582/95 and 2.707/96, rectified by the amortizations calculated by the linear method, using the fixed annual rate of 20%.

e) Current Liabilities and Long Term Liabilities

Shown by their original values, accrued by charges and monetary and exchange variances incurred, deducted from the expenses to be appropriated.

f) Fundo de Compensação de Variações Salariais [Salary Variances Offsetting Fund]- FCVS

The Bank’s assets record credits before the FCVS – Salary Variances Offsetting Fund, in the amount of R\$ 51,425 thousand.

The Bank chose, on 06.30.1998, the novation of the debt under the responsibility of the FCVS, allowed by the Provisional Measure No. 1.520, dated 09.24.1996 and their reissues, converted into Law No. 10.150, dated 12.21.2000, under the following conditions: payment term 30 years, with a 12 years grace period for the principal and eight for interest; compensation equivalent to the variance of

the TR plus effective interests of 3.12% p.a. for the transaction made with resources of the FGTS [Severance Fund] and 6.17% p.a. for those made with resources of the savings accounts.

g) Monetary Correction of the Accounting Statements

According to article 4 of Law No. 9.249, dated 12.26.1995, Banco do Nordeste has not made from 01.01.1996, the monetary correction of the net worth. According to the Guideline Opinion of CVM No. 29, dated 04.11.1996 and aiming at evidencing the gains and losses in the monetary items not acknowledged by force of such law, we give below in R\$ Thousand, the summarized statement of results, position dated 12.31.2000, prepared in the form of constant acquisition power currency using the variance of the IGP-M, evidencing an increase of the tax calculation base of approximately R\$ 54,636 thousand (Net Worth Monetary Correction R\$ 85,824 thousand less Permanent Assets Monetary Correction R\$ 31,188 thousand), generating addition Income Tax and Social Contribution charges in the amount of R\$ 18,760 thousand:

INCOME FROM FINANCIAL INTERMEDIATION	525,890
EXPENSES WITH FINANCIAL INTERMEDIATION	(907,843)
GROSS RESULTS OF THE FINANCIAL INTERMEDIATION	(381,953)
OTHER OPERATIONAL INCOME/EXPENSES	322,040
OPERATIONAL RESULTS	(59,913)
NON OPERATIONAL RESULTS	(305)
RESULTS BEFORE TAXES	(60,218)
INCOME TAX AND SOCIAL CONTRIBUTION	82,266
NET PROFITS OF THE FISCAL YEAR	22,048

4. SECURITIES in R\$ Thousand

	12.31.2000	12.31.1999
Own Portfolio	1,073,743	817,725
Financial Treasury Securities	878,255	460,111
Notes of the National Treasury	189	200,294
Securities guaranteeing Rural Credit Transactions	15,862	6,809
Shares of Open Companies	143,364	143,364
Other Amounts	36,072	7,147
Linked to Repurchase Commitments	6,000	10,000
Financial Treasury Securities	6,000	10,000
Financial Treasury Securities	-	123,327
Financial Treasury Securities	-	123,327
Linked to the Acquisition of Shares of State Companies	-	27,624
Reserves for Devaluations	(11,263)	(11,221)
Reserves for Devaluations of Privatization Currencies	-	(5,593)
Reserves for Devaluations of Free Securities	(11,263)	(5,628)
TOTAL	1,068,480	967,455
SHORT TERM BALANCE	254,869	688,645
LONG TERM BALANCE	813,611	278,810

5. CREDIT TRANSACTIONS in R\$ Thousand

	12.31.2000	12.31.1999
Loans and Discounted Securities	938,569	1,124,129
Financings	1,900,690	1,918,908
Rural and Agricultural/Industrial Financing	2,599,002	2,358,469
Real Estate Financing	8,801	10,269
Infrastructure and Development Financing	876,026	1,018,909
Reserves for Doubtful Debts	(991,842)	(1,050,929)
TOTAL	5,331,246	5,379,755
SHORT TERM BALANCE	1,620,984	1,462,587
LONG TERM BALANCE	3,710,262	3,917,168

6. CREDIT PORTFOLIO

a) Distribution of the transactions by due time segment, in R\$ Thousand

CLIENT/ACTIVITY TYPE	UP TO 90 DAYS	FROM 91 TO 360 DAYS	FROM 1 TO 3 YEARS	ABOVE 3 YEARS
LEGAL ENTITIES	1,128,398	217,973	635,267	2,295,810
COMMERCE	698,576	68,905	42,948	97,282
INDUSTRY	358,304	100,852	313,533	992,240
INFRASTRUCTURE	666	23,343	208,274	960,494
RURAL	70,852	24,873	70,512	245,794
INDIVIDUAIS	199,752	188,396	467,610	1,566,732
COMMERCE	7,290	1,550	775	-
INDUSTRY	15,308	33,260	145,849	8,964
RURAL	177,154	153,586	320,986	1,557,768
T O T A L	1,328,150	406,369	1,102,877	3,862,542

b) Composition of the transactions by risk level in R\$ Thousand

RISK LEVEL	CREDITS NOT DUE (1)	PAST DUE CREDITS	TOTAL CREDITS	RESERVE
AA	3,069,432	-	3,069,432	-
A	1,198,215	-	1,198,215	5,991
B	173,400	773,313	946,713	83,718
C	28,148	150,328	178,476	5,354
D	21,758	223,657	245,415	24,541
E	11,177	111,420	122,597	36,779
F	17,618	101,855	119,473	59,736
G	10,332	98,450	108,782	76,148
H	49,936	660,899	710,835	710,835
TOTAL	4,580,016	2,119,922	6,699,938	1,003,102

(1) Includes credits due up to 14 days.

c) Banco do Nordeste do Brasil S.A. has been adopting, during the last 5 years, a set of steps aiming at its adjustment to the new provisions which have significantly changed the National Financial System, after the economical stabilization. There have been adopted modernization and redesign procedures, creating new instruments and reductions of administrative expenses in excess of R\$ 849,469 thousand, in 1994 (amount updated by the IGP-DI), to R\$ 455,751 thousand in 2000.

In relation to the improvement in the quality of the Assets, the Bank has worked aiming at its growing decentralization, going from 46,000 clients, in 1995, to 1,100,000 productive agents, in 2000, in relation to which the average credit transaction changed from amounts in excess of R\$ 100 thousand, in 1994, to around R\$ 7.8 thousand, during the period from 1995 to 2000. Such behavior evidences the service to a much higher number of beneficiaries, especially in the segment of micro and small productive agents.

In Parallel, several measures were adopted to form a new operational asset, of better quality, emphasizing the creation of differentiated instruments, among which: The Development Lighthouse

(Farol do Desenvolvimento), The Development Agents, the Guarantee Funds, the Itinerant Branches, the Agricultural/industrial Poles, the Tourism Poles, the Qualification, Studies Programs and Research.

From 1995 losses have been acknowledged and reserves constituted in relation to credit transactions in the amount of R\$ 2,273,417 thousand, which transactions, in their great majority, were hired prior to 1995.

There still remain without the constitution of the required reserves, credit transactions for which the corresponding hiring refers to period prior to 1995. In face of the understandings in course between Banco do Nordeste, Banco Central do Brasil [Brazilian Central Bank], in its capacity of regulatory body of the National Financial System, and the Secretariat of the National Treasury, as controller of such Institution, the adjustment of the reserves to the levels deemed necessary by the Brazilian Central Bank, in face of the provisions of Resolution No. 2.682/99, of the National Monetary Council, shall occur simultaneously to the conclusion of the studies and negotiations in course.

According to the evaluation of the Central Bank. the reserves constituted on 12.31.2000 should have been accrued by R\$ 1,292,386 thousand. as shown below:

RISK LEVEL	CREDITS NOT DUE (1)	PAST DUE CREDITS	TOTAL CREDITS	RESERVE
AA	2,591,401	-	2,591,401	-
A	1,155,207	-	1,155,207	5,776
B	20,079	110,172	130,251	1,303
C	9,902	143,742	153,644	4,609
D	112	164,537	164,649	16,465
E	85,868	127,194	213,062	63,919
F	19,962	93,118	113,080	56,540
G	22,653	83,239	105,892	74,125
H	674,832	1,397,920	2,072,752	2,072,752
TOTAL	4,580,016	2,119,922	6,699,938	2,295,488

(1) Include credits due up to 14 days.

d) Moves of the reserve during the period in R\$ Thousand

Initial balance on 12.31.1999	1,125,483
Constitution of Reserves during the fiscal year	768,721
Reversion of operational reserves	(80,345)
Credits Cancelled as Loss	(810,757)
Final balance in 12.31.2000	1,003,102

e) Composition of the reserve expense balance in R\$ Thousand

Expenses with Doubtful Debt Credit Transactions	761,307
Expenses with Other Credits under Liquidation	7,415
Reversion of the Bank's Operational Reserves	(80,345)
Reversion of the FNE Operational Reserves	(69,031)
Balance on 12.31.2000	619,346

f) During the fiscal year Credits Cancelled as Loss in the amount of R\$ 14,866 thousand were recovered, and the transaction renegotiations amounted to R\$ 1,148,708 thousand.

7. OTHER CREDITS IN R\$ Thousand

	12.31.2000	12.31.1999
Credits related to Guarantees and Sureties Honored	13	36,124
Exchange Portfolio	69,937	57,795
Acquired exchange pending liquidation	64,929	53,933
Other Amounts	5,008	3,862
Earnings Receivable	7,521	2,144
Negotiation and Intermediation of Values	38	2,643
Specific Credits	321,214	277,325
Refinanced Transactions with the Federal Government	299,667	268,271

National Treasury – Rural Credit Extension	21,547	9,054
Sundry	820,273	373,512
Tax Credits from Taxes and Contributions	480,689	199,180
Taxes and Contributions to be Offset	230,189	72,863
Debtors of Deposits in Guarantee	37,532	13,534
Sundry Debtors – Country	31,666	34,564
Securities and Credits Receivable	13,929	38,616
Payments to be Reimbursed	10,843	5,007
Options for Tax Incentives	6,968	6,968
Debtors due to Acquisition of Values and Assets	6,983	1,446
Other Amounts	1,474	1,334
Reserve for Other Doubtful Debt Credits	(11,260)	(74,554)
TOTAL	1,207,736	674,989
SHORT TERM BALANCE	502,744	220,402
LONG TERM BALANCE	704,992	454,587

8. OBLIGATIONS DUE TO LOANS AND TRANSFERS

In relation to the obligations due to loans and transfers hired within the Country, the interest rates vary from 0 to 11% p.a., with terms varying from 4 to 20 years and average term of 9 years. The monetary updating, when applicable according to the legal and contractual provisions, is calculated on the basis of official rates disclosed by the Central Bank.

The obligations hired before the BNDES system, from 12.01.1994, are charged on the basis of the TJLP, accrued by an average “spread” of 3% p.a. and the average term of such obligations is 4 years.

In relation to the external obligations, the interest rates vary from 6.20% to 13.3682% p.a. (including Income Tax), the average term is 12 years and the final due date before BID shall occur in 2019. The exchange correction, when applicable according to the contractual provisions, is calculated on the basis of the official rates disclosed by the Brazilian Central Bank.

The obligations hired before the Fundo de Amparo ao Trabalhador – FAT [Workers’ Support Fund], of around R\$ 2.5 billion, have a capturing cost based in the TJLP [Long Term Interest Rate], the average term is 7 years and the final due date in 2010.

The active transfers are made basically under the same conditions of the liabilities, in relation to charges and terms, and are supported by material guarantees, guarantees and sureties, or other collaterals.

9. OBLIGATIONS DUE TO TRANSFERS OF THE COUNTRY – OFFICIAL INSTITUTIONS in R\$ Thousand

	12.31.2000	12.31.1999
National Treasury	1,296	-
BNDES [National Bank of Economic & Social Development]	1,532,707	1,281,671
“Poc”	746,378	707,779
Credit Line for Investment in the Agricultural Area	468,278	361,923
Other Programs	318,051	211,969
CEF [Federal Savings Bank]	30,451	29,633
Real Estate	26,827	24,750
Other Programs	3,624	4,883
FINAME [Corporate Finance Fund]	421,995	564,693
Special Program	236,373	380,474
Automatic Program	91,203	95,337
Agricultural Program	20,593	19,828
Other Programs	73,826	69,054
Other Institutions	2,607,049	2,314,244

Workers' Support Fund – FAT	2,485,438	2,224,871
Pilot Project Supporting Agricultural Reform	50,854	46,128
MEPF-Fund of Lands and Agric. Reform – Earth Bank	49,240	-
EMBRATUR-FUNGETUR	13,252	22,486
Other Programs	8,265	20,759
TOTAL	4,593,498	4,190,241
SHORT TERM BALANCE	1,206,719	684,271
LONG TERM BALANCE	3,386,779	3,505,970

10. OTHER OBLIGATIONS in R\$ Thousands

	12.31.2000	12.31.1999
Collection and Receipt of Taxes and the like	6,870	9,009
Exchange Portfolio	4,091	4,509
Corporate and Statutory	7,450	11,451
Tax and Social Security	284,343	109,435
Reserve for Taxes and Contributions	224,315	58,717
Reserve for Differed Income Tax	27,779	33,869
Reserve for Tax Risks	22,547	-
Taxes and Contributions Payable	9,702	16,849
Negotiation and Intermediation of Values	4	1,963
Financial and Development Funds	381,155	28,189
FNE	365,760	14,110
Others	15,395	14,079
Sundry	117,653	146,589
Risks with Administrated Funds Transactions	59,380	75,767
Reserves for Personnel Expenses	12,935	17,702
Reserves for Other Administrative Expenses	3,897	3,183
Sundry Creditors – Country	16,745	23,483
Other Amounts	24,696	26,454
TOTAL	801,566	311,145
SHORT TERM BALANCE	694,740	189,179
LONG TERM BALANCE	106,826	121,966

11. OTHER OPERATIONAL INCOME in R\$ Thousands

	2ndSem/2000	12.31.2000	12.31.1999
“Del Credere” / Admin. Fee of Administrated Funds	351,390	659,225	571,809
Reversion of Operational Provisions/Income Tax	-	153,641	28,147
Negative Exchange Variance / Loans	30,409	86,365	387,180
Reversion Operational Reserves/Social Contributions	-	71,472	26,787
Transactions Refinanced with the Fed. Government	33,256	57,446	70,425
Income from Specific Credits	2,004	31,415	-
Recovery of Charges & Expenses	6,518	12,425	7,402
Other Amounts	28,504	55,233	47,511
TOTAL	452,081	1,127,222	1,139,261

12. OTHER OPERATIONAL EXPENSES in R\$ Thousand

	2 nd Sem/2000	12.31.2000	12.31.1999
Negative Exchange Variance / Loans	32,885	159,412	350,812
Risks with Operations of Administrated Funds	27,098	102,435	43,500
Exchange Variance of the exchange area	7,602	27,132	167,319
Waiver of Operations Charges	5,619	45,497	115,619
Other Values	34,587	120,025	149,621
TOTAL	107,791	454,501	826,871

13. TAXES AND CONTRIBUTIONS

a) Income Tax and Social Contribution

Banco do Nordeste is subject to the tax system of Actual Profit and proceeds to the monthly payment of the Income Tax and Social Contribution based in Estimates. The calculation of the tax charges were made according to the provisions of Law Nos. 9.249/95, 9.430/96, 9.532/97 and Provisional Measure No. 2.113-26, dated 12.27.2000.

The Income Tax Reserve is constituted at the base rate of 15%, accrued by the 10% addition on the profits adjusted by additions and exclusions provided by the law.

According to the Provisional Measure No. 2.113-26, dated 12.27.2000, the Social Contribution rate was reduced to 9%, in relation to the generating facts occurred as of 02.01.2000 up to 12.31.2000. In relation to the generating facts occurring between 01.01.2000 and 01.31.2000, the Social Contribution was charged at the rate of 12% on the adjusted profits before Income Tax, as provided by the legislation.

Banco do Nordeste has been using the Income Tax and Social Contribution credits paid in excess, as a consequence of the inflation reduction of Plano Verão, in January of 1989. The amount offset during the fiscal year of 2000 is recorded to "OTHER CREDITS - Sundry" shown below in R\$ Thousands, with the consequent counterpart in liabilities under "OTHER Tax and Social Security OBLIGATIONS:

	12.31.2000	12.31.1999
Income Tax	163,053	30,347
Social Contribution	55,963	18,744

b) Tax Credits

The tax legislation limits the deductibility of the expenses with doubtful debt reserves (accounted according to Resolution No. 2.682/99, of the National Monetary Council), which will become deductible in future fiscal years, when reversed.

Article 13, I, of Law No. 9.249/95, prohibits the deductibility, in the income tax and social contribution calculation of any reserves, except for those constituted to pay vacations and 13th salaries to employees.

In face of the timing of the addition of the reserves, and according to provision of the BACEN Circular Letter No. 2.746 dated 03.20.1997, CVM Resolution No. 273 dated 08.20.1998 and article 8 of the Provisional Measure No. 2.113-26 dated 12.27.2000, the corresponding tax credit of Income Tax and Social Contribution was recorded on the timing differences arising from the expenses with non-deductible reserves during the fiscal year of 2000.

A reversion of Income Tax and Social Contribution expenses was recorded in the amount of R\$ 60,096 thousand, arising from the acknowledgement of a tax credit on the timing differences of the calculation base of Income Tax and Social Contribution over the Net Profits, in relation to the determination period closed in 12.31.2000, calculated under the terms of the BACEN Circular Letter No. 2.746 dated 03.20.1997.

The balance of the active reserve for Income Tax (25%) and Social Contribution (9%), recorded under "OTHER CREDITS - Sundry", shows the following composition in R\$ Thousand:

	12.31.2000	12.31.1999
Income Tax Credits	317,405	96,026
Social Contributions Credits	163,284	103,154

c) PASEP

Reserved at the rate of 0.65%, according to article 1 of the Provisional Measure No. 2.113-26 dated 12.27.2000, observing the calculation base defined under Laws Nos. 9.701/98, 9.715/98 and 9.718/98.

d) COFINS

Law No. 9.718 dated 11.27.1998, instituted the Contribution for the Social Security for the financial institutions, in relation to generating facts occurring from 02.01.1999, applying a 3% rate on the Gross Income, adjusted according to the Law.

14. NET WORTH

a) Corporate Capital

The Corporate Capital amount is R\$ 891,000 thousand, represented by 70.526.564.308 book shares without par value, fully paid-in, according to the following distribution:

Shareholders	Common Shares	Preferred Shares	% Voting Capital	% Total Capital
Fundo Nacional de Desenvolvimento-FND	14.737.043.790	23.732.649.036	37.70	54.55
Federal Government	20.201.938.198	0	51.68	28.64
BNDES Participações S/A-BNDESPAR	490.153.432	4.899.854.822	1.25	7.64
Cx. Prev. Func. Banco do Nordeste-CAPEF	2.367.105.922	1.118.317.831	6.05	4.94
Fundo de Participação Social-FPS	0	619.224.173	0	0.88
Fdo. Mút. Inv. em Ações Luce-Cart.Livre	387.024.219	184.733.135	0.99	0.81
Fundo de Inv. Capital Estrang. Rally	14.585.400	152.022.100	0.04	0.24
Prin S/A	32.855.630	97.364.341	0.08	0.18
Torrey Foundation	1.587.800	97.000.000	0	0.14
Ferdinando Gatti	38.880.600	52.402.200	0.10	0.13
Avelino de Almeida Neto	73.409.619	0	0.19	0.10
Others (37.462 shareholders)	749.381.466	479.030.594	1.92	1.75
TOTAL	39.093.966.076	31.432.598.232	100.00	100.00

b) Revaluation Reserve

Refers to the revaluation of assets for its own use, constituted on 02.26.1993. The realization occurring during this fiscal year, in the amount of R\$ 2,761 thousand (R\$ 3,197 thousand, on 12.31.1999) was transferred to "Accrued Profits or Losses" and was included in the calculation base for distribution of dividends.

c) Dividends

Banco do Nordeste Bylaws assures to the shareholders a minimum dividend of 25% on the results of the net profits, determined in each fiscal year, adjusted as defined by the Law.

The Executive Board has proposed, for analysis of the Board of Directors 'ad referendum' of the General Meeting, the payment of supplementary dividends.

From the dividend payable to the shareholders shall be deducted from the advanced dividend on the net profits of the first semester, corrected by the SELIC rate. We give below the statement of the calculation of dividends of the fiscal year of 2000 in R\$ Thousand:

1. Net Profits of the Fiscal Year	57,157
2. Constituted Legal Reserves	(2,858)
3. Revaluation Reserves transferred to LPA	2,761
4. Dividend Calculation Base	57,060
5. Dividend Proposed and Reserved of 25.013%	14,272
6. Corrected Advanced Dividends	7,319
7. Supplementary Dividends	6,953
-Dividend per lot of 1.000 common shares (0.0944 x 39,093,966.076)	3,690
-Dividend per lot of 1.000 preferred shares (0.1038 x 31,432,598.232)	3,263

For the preferred shares there have been calculated 10% higher dividends than those attributed to the common shares, as provided under item "I" of article 17 of Law No. N° 6.404/76, with the new wording given by Law No. 9.457/97 and the provision of paragraph 1 of article 5 of the Bank's Bylaws.

The dividends shall be paid with financial charges based in the SELIC rate at the date of the closing of the balance sheet up to the date when the income becomes available to the shareholder, according to §5 of Art. 1 of Decree No. 2.673 dated 07.16.1998.

15. CONTINGENCIES

a) Social Contribution

A tax credit of R\$ 4,686 thousand is accounted in relation to the Social Contribution of 1988, deemed unconstitutional by the Federal Supreme Court. On 07.02.1997, Banco do Nordeste asked for waiver of the administrative appeal filed on 06.28.1996, so as to make the immediate offsetting with amounts of the same contribution, due during the current fiscal year, supported by IN No. 21 dated 03.10.1997, of the Secretariat of the Federal Revenue.

b) Social Security Contributions

Banco do Nordeste went, on 07.25.1996, into the Federal Justice, Judiciary Section of the State of Ceará, with nullity proceedings in relation to tax debt, requesting the statement of nullity of the tax notice of debt assessment issued by the Instituto Nacional do Seguro Social – INSS [National Institution of the Social Security], in the amount corresponding to 19,862,855.29 UFIR.

Maintaining an expectation of success in relation to the matter, the Bank failed to make reserves, taking into consideration the opinion of its Legal Superintendence and existing favorable precedents in relation to its intentions. The fact was accepted, according to the ruling of the 4th Court, published in the Justice Gazette dated 02.22.2000. The proceedings is currently at the TRF-5th Region, in face of the remittance of an official letter by the Judge of first instance, with prospects of confirmation of the nullity ruling of the Assessment Notice.

c) Other Contingencies

The set of technical and legal proceedings related to Plano Verão is being object of revaluation upon recommendation of the Central Bank, and the values under analyses, of around R\$ 394,699 thousand, if confirmed, shall be reserved upon the conclusion of the adjustment measures already commented under Explanatory Note 6.c.

16. COMPENSATION PAID TO EMPLOYEES AND ADMINISTRATORS

The maximum, medium and minimum amounts of the monthly compensation paid by the Bank to its employees and administrators are as follows, in R\$:

Gross Compensation	Employees (1)	Administrators
Maximum	8,198,60	8,410,50
Minimum	217,20	-
Medium	2,607,69	-

(1) Includes overtime compensation (including night hours) when actually provided.

On 12.31.2000, the number of employees of Banco do Nordeste totaled 3.880, against 3.832, for 12.31.1999, recording for the period an increase of 1.25% in the personnel team of the Bank.

17. SUPPLEMENTARY SOCIAL SECURITY AND MEDICAL ASSISTANCE

The Bank sponsors the Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil [Employees Social Security Savings of Banco do Nordeste do Brasil] – CAPEF, a closed pension fund supplementing the retirement allowance of the member employees and the pension to their dependents, as well as the Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil [Assistance Fund to the Employees of Banco do Nordeste do Brasil] – CAMED, providing assistance to the Bank employees, regarding the protection of their and their dependents health.

We give below the relevant information related to the CAPEF operations:

a) Annual Cost

R\$ 28,318 thousand (R\$ 37,352 thousand for the fiscal year of 1999).

b) Actuarial system

CAPEF adopts the financial capitalization system in the actuarial calculation of the reserves related to the retirement supplementation benefits, pensions and annuities.

c) Benefits Plan

The type of plan adopted is that of defined benefit, assuring:

☐ To the participants: supplementary retirement according to the contribution period, supplementation of retirement due to incapacity and supplementation of retirement due to age.

☐ To the dependents of participants: pension supplementation and ordinary annuity.

d) Past due obligations

None

e) Statutory Commitments of the Company in relation to Equity Insufficiencies

According to our legal consultants, Banco do Nordeste, in its capacity as sponsor, is not directly liable for the actuarial insufficiencies possibly found by CAPEF, as provided under Law No. 8.020/90.

f) Amount of the Superavit and its Causes

The position shown on December 31st 2000, it is recorded an R\$ 118,036 thousand (R\$ 157,087 thousand in 12.31.1999). As compared to the previous fiscal year, one can see that the reduction of the results was mainly originated, in addition to the market and biometric oscillations of the plans' population, of the adjustments made to reach the contribution parity required by the Constitutional Amendment No. 20/98.

g) Contribution Rates

So as to reach the parity between the contributions made by the participants and sponsors, as determined by the Constitutional Amendment No. 20/98, CAPEF has promoted a gradual adjustment to the bank's payments, recording a contribution relation of 1:1 at the end of the fiscal year of 2000.

We give below the average contribution rates of assets assisted with position on December/2000, after making all adjustments:

Participants	Average Contributions (%)		Total
	Participant	Sponsor	
Active	8	8	16
Retired	20	20	40
Pensioners	20	20	40

It can be seen that the CAPEF rules, approved by Ministro de Estado da Previdência e Assistência Social [Minister of State of the Social Security and Social Assistance] through the Administrative Rule No. 6.059 dated 11.03.1999, provide for two contribution systems for the beneficiaries of the pension supplementation. In the first, which contemplates the pensioners with benefits granted up to 08.02.1998, there are no payments from the beneficiaries and Banco do Nordeste contributed with 20% of the corresponding supplementation, being taken to equal costs with the occurrence of the parity, that is, the Bank ceased to contribute under this system. In the second, where there are included the pensioners for which the benefits started from 08.03.1998, the beneficiaries pay contributions of 20% of the pension supplementation received monthly, it so being that the Instituting Sponsor participates with an equal percentage, representing a total contribution of 40% of the corresponding benefit.

The amounts of the contributions paid by participants and sponsors, defined on the basis of salaries and benefits practiced in August 1997, shall be monetarily corrected by the variance of the General Price Index – Internal Availability - IGP-DI, at the times and under the basis provided by the Bylaws and General Regulations

h) Contributions Ratio (Participants/Sponsor)

On 12.31.2000: 1:1 (1:1.33 on 12.31.1999).

i) Actuarial Revaluation

The Ministério da Previdência e Assistência Social [Social Security and Assistance Ministry] through Administrative Rules Nos. 5.547 dated 07.30.1999 and 6.059. dated 11.03.1999, published in the

Federal Official Gazette dated 08.02.1999 and 11.05.1999, respectively, approved the actuarial recovery plan of CAPEF, as well as the corresponding accounting and actuarial statements related to the period when the Entity was under the intervention of such Ministry.

At the end of the 2000 fiscal year, CAPEF is duly placed within the provisions of the Constitutional Amendment No. 20/98, in relation to the actuarial balance of the benefit plan, and to the contribution parity.

18. FINANCIAL INSTRUMENTS

The Bank participates in transactions involving financial instruments recorded under equity accounts or offsetting accounts.

The active and passive financial instruments recorded in equity accounts showing different market values as compared to those acknowledged in the accounting statements in the 12.31.2000 results are summarized as follows in R\$ Thousand:

Accounting Classification	Market Value	Accounting Value
SECURITIES		
Security Titles of the Rural Credit Transactions (c)	15,862	15,862
Treasury Financial Securities (d)	878,255	878,255
Securities of the Agrarian Debt (a)	36	61
Notes of the National Treasury /PND (d)	190	190
Nuclebrás, Portobrás and PROAGRO securities (a)	23,076	29,197
Quotas of the Investment Funds (b)	438	438
Variable Income Securities (e)	144,625	149,741

- (a) For the TDA's, Nuclebrás, Portobrás and PROAGRO Securities, we have taken into consideration the average discount level negotiated in the market, which coincides with the records under "RESERVE FOR DEVALUATION OF SECURITIES" in the accounting records;
- (b) Due to the very nature of such line, where the amounts of the quotas are calculated daily, according to the dedicated methodology of the investment funds, the accounting balance is justified as market value;
- (c) Securities not yet quoted in the secondary market;
- (d) Securities determined in arrears, updated daily;
- (e) Cover FINOR CIs and ELETROBRÁS and GERASUL shares deposited with the Fundo Nacional de Desestatização – [National Privatization Fund] FND.

The nominal values of the financial instruments ("swap" agreements) registered in the offsetting account (global value) and the corresponding values of the equity accounts (amounts receivable/payable) on 12.31.2000, are summarized as follows in R\$ Thousand:

ACTIVE POSITION	GLOBAL AMOUNT	RECEIVABLE
Post determined	106	26
Predetermined	393	13
Foreign Currency (US\$)	200	6
T O T A L	699	45
PASSIVA POSITION	GLOBAL AMOUNT	PAYABLES
Interfinancial Market	499	43
Foreign Currency (US\$)	200	5
T O T A L	699	48

The "swap" agreements have the following due dates in R\$ Thousand:

From 91 to 180 days	400
From 181 to 360 days	138
Over 360 days	161
T O T A L	699

19. DIFERRED EXPENSES

For the purpose of adjusting its actions to the new context of the Financial System, using modern management techniques, with the purpose of impelling the Region's development, Banco do Nordeste has implemented from 1995 its Strategic Restructuring Plan, focusing the services to the productive agent, the maintenance of its self-sustained condition and the political-institutional relationship.

The decision has taken into consideration, among other variables, the powers granted by the Brazilian Central Bank, through Circular Letters Nos. 2.582 and 2.707 dated 06.21.1995 and 07.31.1996, respectively, when the Bank started to differ the expenditures with several projects, in the total amount of R\$ 108,529 thousand, all implemented up to 12.31.1997.

The expenditures are amortized linearly at the annual rate of 20% (corresponding to 1.667% p.m.), and the total spent with the projects has already been amortized, in the amount of R\$ 91,276 thousand, with amortization forecast of the remaining balance up to the first semester of 2002.

In the year of 2000, the first part of the Human Resources and Materials Redimension Program had its amortization term closed, when the investment record was cancelled, in the amount of R\$ 28,785 thousand.

20. FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE – [CONSTITUTIONAL FUND OF FINANCE TO THE NORTHEAST] - FNE

Observing the BACEN Circular Letter No. 2.217 dated 01.31.1996, Banco do Nordeste has segregated from its equity accounts the amounts related to the FNE resources, recording them in its offsetting accounts with the same levels of detail occurring up to then, being the equity accounts of the Banco do Nordeste (Obligations) the free resources which are not yet released and committed with credit transactions.

The Bank is entitled, in addition to the "del credere", to the administration fee of 3% p.a., limited, in each fiscal year from 1999 to 20% of the amount of the transfers made by the National Treasury, under the Provisional Measure No. 2.035-28 dated 12.21.2000 (converted into Law No. 10.177 dated 01.12.2001).

The Constitutional Fund of Finance of the Northeast is ruled by a dedicated legislation and the provision for doubtful debts of the transactions made with resources of the FNE is recorded by the Bank as provision for contingent liabilities (R\$ 59,380 thousand on 12.31.2000 and R\$ 75,767 thousand on 12.31.1999), and is constituted according to the following rules:

- a) In transactions contracted up to 11.30.1998, FNE is exempt from operational risks, being Banco do Nordeste, in its capacity as responsible for the equity integrity of the Fund, in charge of honoring the credits which prove to be non-recoverable. For the transactions hired from 12.01.1998, the operational risk of FNE is 50%, resulting, on 12.31.2000, in the accounting of losses for the Bank in the amount of R\$ 3,799 thousand, the same amount having been attributed to the FNE;
- b) The accounting recognition of the losses related to the FNE defaulting transactions shall be made by installment, with a differentiated treatment between the credits with due terms of up to three years and the credits with due terms in excess of three years;
- c) For credits with due term of up to three years, the amount reaching 180 days delay shall be deemed doubtful debt, and, in the case of credits with terms exceeding three years, the amount reaching 360 days delay shall be deemed doubtful debt;
- d) The constitution of the provision is established observing the following percentages calculated on the past due installment and updated at the rates levied on the regular course credits:

Credits with terms of up to 3 years	Credits with term superior to 3 years
25% on the 180th day	20% on the 360th day
25% on the 240th day	20% on the 450th day
25% on the 300th day	20% on the 540th day
25% on the 360th day	20% on the 630th day
	20% on the 720th day

e) The Brazilian Central Bank, as a consequence of inspections held on the second semester/1999 and second semester/2000, has determined to the Banco do Nordeste do Brasil, the conduction of additional provisions for contingent liabilities, arising from the co-obligation of the Bank before the Fund. which would represent a substantial addition in relation to the amounts currently reserved. The compliance with the determinations of the Central Bank shall occur upon the conclusion of the studies and negotiations defined under the Explanatory Note 6.c.

Law No. 10.177 dated 01.12.2001, which converted the Provisional Measure No. 2.035-28 dated 12.21.2000, determines that the amendments referring to the renegotiations, extensions and composition of the debts of the finance agreements with FNE resources, based in the new financial charges and terms, are closed up to 07.14.2001.

FNE presents, on 12.31.2000, the balance shown below in R\$ Thousand:

A S S E T S	12.31.2000	12.31.1999	LIABILITIES	12.31.2000	12.31.1999
Long & Short Term Receivables	8,020,662	6,574,525	Long & Short Term Liabilities	1,790	740
Free Availabilities	360,708	9,775	Other amounts	1,790	740
Interfinancial Relations	117,104	119,403	Net worth	8,018,872	6,573,785
			Transferors from Fed. Government	5,653,462	4,404,209
Credit Transactions	7,535,567	6,438,410	Contingency Reserves	-	49,339
			Results of Previous Years	2,065,158	1,767,013
Other amounts and assets	7,283	6,937	Result of the Fiscal Year	300,252	353,224
T O T A L	8,020,662	6,574,525	T O T A L	8,020,662	6,574,525

Banco do Nordeste shall apply the resources and implement the credit concession policy; define rules, procedures and operational conditions; classify the financing proposals within the charge bands; defer the credits; formalize the agreements on the transfer of resources to other institutions authorized to operate by the Brazilian Central Bank; render accounts on the results achieved; exercise other activities inherent to the application of the resources and the credit recovery.

Banco do Nordeste shall also be responsible, as the party in charge of the Fund's patrimonial integrity, for honoring the credits which reveal to be unrecoverable, according to the Provisional Measure No. 2.035-28 dated 12.21.2000 (converted into Law No. 10.177 dated 01.12.2001), having been honored. during the 2000 fiscal year, the amount of R\$ 49,791 thousand.

In order to render the FNE operational, the Bank uses its logistic structure. comprising installations, labor and information systems, reason why we give below the consolidation of the Bank accounts with those of the Fund in R\$ Thousand:

A S S E T S	12.31.2000	12.31.1999	LIABILITY	12.31.2000	12.31.1999
Current and Long Term Receivables	16,235,203	14,035,930	Current and Long Term Liabilities	15,402,190	13,286,034
Availabilities	22,890	29,583	Deposits	1,038,012	1,039,453
Interfinanc. Liquidity Availab.	840,357	361,999	Capture in the Open Market	26,758	27,303
Securities	1,068,481	967,455	Securities Issue & Acceptance Receipts	421,550	408,115
Interfinancial Relations	250,627	250,947	Interfinancial Relations	-	14,564
Interdependence Relations	30,501	1	Interdependence Relations	11	573
Credit Transactions	12,805,640	11,742,397	Loan Liabilities	242,932	264,152
Credit Transactions			Liab. Country Obl.-Official Inst.	4,593,498	4,190,242
Public Area	870,297	962,922	Liab. for Transfers from abroad	684,453	546,551
Private Area	12,990,364	11,906,170	Other Obligations	8,394,945	6,795,081
(Reserve for Doubtful Debts)	(1,055,021)	(1,126,695)	FNE	8,018,871	6,573,785
Other Credits	1,207,736	674,250	Others	376,074	221,296
Other Amounts and Assets	8,971	9,298	Results of Future Fiscal years	103	562
Permanent Assets	164,692	206,400	Net Worth	997,633	955,734
T O T A L	16,399,895	14,242,330	T O T A L	16,399,895	14,242,330

21. BASILÉIA AGREEMENT

Up to 1999, Banco do Nordeste was submitting adjustment rates of capital suitability in excess of the minimum limits defined by the Basiléia Agreement and the rules issued by the Central Bank, located in a level superior to 15%, the list of its weighted credit transactions “vis-à-vis” with the Adjusted Net Worth.

From the changes of the calculation rules of the capital adjustment rate, especially the determination of the Brazilian Central Bank, that the installments of the operations of the Constitutional Fund of Finance of the Northeast – FNE, corresponding to the risk undertaken by the Bank, should influence the system of risk weighing, the rate has shown a decline.

Actually, the coefficient determined at the end of year 2000, 7.44%, is situated below the minimum required by the Brazilian Central Bank rules (11%), however very close to that established by the Basiléia Agreement. This situation arises from the accounting form, preserving the segregation of the Bank and FNE Equity, according to the BACEN guidelines; however, it does not reflect the actual contribution of the FNE to the leveraging of the resources invested, due to the difference between the Assets transactions, and the sources of resources, since the records of the FNE transactions are made into offsetting accounts and the Bank obligations before the Fund are not computed in the Adjusted Net Worth.

Thus, taking into consideration the data submitted in the balance sheet dated 12.31.2000, abstracting the FNE accounts, has a rate of 14.71%, reflecting the classification within the limits defined by the Central Bank.

Finally, there should also be considered that Banco do Nordeste, as a regional development office and in its capacity as incentive agent of the Federal Government, has among its responsibilities the investments of resources linked to governmental programs, which, given their specificities, regardless the classification within the leveraging rules and limits defined for the credit transactions.

22. OTHER INFORMATION

a) Transactions with Related Parties

Banco do Nordeste has not conducted transactions with affiliated and controlled companies during the fiscal years of 2000 and 1999. The transactions with the company under the Federal Government’s control – majority shareholder of the Bank – total R\$ 227,900 thousand. Such credit transactions were conducted under the same conditions applicable to the non-related parties.

b) Guarantees Provided

The guarantees granted to third parties, under the form of bank guarantees total R\$ 5,105 thousand, being subject to the financial charges and counter-guarantees by the beneficiaries.

c) Subsequent Events

A renegotiation, extension and composition of debts process is in course in relation to the finance agreements with resources of the FNE, supported by Law No. 10.177 dated 01.12.2001 (prior MP No. 2.035-28 dated 12.21.2000) the term of which expires on 07.14.2001. After the end of such term, the Bank shall reassess the volume of contingent liabilities, adjusting it to the new requirements.

Fortaleza, May 7th, 2001.

BYRON COSTA DE QUEIROZ

PRESIDENT

ERNANI JOSÉ VARELA DE MELO

DIRECTOR

RAIMUNDO NONATO CARNEIRO SOBRINHO

DIRECTOR

OSMUNDO EVANGELISTA REBOUÇAS

DIRECTOR

JEFFERSON CAVALCANTE ALBUQUERQUE

DIRECTOR

MARCELO PELÁGIO DA COSTA BOMFIM

**BUSINESS SUPERINTENDENT AND FINANCIAL
CONTROLLER**

EVERALDO NUNES MAIA

LEGAL SUPERINTENDENT

IVO ADEMAR LEMOS – ACCOUNTANT

CRC-CE [ACCOUNTANTS REGIONAL COUNCIL – STATE OF CEARÁ] No. 10.074

CPF [INDIVIDUAL TAXPAYER REGISTRATION OF THE MINISTRY OF FINANCE] - 274.930.407-53

COMMENTS.: These Explanatory Notes constitute part of the Accounting Statements.

A free translation of the original report in Portuguese, prepared in accordance with accounting principles generally accepted in Brazil

INDEPENDENT AUDITORS' REPORT

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 1 We have examined the balance sheet of Banco do Nordeste do Brasil S.A. as at December 31st, 2000, and the corresponding statement of income, changes in shareholders' equity and changes in financial position for the year and half year ended on such date, all prepared in Brazilian currency under the responsibility of its management. Our responsibility is to express an opinion on such financial statements based in our audits.
- 2 Except to the considerations referred to in paragraphs 3, our examination was conducted according to the audit rules applicable in Brazil and comprised: a) the planning of the works, taking into consideration the relevance of the balances, the transactions volume and the accounting and internal control systems of the Bank; b) the inspection, based in tests, of the evidences and records supporting the values and accounting information disclosed; and c) the evaluation of the more significant accounting practices and estimates adopted by the Bank's administration, as well as the presentation of the accounting statements taken as a whole.
- 3 Our inspections, made on the basis of tests, pointed out the necessity of complementing the allowance for doubtful debts in the amount of R\$ 742,506 thousand, according to our independent auditors' report issued on January 26st, 2001. However, on May 7, 2001 we were informed by the Bank management that the inspections made by the monetary authority on the accounting statements of the fiscal year ended December 31st, 2000, resulted in non-accounted adjustments in the amount of R\$ 1,292,386 thousand (includes R\$ 77,126 thousand related to credits of Grupo Mendes Júnior) related to a complementation of such allowance for doubtful debts, representing an increase of R\$ 472,754 thousand in relation to the number determined by us. As a consequence of the absence of a formal document from the Brazilian Central Bank – Bacen and of the timing aspect, we could not come to conclusions in relation to such difference. According to the management of Banco do Nordeste do Brasil S.A., as a consequence of its specific characteristics and in face of the understandings currently in course between Banco do Nordeste, Bacen (in its capacity of regulatory body of the National Financial System) and the Secretariat of National Treasury (in its capacity of controller of the Institution), the adjustment of the allowance related to such transaction to the levels deemed

necessary by Bacen, in face of the provisions of its Resolution No. 2682/99, shall occur simultaneously to the conclusion of the current studies and negotiations.

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INDEPENDENT AUDITORS' REPORT

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 4 As mentioned in the explanatory note No. 19, the Bank has implemented a strategic restructuring plan, deferred the expenses related to such plan, according to the powers granted by Bacen by means of the Circular Letters Nos. 2.582/95 and 2.707/96, what is not in accordance with the accounting practices provided under the Brazilian corporate legislation. Such procedure caused the reduction of the results of the fiscal year and half year ended on December 31st, 2000 by R\$ 13,586 thousand and R\$ 6,530 thousand, respectively (1999 – reduction of the results of the fiscal year and hal year ended on December 31st, R\$ 13,703 thousand and R\$ 6,871 thousand, respectively), as well as increased the shareholders' equity and the differed assets on the same date by R\$ 11,388 thousand and R\$ 17,254 thousand, respectively (1999 - R\$ 23,837 thousand and R\$ 37,837 thousand, respectively). Such amounts take into consideration the effects of the amortization and of the taxes and contributions levied.
- 5 In our opinion, except for the possible effects arising from the subject referred to in paragraph 3 and in relation to the subject referred to in paragraph 4, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Banco do Nordeste do Brasil S.A. as at December 31st, 2000 and the results of its operations, the changes in shareholders' equity and changes in the financial position for the year and half year ended on such date, according to the accounting practices provided by the Brazilian corporate legislation.
- 6 As detailed under the explanatory note no. 3c, the Bank has amounts receivable from Grupo Mendes Júnior, which have not been object of allowance, in the amount of R\$ 77,126 thousand, which were object of legal opinions and report of the Interministry Working Group, ending with the vote of the National Monetary Council, which granted the matter an exceptional treatment in relation to the BACEN rules. As a consequence of the legal dispute and of the existing guarantees in relation to the coverage of the amount, the bank's management concluded that it was not possible to determine the amount to be actually received upon the conclusion of the matter. However, it is known that such factors extend the expected time to resolve the matter and reduce the possibilities of loss.

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INDEPENDENT AUDITORS' REPORT

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 7 The Provisional Measure No. 2.035-28, dated December 21st, 2000, was converted into Law no. 10.177, dated January 12th, 2001, which determined a 180 days term, counted from the law publication date, for the renegotiations of the financings agreements through the review of charges and extension of terms, for the beneficiaries of agreements made with resources of the Constitutional Fund of Finance of the Northeast – FNE executed up to December 31st, 1998. It is the FNE management understanding that the renegotiations of such agreements, according to the explanatory note No. 20e, shall be finalized within the term provided by the above mentioned law. As a consequence of the application of the legal provisions, the fund's management has proceeded in its balance sheet for the fiscal year 2000, with the reversion of the amount of R\$ 60,030 thousand of the reserve for contingent liabilities of the Constitutional Fund of Finance of the Northeast – FNE into earnings of reversion of operational reserves of the FNE. Up to the present date it was not possible to determine the effects arising from the renegotiations.
- 8 As described under note 21, the Bank does not have the minimum equity levels required by the monetary authority, taking into consideration the nature of its assets, evidencing insufficiency on December 31st, 2000, before considering the possible effects described in the previous paragraphs. The adjustment of the Bank to the limits required by the monetary authorities is being analyzed in the context of the refurbishing of the federal public financial institutions, currently under study by such authorities. Up to this moment, it is not possible to determine the possible impacts to the Bank which may arise from the definitions established by the monetary authorities and by the Federal Government, upon the conclusion of these procedures.
- 9 The accounting statements related to the fiscal year ended December 31st, 1999, presented for comparison purposes, were audited by us and our opinion, dated January 21st, 2000, was issued with the following qualifications: deferral of expenses with the strategic restructuring plan in disagreement with the accounting practices provided under the Brazilian corporate legislation, according to paragraph 4, and allowance amounts receivable not booked in relation to Grupo Mendes Júnior.

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INDEPENDENT AUDITORS' REPORT

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 10 On January 26th, 2001, we have issued an opinion on the accounting statements for the fiscal year ended on December 31st, 2000 of Banco do Nordeste do Brasil S.A., with the same comments and emphasis mentioned under paragraphs 4, 6 and 7 and qualification on the insufficiency of the allowance for doubtful debts in the amount of R\$ 742,506 thousand. However, our report submitted herein on the financial statements of the Bank, prepared on December 31st, 2000, differs from that previously issued, due to the reasons indicated under paragraphs 2 and 8.

Fortaleza, January 26th, 2001, except for paragraphs 2 and 10 of the independent auditors report and explanatory number 6 to the accounting statements, for which the date is May 7th, 2001.

Orlando Octávio de Freitas Júnior
Accountant-Partner
CRC 1SP178871/O-4 "S" CE
Trevisan Auditores
Independentes
CRC 2SP013439/O-5 "S" CE



CONSTITUTIONAL FUND OF FINANCE OF THE NORTHEAST - FNE
Managed by Banco do Nordeste do Brasil S.A.

Accounting Statements

F N E

POSITION: 12.31.2000

Constitutional Fund of Finance of the Northeast – FNE
 (Law nº 7.827, dated 09.27.89)
BALANCE SHEET ACCORDING TO THE CORPORATE LEGISLATION
 December 31, 2000 and 1999
 In thousands of Reais

ASSETS			LIABILITIES		
	12.31.2000	12.31.1999		12.31.2000	12.31.1999
CURRENT	1,892,550	1,335,102	CURRENT	1,790	740
FREE AVAILABILITY	360,708	9,775	Other Liabilities	1,790	740
Resources to be Allocated	360,708	9,775	NET WORTH	8,018,872	6,573,785
INTERFINANCIAL RELATIONS	113,533	113,385	FEDERAL TRANSFERS:		
Rural Credit Receivables - PROAGRO	3,937	4,014	During the Fiscal Year	1,199,914	1,002,453
Transfer Debts	109,596	109,371	In previous Fiscal years	4,453,548	3,401,756
CREDIT TRANSACTIONS	1,418,309	1,211,942	CONTINGENCY RESERVES	0	49,339
Finance	399,679	341,525	RESULTS FROM PREVIOUS FISCAL YEARS	2,065,158	1,767,013
Agro-Industrial Finance	147,716	126,223	RESULTS FROM FISCAL YEAR	300,252	353,224
Rural Finance	870,914	744,194			
LONG TERM RECEIVABLES	6,128,112	5,239,423			
INTERFINANCIAL RELATIONS	3,571	6,018			
Rural Credit Receivables - PROAGRO	3,571	6,018			
CREDIT TRANSACTIONS	6,117,258	5,226,468			
Finance	1,314,728	1,132,055			
Agro Industrial Finance	225,279	211,063			
Rural Finance	4,581,050	3,883,350			
(Reserve for Doubtful Debts)	(3,799)	0			
OTHER ASSETS	7,283	6,937			
Proagro Coverage Securities	5,404	4,306			
Agrarian Debt Securities	1,879	2,631			
TOTAL ASSETS	8,020,662	6,574,525	TOTAL LIABILITIES	8,020,662	6,574,525

**STATEMENTS OF RESULTS ACCORDING
TO THE CORPORATE LEGISLATION
DECEMBER 31ST, 2000 AND 1999**
Amounts in Thousands of R\$

	Fiscal Year/2000	Fiscal Year/1999
INCOME		
.Of Credit Transactions	510,993	537,882
.Of Compensation for the Availabilities	29,262	12,588
EXPENSES		
.Administrative.....	(239,983)	(197,235)
Audit.....	(20)	(11)
NET PROFITS OF THE FISCAL YEAR.....	300,252	353,224

**STATEMENT OF CHANGES OF THE NET WORTH
ACCORDING TO THE CORPORATE LEGISLATION
DECEMBER 31ST, 2000 AND 1999**

(Amounts in Thousands of Reais)

EVENTS	FEDERAL TRANSFERS	CONTINGENCY RESERVES	ACCRUED PROFITS	TOTAL
BALANCES ON DECEMBER 31ST, 1998	3,401,756	39,213	1,775,716	5,216,685
Federal Transfers during the Fiscal Year.....	1,012,579			1,012,579
Constitution of Contingency Reserve.....	(10,126)	10,126		0
Ajustment from Previous Fiscal Years			(8,703)	(8,703)
Net Profits for the Fiscal Year.....			353,224	353,224
BALANCES ON DECEMBER 31ST, 1999	4,404,209	49,339	2,120,237	6,573,785
CHANGES DURING THE FISCAL YEAR	1,002,453	10,126	344,521	1,357,100
BALANCES ON DECEMBER 31ST, 1999	4,404,209	49,339	2,120,237	6,573,785
Federal Transfers during the Fiscal Year.....	1,199,914			1,199,914
Constitution of Contingency Reserve	49,339	(49,339)		0
Ajustment from Previous Fiscal Years			(55,079)	(55,079)
Net Profits of the Fiscal Year			300,252	300,252
BALANCES ON DECEMBER 31ST, 2000	5,653,462	0	2,365,410	8,018,872
CHANGES DURING THE FISCAL YEAR	1,249,253	(49,339)	245,173	1,445,087

**STATEMENT OF ORIGIN AND INVESTMENT OF RESOURCES
ACCORDING TO THE CORPORATE LEGISLATION**

DECEMBER 31ST, 2000 AND 1999
(Amounts in Thousands of Reais)

	Fiscal Year/2000	Fiscal Year/1999
ORIGIN OF RESOURCES	1,448,437	1,357,100
REDUCTION OF THE ASSETS SUBGROUPS:		
Interfinancial Relations.....	2,300	
INCREASE OF THE LIABILITIES SUBGROUPS:		
Other Amounts.....	1,050	
Federal Transfers during the Fiscal Year:		
. Free Resources.....	1,249,253	1,002,453
. Contingency Reserves.....	(49,339)	10,126
(Adjustmet from previous fiscal years).....	(55,079)	(8,703)
Net Profits for the Fiscal Year.....	300,252	353,224
INVESTMENT OF RESOURCES	1,097,504	1,347,325
INCREASE OF THE ASSETS SUBGROUPS		
Interfinancial Relations.....		10,853
Credit Transactions	1,097,157	1,315,319
Other Assets.....	347	6,937
REDUCTION OF THE SUBGROUPS OF LIABILITIES:		
Other Amounts.....		14,216
INCREASE OF AVAILABILITIES.....	350,933	9,775
CHANGES IN THE FINANCIAL CONDITION.....	350,933	9,775
Beginning of Fiscal Year.....	9,775	0
End of the Fiscal Year.....	360,708	9,775

EXPLANATORY NOTES TO THE ACCOUNTING STATEMENTS

Fiscal years ended on December 31st, 2000 and 1999

1. HISTORY

The Constitutional Fund of Finance of the Northeast – FNE is originated from a provision inserted in the Federal Constitution (article 159 I “c”), being ruled by Law No. 7.827, dated 09.27.1989, amended by Law No. 9.126, dated 11.10.1995, and Provisional Measure No. 2.035-28, dated 12.21.2000 (converted into Law No. 10.177, dated 01.12.2001). Its purpose is to foster the economical and social development of the Northeast, through the conduction of financing programs directed to the productive areas, according to the corresponding regional development plans, with preferred treatment directed to the activities of mini and small rural producers, to those developed by micro and small companies, to those producing basic food and to the irrigation projects, being the investment of free resources prohibited.

2. ADMINISTRATION

Banco do Nordeste shall be responsible for investing resources and implementing the credit concession policy; defining rules, procedures and operational conditions; classifying the financing proposals within its charge bands; granting the credits; formalizing agreements related to the transfer of resources to other institutions with operational license granted by the Brazilian Central Bank; preparing and submitting accounts on the results achieved; exercising other activities inherent to the investment of the resources and credit recovery.

3. FNE INSPECTION

Banco do Nordeste maintains, permanently, at the disposal of the relevant inspection offices, the statements of resources, investment and results of the Fund, with the position at the end of each month.

4. OPERATIONAL RISK

In relation to the transactions hired up to 11.30.1998, FNE is exempt from operational risks, and Banco do Nordeste, as responsible for the equity integrity of the Fund, shall honor the credits which prove to be unrecoverable. Within the Fund’s equity structure, such transactions remain recorded into their original accounts up to their final liquidation.

In relation to the transactions hired as of 12.01.1998, the operational risk of the FNE is 50%, being an equal percentage assigned to Banco do Nordeste.

5. EXTERNAL AUDIT

FNE maintains an external audit, hired at its cost, to certify the compliance of the constitutional and legal provisions established, in addition to the examination of the accounts and other usual audit procedures.

6. ACCOUNTING GUIDELINES

FNE has its own accounting, using the accounting system of Banco do Nordeste to record its acts and facts, under specific subtitles, with separate determination of results.

The accounting guidelines adopted by Banco do Nordeste to control the FNE are consubstantiated in the Accounting Plan of the Constitutional Fund of Finance to the Northeast - COFIN, instituted by the Bank management in use of the powers assigned to it by Law No. 7.827/89.

The following are the main points of the accounting procedures:

a) Appropriation of Income and Expenses

Are FNE income and the financial charges levied on the credit transactions and the compensation paid by Banco do Nordeste on the resources of the Fund which are temporarily not invested.

The amounts related to the hiring of external auditors, the administration fee to which Banco do Nordeste is entitled as manager of the Fund and the reserves for losses with credit transactions lie under the FNE responsibility.

The income and expenses are appropriated by the competence system, and we should emphasize that the income originated from the credit transactions under irregular course, hired up to 11.30.1998 shall also be accounted under the FNE result accounts, since the Fund is exempt from operational risk. However, taking into consideration the undertaking, by the Fund, of 50% of the operational risk of the

credit transactions hired as of 12.01.1998, when under abnormal course, only 50% of the incomes thereof shall be accounted to the FNE result accounts.

The administration fee of 3% p.a., paid to Banco do Nordeste by the FNE, is calculated on the net worth of the Fund and appropriated monthly, as provided by the Provisional Measure No. 2.035-28, dated 12.21.2000 (converted into Law No. 10.177, dated 01.12.2001).

b) Current Assets and Long Term Receivables

Presentation, by the realization values, including income and monetary variances earned.

On the resources representing availabilities of the Fund on the hands of Banco do Nordeste, there shall be levied a compensation (based in the TJLP variance, and, as of January 14, 2000, on the basis of the extra market rate disclosed by the Brazilian Central Bank), paid by the Bank, the accounting of which is made into the adequate Fund results account, by the competence system.

From January 14, 2000, the financial charges on financings granted with FNE resources started to vary from 5 to 16% p.a., according to the area of activity and the size of the borrowers, observing the following:

- The *del credere* of Banco do Nordeste, of three percent (3%) p.a., is contained in the financial charges collected by the FNE, being reduced by an identical percentage to the percentage guaranteed by aval funds.
- The finance agreements shall contain a clause providing that the financial charges shall be revised annually and whenever the TJLP shows an accrued variance, upward or downward, in excess of thirty percent (30%).
- A timely payment bonus of twenty-five percent (25%) shall be granted to borrowers which exercise their activities in the Northeastern semi-arid region, and of up to fifteen percent (15%) for borrowers of the other regions, over the financial charges, provided the debt installment is paid up to the corresponding due date.
- In case of deviation in the investment of the resources, the borrower shall loose, without prejudice of the applicable legal measures, including enforcements, all and any benefit, especially those related to the timely payment bonus.

The titles recorded under the line Other Values and Assets are accounted for their face value, accrued by the compensation provided for each paper and, when applicable, deducted from the corresponding devaluation reserves.

c) Liabilities

Evidenced by its original amounts, accrued by the due charges.

7. NET WORTH

The FNE Net Worth has the following origins:

- Federal Transfers, at one point eight tenths per cent (1,8%), extracted from the income tax and earnings of any nature, and from the excise tax;
- Reimbursements and operational results;
- Results of the compensation paid by Banco do Nordeste, for the Fund resources which are temporarily not invested.

8. ADJUSTMENTS FROM PREVIOUS FISCAL YEARS

The net negative adjustment of R\$ 55,079 thousand refers to the recalculation of charges on credit transactions, based in the Provisional Measure No. 2.035-28, dated 12.21.2000 (converted into Law No. 10.177, dated 01.12.2001).

9. DETERMINATION OF RESULTS

The FNE financial year coincides with the calendar year, for the purpose of determination of results. The results of the fiscal year correspond to the net results arising from the balancing of the income and expenses of the period, to which the net worth of the Fund is automatically incorporated.

10. TAX EXEMPTION

FNE enjoys tax exemption, being its results, incomes and financing transactions free from any taxes, contributions or any other burden.

11. SUBSEQUENT EVENTS

Currently the renegotiation, extension and composition of debts of the financing agreements with FNE resources are in process, supported by Law No. 10.177, dated 01.12.2001 (former MP No. 2.035-28, dated 12.21.2000), the term of which expires on 07.14.2001. Taking into consideration the current status of the amendments, it is not possible to determine the effects, on the accounting statements, of the adjustments required to adjust the agreements.

Fortaleza, January 26th, 2001.

BYRON COSTA DE QUEIROZ

President

ERNANI JOSÉ VARELA DE MELO

Director

**RAIMUNDO NONATO CARNEIRO
SOBRINHO**

Director

OSMUNDO EVANGELISTA REBOUÇAS

Director

**JEFFERSON CAVALCANTE
ALBUQUERQUE**

Director

MARCELO PELÁGIO DA COSTA BOMFIM

Business Superintendent and Financial Controller

EVERALDO NUNES MAIA

Legal Superintendent

IVO ADEMAR LEMOS – Accountant

CRC-CE [ACCOUNTANTS REGIONAL COUNCIL – STATE OF CEARÁ] No. 10.074

CPF [INDIVIDUAL TAXPAYER REGISTRATION OF THE MINISTRY OF FINANCE] -274.930.407-53

COMMENTS.: These Explanatory Notes constitute part of the Accounting Statements.

OPINION OF THE INDEPENDENT AUDITORS

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 1 We have examined the balance sheet of Banco do Nordeste do Brasil S.A. on December 31st, 2000, and the corresponding statement of results, changes of the net work and origins and investments of the resources corresponding to the fiscal year and semester ended on such date, prepared under the responsibility of its management. Our responsibility is to express an opinion on such accounting statements.
- 2 Except as mentioned under paragraph 3, our examination was conducted according to the audit rules applicable in Brazil and comprised: a) the planning of the works, taking into consideration the relevance of the balances, the transactions volume and the accounting and internal control systems of the Bank; b) the inspection, based in tests, of the evidences and records supporting the values and accounting information disclosed; and c) the evaluation of the more significant accounting practices and estimates adopted by the Bank's administration, as well as the submission of the accounting statements taken as a whole.
- 3 Our inspections, made on the basis of tests, pointed out the necessity of complementing the reserve for doubtful debts in the amount of R\$ 742,506 thousand, according to our audit report issued on January 26st, 2001. However, on May 7, 2001 we were informed by the Bank management that the inspections made by the monetary authority on the accounting statements of the fiscal year ended December 31st, 2000, resulted in non-accounted adjustments in the amount of R\$ 1,292,386 thousand (includes R\$ 77,126 thousand related to credits of Grupo Mendes Júnior) related to a complementation of such reserve for doubtful debts, representing an increase of R\$ 472,754 thousand in relation to the number determined by us. As a consequence of the absence of a formal document from the Brazilian Central Bank – Bacen and of the timing aspect, we could not come to conclusions in relation to such difference. According to the management of Banco do Nordeste do Brasil S.A., as a consequence of its specific characteristics and in face of the understandings currently in course between Banco do Nordeste, Bacen (in its capacity of regulatory body of the National Financial System) and the Secretariat of National Treasury (in its capacity of controller of the Institution) the adjustment of the reserves related to such transaction to the levels deemed necessary by Bacen, in face of the provisions of its Resolution No. 2682/99, shall occur simultaneously to the conclusion of the current studies and negotiations.

OPINION OF THE INDEPENDENT AUDITORS

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 4 As mentioned in the explanatory note No. 19, the Bank has implemented a strategic restructuring plan, differing the expenses related to such plan, according to the powers granted by Bacen by means of the Circular Letters Nos. 2.582/95 and 2.707/96, what is not in accordance with the accounting practices provided under the Brazilian corporate legislation. Such procedure caused the reduction of the results of the fiscal year and semester ended on December 31st, 2000 by R\$ 13,586 thousand and R\$ 6,530 thousand, respectively (1999 – reduction of the results of the fiscal year and of the semester ended on December 31st, R\$ 13,703 thousand and R\$ 6,871 thousand, respectively), as well as increased the net worth and the differed assets on the same date by R\$ 11,388 thousand and R\$ 17,254 thousand, respectively (1999 - R\$ 23,837 thousand and R\$ 37,837 thousand, respectively). Such amounts take into consideration the effects of the amortization and of the taxes and contributions levied.
- 5 In our opinion, except for the possible effects arising from the subject mentioned under paragraph 3 and in relation to the subject mentioned under paragraph 4, the accounting statements mentioned under paragraph 1 adequately represent, in all relevant aspects, the equity and financial conditions of Banco do Nordeste do Brasil S.A. on December 31st, 2000, the results of its transactions, the changes of its net worth and the origins and investment of its resources in relation to the fiscal year and semester ended on such date, according to the accounting practices provided by the Brazilian corporate legislation.
- 6 As detailed under the explanatory note no. 3c, the Bank has amounts receivable from Grupo Mendes Júnior, which have not been object of reserves, in the amount of R\$ 77,126 thousand, which were object of legal opinions and report of the Interministry Working Group, ending with the vote of the National Monetary Council, which granted the matter an exceptional treatment in relation to the Bacen rules. As a consequence of the legal dispute and of the existing guarantees in relation to the coverage of the amount, the bank's management concluded that it was not possible to determine the amount to be actually received upon the conclusion of the matter. However, it is known that such factors extend the expected time to resolve the matter and reduce the possibilities of loss.

OPINION OF THE INDEPENDENT AUDITORS

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 7 The Provisional Measure No. 2.035-28, dated December 21st, 2000, was converted into Law no. 10.177, dated January 12th, 2001, which determined a 180 days term, counted from the law publication date, for the renegotiations of the financings agreements through the review of charges and extension of terms, for the beneficiaries of agreements made with resources of the Constitutional Fund of Finance of the Northeast – FNE executed up to December 31st, 1998. It is the FNE management understanding that the renegotiations of such agreements, according to the explanatory note No. 20e, shall be finalized within the term provided by the above mentioned law. As a consequence of the application of the legal provisions, the fund's management has proceeded in its balance sheet for the fiscal year 2000, with the reversion of the amount of R\$ 60,030 thousand of the reserve for contingent liabilities of the Constitutional Fund of Finance of the Northeast – FNE into earnings of reversion of operational reserves of the FNE. Up to the present date it was not possible to determine the effects arising from the renegotiations.

- 8 As described under note 21, the Bank does not have the minimum equity levels required by the monetary authority, taking into consideration the nature of its assets, evidencing insufficiency on December 31st, 2000, before considering the possible effects described in the previous paragraphs. The adjustment of the Bank to the limits required by the monetary authorities is being analyzed in the context of the refurbishing of the federal public financial institutions, currently under study by such authorities. Up to this moment, it is not possible to determine the possible impacts to the Bank which may arise from the definitions established by the monetary authorities and by the controller, upon the conclusion of these procedures.

- 9 The accounting statements related to the fiscal year ended December 31st, 1999, submitted for comparison purposes, were audited by us and our opinion, dated January 21st, 2000, was issued with the following qualifications: deferral of expenses with the strategic restructuring plan in disagreement with the accounting practices provided under the Brazilian corporate legislation, according to paragraph 4, and amounts receivable not reserved in relation to Grupo Mendes Júnior.

OPINION OF THE INDEPENDENT AUDITORS

To the Administrators and shareholders
Banco do Nordeste do Brasil S.A.

- 10 On January 26th, 2001, we have issued an opinion on the accounting statements for the fiscal year ended on December 31st, 2000 of Banco do Nordeste do Brasil S.A., with the same comments and emphasis mentioned under paragraphs 4, 6 and 7 and comment on the insufficiency of the reserve for doubtful debts in the amount of R\$ 742,506 thousand. However, our report submitted herein on the accounting statements of the Bank, prepared on December 31st, 2000, differs from that previously issued, due to the reasons indicated under paragraphs 2 and 8.

Fortaleza, January 26th, 2001, except for paragraphs 2 and 10 of the independent auditors report and explanatory number 6 to the accounting statements, for which the date is May 7th, 2001.

Orlando Octávio de Freitas Júnior
Accountant-Partner
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