

*Banco do
Nordeste*



FINANCIAL STATEMENTS

Bank and FNE

Position: 12.31.2004

*Banco do
Nordeste*



Financial Statements

BANK

Position: 12/31/2004

BANCO DO NORDESTE DO BRASIL S.A
 HEADQUARTERS: AV. PARANJANA, 5700 - FORTALEZA - CEARÁ
 OPEN CAPITAL - CHARTER Nº 3465 - C.N.P.J. 07.237.373/0001-20

BALANCE SHEET

DECEMBER 31, 2004 AND 2003

General Administration and Branches in the Count
 (Amounts in R\$ Thousands)

A S S E T S		L I A B I L I T I E S			
	12.31.2004	12.31.2003			
CURRENT	3.937.470	5.111.027	CURRENT	5.818.169	5.368.936
CASH AND CASH EQUIVALENTS	31.587	20.958	DEPOSITS	1.082.052	962.306
LIQUIDITY INTERFINANCE APPLICATIONS	370.678	642.801	Sight Deposits	186.803	293.836
Open Market Applications	10.502	634.136	Saving Account Deposits	396.359	354.172
Applications in Interfinance Deposits	360.176	8.665	Interfinance Deposits	58.102	5.627
BONDS, SECURITIES AND DERIVATIVES	2.301.318	3.277.312	Long Term Deposits	438.166	308.671
Own Funds	2.097.787	3.238.853	Other Deposits	2.622	0
Attached to Repurchase Commitments	203.350	0	OPEN MARKET FUNDING	202.987	63.502
Attached to the Brazilian Central Bank	0	38.329	Own Funds	202.987	0
Attached to Guarantees	181	130	Third Parties' Funds	0	63.502
INTERFINANCE RELATIONSHIPS	89.440	84.176	FUNDS FROM SECURITIES' TAKE UP AND ISSUANCE	32.066	82.431
Payments and Earnings to be Realized	141	230	Liabilities from Bonds and Securities Abroad	32.066	82.431
Bonded Credits:			INTERDEPENDENCE RELATIONSHIPS	5.430	92
Deposits with the Brazilian Central Bank	82.776	76.557	Funds in Transit from Third Parties	5.341	15
Brazilian National Treasury Department - Funds for Credit to Agriculture	6.447	7.224	Internal Transferences of Funds	89	77
Correspondents	76	165	LIABILITIES FOR LOANS	139.997	53.175
CREDIT OPERATIONS	505.206	257.522	Loans within the Country - Official Institutions	7.524	7.309
Public Sector	16.432	45.034	Loans from Abroad	132.473	45.866
Private Sector	658.903	673.205	COUNTRY TRANSFER LIABILITIES - OFFICIAL INSTITUTIONS	402.582	412.905
(Allowance for Possible Loan Losses)	(170.129)	(460.717)	Brazilian National Treasury Department	216	157
OTHER CREDITS	634.388	820.731	BNDES ¹	284.442	305.622
Credits for Guarantees and Bails Settled	8	0	CEF ²	301	284
Foreign Exchange Portfolio	106.268	38.300	FINAME ³	22.343	55.159
Income Receivable	263	6.850	Other Institutions	95.280	51.683
Negotiation and Intermediation of Moneys	14	0	LIABILITIES FOR TRANSFERS FROM ABROAD	74.464	71.987
Special Credits	291	546.968	Transfers from Abroad	74.464	71.987
Sundry	528.049	229.582	OTHER LIABILITIES	3.878.591	3.722.538
(Allowance for Other Possible Loan Losses)	(505)	(969)	Assessment and Payment of Taxes and Comparable	4.774	5.525
OTHER MONEYS AND ASSETS	4.853	7.527	Foreign Exchange Portfolio	26.413	78
Other Money and Assets	10.799	11.124	Social and Statutory	44.022	14.092
(Provisions for Devaluations)	(6.003)	(3.640)	Taxes and Social Security Contributions	15.814	15.249
Advanced Expenses	57	43	Financial and Development Funds	3.014.231	3.017.753
LONG TERM	9.076.880	7.499.899	Sundry	773.337	669.841
BONDS, SECURITIES AND DERIVATIVES	5.962.659	4.140.999	LONG TERM	6.007.579	6.071.466
Own Funds	5.956.208	4.125.551	DEPOSITS	1.629.577	1.804.494
Attached to the Brazilian Central Bank	0	9.917	Sight Deposits	52.882	48.786
Attached to Guarantees	6.451	5.531	Long Term Deposits	1.576.695	1.755.708
INTERFINANCE RELATIONSHIPS	18.712	30.881	FUNDS FROM SECURITIES' TAKE UP AND ISSUANCE	0	33.861
Bonded Credits:			Liabilities from Bonds and Securities Abroad	0	33.861
Brazilian National Treasury Department - Funds for Credit to Agriculture	2.133	1.771	LIABILITIES FOR LOANS	85.718	99.099
SFH - National Housing System	16.579	29.110	Loans within the Country - Official Institutions	85.718	86.764
CREDIT OPERATIONS	3.026.660	2.865.830	Loans from Abroad	0	12.335
Public Sector	1.355.048	1.356.675	COUNTRY TRANSFER LIABILITIES - OFFICIAL INSTITUTIONS	1.139.696	1.303.795
Private Sector	1.857.411	1.641.480	Brazilian National Treasury Department	1.561	1.669
(Allowance for Possible Loan Losses)	(185.799)	(132.325)	BNDES ¹	770.433	932.890
OTHER CREDITS	68.849	462.189	CEF ²	865	1.143
Credits for Guarantees and Bails Settled	2	0	FINAME ³	115.848	100.770
Sundry	100.039	489.400	Other Institutions	250.989	267.323
(Allowance for Other Possible Loan Losses)	(31.192)	(27.211)	LIABILITIES FOR TRANSFERS FROM ABROAD	957.543	1.001.326
PERMANENT	153.063	145.018	Transfers from Abroad	957.543	1.001.326
INVESTMENTS	753	4.566	OTHER LIABILITIES	2.195.045	1.828.891
Other Investments	8.892	8.896	Taxes and Social Security Contributions	658.478	822.108
(Allowance for Losses)	(8.139)	(4.330)	Financial and Development Funds	983.041	401.827
PROPERTY, PLANT AND EQUIPMENT FOR USE	147.218	136.448	Sundry	553.526	604.956
Real Estate for Use	188.582	184.222	RESULTS FROM FUTURE YEARS	1.279	361
Other Plant, Property, and Equipment for Use	74.440	56.907	RESULTS FROM FUTURE YEARS	1.279	361
(Accumulated Depreciations)	(115.804)	(104.681)	NET EQUITY	1.340.386	1.315.181
Deferred	5.092	4.004	CAPITAL	1.228.000	1.162.000
Expenditures for Organization and Expansion	12.671	11.539	From those Domiciled in the Country	1.228.000	1.162.000
(Accumulated Depreciations)	(7.579)	(7.535)	REVALUATION RESERVES	42.240	44.925
			PROFIT RESERVES	49.221	66.702
			ADJUSTMENT TO MARKET VALUE - TVM AND DERIVATIVES	20.925	41.554
TOTAL ASSETS	13.167.413	12.755.944	TOTAL LIABILITIES	13.167.413	12.755.944

¹Brazilian National Bank for Economic and Social Development ("BNDES")

²Federal Savings and Loan Bank ("CEF")

³Brazilian Government Agency for Machinery and Equipment Financing ("FINAME")

BANCO DO NORDESTE DO BRASIL S.A.
 HEADQUARTERS: AV. PARANJANA, 5700 - FORTALEZA - CEAR.
 OPEN CAPITAL - CHARTERS Nr. 3465 - C.N.P.J. 07.237.373/0001-2f

INCOME STATEMENT

DECEMBER 31, 2004 AND 2003
 General Administration and Branches in the Country
 (Amounts in R\$ Thousand)

	2nd semester/2004	Year/2004	Year/2003
INCOME FROM FINANCIAL INTERMEDIATION	940.823	1.927.931	2.148.628
Credit Operations	361.751	746.470	714.539
Income from Operations with Bonds and Securities	575.375	1.169.664	1.332.383
Income from Derivatives	0	0	(5)
Income from Foreign Exchange Operations	6.323	15.916	84.466
Income from Compulsory Applications	(2.626)	(4.119)	17.245
EXPENSES FROM FINANCIAL INTERMEDIATION	(625.395)	(1.333.666)	(1.482.762)
Operations from Market Funding	(149.918)	(307.464)	(399.494)
Loan and Transfer Operations	(400.751)	(854.616)	(846.888)
Allowance for Possible Loan Losses	(74.726)	(171.586)	(236.380)
GROSS INCOME FROM FINANCIAL INTERMEDIATION	315.428	594.265	665.866
OTHER OPERATIONAL REVENUES/EXPENSES	(153.473)	(212.440)	(686.913)
Income from Services Provided	271.291	546.269	447.284
Expenses with Personnel	(174.140)	(322.929)	(286.903)
Other Administrative Expenses	(160.553)	(321.627)	(261.316)
Taxes	(36.367)	(69.892)	(59.456)
Other Operational Revenues	336.750	479.862	527.534
Other Operational Expenses	(390.454)	(524.123)	(1.054.056)
OPERATIONAL INCOME	161.955	381.825	(21.047)
NON-OPERATIONAL INCOME	1.763	(4.041)	3.282
INCOME BEFORE TAXES ON PROFIT AND PARTICIPATIONS	163.718	377.784	(17.765)
INCOME TAX AND SOCIAL CONTRIBUTION	(86.644)	(212.538)	102.480
Provision for Income Tax	142	0	(1.476)
Provision for Social Contribution	60	(1)	0
Deferred Tax Asset	(86.846)	(212.537)	103.956
STATUTORY INTERESTS IN EARNINGS	(13.177)	(13.177)	0
NET PROFIT	63.897	152.069	84.715
Nr. of Shares (in millions)	870.019	870.019	870.019
Net Profit per Batch of Thousand Shares (in R\$)	0,07	0,17	0,10

BANCO DO NORDESTE DO BRASIL S. A.
 HEADQUARTERS: AV. PARANJANA, 5700 - FORTALEZA - CEARÁ/
 OPEN CAPITAL - CHARTERS Nr. 3465 - C.N.P.J. 07.237.373/0001-20

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

DECEMBER 31, 2004 AND 2003
 General Administration and Branches in the Country
 (Amounts in R\$ Thousands)

EVENTS	REALIZED CAPITAL		REVALUATION RESERVES	PROFIT RESERVES		ADJUSTMENT TO MARKET VALUE - TVM AND DERIVATIVES	RETAINED EARNINGS (LOSSES)	TOTAL
	CAPITAL	CAPITAL INCREASE	OWN ASSETS	LEGAL	STATUTORY			
BALANCES ON 12.31.2002	3.492.249	0	47.600	0	0	(39.032)	(2.330.552)	1.170.265
ADJUSTMENTS FROM PRECEDENT YEARS							(1.222)	(1.222)
ADJUSTMENT TO MARKET VALUE - TVM AND DERIVATIVES						80.586		80.586
CAPITAL REDUCTION:								
Absorption of Accumulated Losses	(2.330.249)						2.330.249	0
OTHER EVENTS:								
Revaluation of Assets:								
Realization of Reserve:								
Gross Value			(4.053)				4.053	0
Taxes			1.378					1.378
NET PROFIT OF THE YEAR							84.715	84.715
Destinations:								
Reserves.....				4.236	62.466		(66.702)	0
Dividends.....							(20.541)	(20.541)
BALANCES ON 12.31.2003	1.162.000	0	44.925	4.236	62.466	41.554	0	1.315.181
CHANGES OF THE YEAR	(2.330.249)	0	(2.675)	4.236	62.466	80.586	2.330.552	144.916
BALANCES ON 12.31.2003	1.162.000	0	44.925	4.236	62.466	41.554	0	1.315.181
ADJUSTMENT FROM PRECEDENT YEARS								
Creditors							127.377	127.377
Debtors							(182.286)	(182.286)
ADJUSTMENT TO MARKET VALUE - TVM AND DERIVATIVES						(20.629)		(20.629)
CAPITAL INCREASE:								
From Reserves:								
- Transfer for Capital Increase		66.000		(3.534)	(62.466)			0
- Incorporated to Capital	66.000	(66.000)						0
OTHER EVENTS:								
Revaluation of Assets:								
Realization of Reserve:								
Gross Value			(4.068)				4.068	0
Taxes			1.383					1.383
NET PROFIT OF THE YEAR							152.069	152.069
Destinations:								
Reserves				7.604	40.915		(48.519)	0
Dividends							(52.709)	(52.709)
BALANCES ON 12.31.2004	1.228.000	0	42.240	8.306	40.915	20.925	0	1.340.386
CHANGES OF THE YEAR	66.000	0	(2.685)	4.070	(21.551)	(20.629)	0	25.205
BALANCES ON 06.30.2004	1.162.000	66.000	43.432	5.111	0	(4.722)	43.078	1.314.899
ADJUSTMENTS FROM PRECEDENT YEARS							(27.355)	(27.355)
ADJUSTMENT TO MARKET VALUE - TVM AND DERIVATIVES						25.647		25.647
CAPITAL INCREASE:								
From Reserves:								
- Incorporated to Capital	66.000	(66.000)						0
OTHER EVENTS:								
Revaluation of Assets:								
Realization of Reserve:								
Gross Value			(1.806)				1.806	0
Taxes			614				769	1.383
NET PROFIT OF THE YEAR							63.897	63.897
Destinations:								
Reserves				3.195	40.915		(44.110)	0
Dividends							(38.085)	(38.085)
BALANCES ON 12.31.2004	1.228.000	0	42.240	8.306	40.915	20.925	0	1.340.386
CHANGES OF THE SEMESTER	66.000	(66.000)	(1.192)	3.195	40.915	25.647	(43.078)	25.487

BANCO DO NORDESTE DO BRASIL S.A

HEADQUARTERS: AV. PARANJANA, 5700 - FORTALEZA - CEARÁ
OPEN CAPITAL - CHARTERS Nr. 3465 - C.N.P.J. 07.237.373/0001-20

STATEMENT OF CHANGES IN FINANCIAL POSITION

DECEMBER 31, 2004 AND 2003

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

	2nd Semester/2004	Year/2004	Year/2003
SOURCE OF FUNDS	658.345	1.627.555	2.867.431
ADJUSTED NET PROFIT (1)	71.602	173.515	98.586
VARIATION IN RESULTS OF FUTURE YEARS	180	918	361
ADJUSTMENT TO MARKET VALUE - TVM AND DERIVATIVES	25.647	(20.628)	80.585
ADJUSTMENTS FROM PRECEDENT YEARS	(27.354)	(54.909)	(1.222)
REVALUATION RESERVE	1.383	1.383	1.378
THIRD PARTIES' FUNDS FROM:			
INCREASE OF LIABILITIES' SUBGROUPS:			
Deposits	59.071		
Funding from Open Market (Committed Operations)	29.482	139.486	
Interfinance Relationships and Interdependences		5.338	
Other Liabilities	711	522.207	2.238.717
REDUCTION OF ASSETS' SUBGROUPS:			
Interfinance Liquidity Applications	229.110	272.123	
Interfinance Relationships and Interdependences	11.864	6.905	
Credit Operations			447.802
Other Credits	256.013	579.683	
DISPOSAL OF ASSETS AND INVESTMENTS:			
Assets Not For Own Use	327	1.422	1.082
Property, Plant, and Equipment for Use	295	108	142
Investments	14	4	0
APPLICATION OF FUNDS	657.713	1.616.926	2.873.888
DIVIDENDS AND BONUS PROPOSED	38.086	52.709	20.541
INVERSIONS IN:			
Assets Not For Own Use	1.249	1.904	1.398
Property, Plant, and Equipment for Use	7.882	23.753	9.430
Investments			135
APPLICATIONS IN DEFERRED FUNDS	2.157	2.692	1.780
INCREASE OF ASSETS' SUBGROUP:			
Interfinance Liquidity Applications			254.569
Bonds and Securities	223.753	845.667	1.627.753
Interfinance Relationships and Interdependences			16.075
Credit Operations	187.486	408.514	
Other Credits			290.383
Other Values and Assets	65	3	93
REDUCTION OF LIABILITIES' SUBGROUPS			
Deposits		55.171	309.182
Funding from Open Market (Committed Operations)			15.463
Funds from Securities Take Up and Issuance	72.969	84.226	25.926
Interfinance Relationships and Interdependences	4.407		7.800
Liabilities for Loans and Transfers	119.659	142.287	293.355
Derivatives			5
INCREASE/REDUCTION OF AVAILABLE FUNDS	632	10.629	(6.457)
CHANGES IN FINANCIAL POSITION: INCREASE/REDUCTION OF AVAILABLE FUNDS	632	10.629	(6.457)
Beginning of the Period	30.955	20.958	27.415
End of the Period	31.587	31.587	20.958
(1) STATEMENT OF THE ADJUSTED NET PROFIT:			
NET PROFIT	63.897	152.069	84.715
ADJUSTMENTS TO THE NET PROFIT			
Depreciations and Amortizations	7.600	14.477	13.304
Provision for Losses in Investments		3.810	
Provision for Other Values and Assets Devaluation	105	3.159	567
ADJUSTED NET PROFIT	71.602	173.515	98.586

NOTES TO THE FINANCIAL STATEMENTS

Years ended as of December 31, 2004 and 2003

NOTE 1 - The Bank and its Features

Banco do Nordeste do Brasil S.A. (**The Bank**) is a private entity, governed by private law and a government-controlled regional financial institution, created by the Federal Law Number 1.649, of July 19, 1952. Its mission is promoting the sustainable development of Brazilian Northeastern Region, by providing financial resources and technical qualification support for businesses in the Region.

In order to carry out its mission, apart from extending credits for businesses implementation, Banco do Nordeste prioritizes, in a partnership with its clients, the continuity and success of businesses realized by the technical and managerial visitation process, by contributing with additional funds, when so required.

Banco do Nordeste, once classified as a multiple bank, is authorized to operate with all portfolios allowed to the financial institutions so classified, except for the real estate credit portfolio.

As a development entity, Banco do Nordeste operates, among other furtherance programs, Fundo de Investimentos do Nordeste [The Brazilian Northeastern Region Investment Fund] ("**FINOR**") and The Brazilian Northeastern Region Constitutional Financing Fund [The Brazilian Northeastern Region Constitutional Financing Fund] ("**FNE**").

NOTE 2 - Financial Statements Presentation

The financial statements have been prepared in compliance with the Brazilian corporation law, and in accordance with the accounting practices established by Banco Central do Brasil [The Brazilian Central Bank] ("**BACEN**") and Comissão de Valores Mobiliários [The Brazilian entity corresponding to United States Securities' Commission] ("**CVM**").

NOTE 3 – Main Accounting Policies

a) Income Determination

The revenues and expenses are recorded on an accrual basis, standing out the following procedures:

- a.1) Yields, charges, and monetary or foreign exchange variances charged on assets and liabilities are appropriated on a "*pro rata diem*" basis;
- a.2) Provisions, including charges on vacations and Christmas' bonus, are recognized on a monthly basis, pursuant to the period incurred;
- a.3) Effects of assets' adjustments to market value or realization, when applicable, are considered.

b) Current and Long-Term Assets

They are provided by the realization values, including, when applicable, the revenues and monetary and foreign exchange variances earned, rectified by income to be appropriated or provision, when required, with the following to be pointed out:

- b.1) The credit operations are covenanted at regular market rates;
- b.2) The provision for credit operations is set aside in accordance with the Resolution Number 2.682, of 12.21.1999, of Conselho Monetário Nacional [The Brazilian National Monetary Council];
- b.3) Bonds and securities were recorded by the value actually paid, including brokerage and other fees, being classified and evaluated as follows:
 - Marketable securities – are those acquired with the purpose of being actively and frequently negotiated, adjusted by the market value in consideration of year result;
 - Securities available for sale – are those that are neither suitable for negotiation nor can be maintained until maturity, and are evaluated by the market value, free of tax effects, in consideration of the rubric detached from the net equity;
 - Securities maintained until maturity – are those for which there is intention and financial capacity for its maintenance in the portfolio until maturity, recorded by the acquisition cost, plus yields earned in consideration of year result;

The classification as Current and Long Term for Securities Available for Sale and Securities Maintained until Maturity was determined in accordance with its expiration terms, not featuring, however, the non-availability of papers, which maintain their quality and high liquidity feature.

c) Permanent Assets

They are stated by the acquisition cost, monetarily corrected until 12.31.1995, provided that the following is complied with:

- c.1) The Investments are rectified by the Allowance for Losses;
- c.2) The Real Estates for Use include the revaluation value;
- c.3) The Property, Plant, and Equipment is rectified by the depreciation calculated by the straight-line method, at the following annual rates: buildings - 4%; data processing systems and vehicles - 20%, and other items - 10%;
- c.4) The Deferred asset is formed by expenses with logistic acquisition and development, installation and facilities' adaptation, further to expenditures with third parties' real estates, and it is rectified by amortizations calculated by the straight-line method, upon the use of a 20% fixed annual rate.

d) Current and Long-Term Liabilities

They are set out by their original values, plus, when applicable, the monetary and foreign exchange charges and variances incurred, rectified by expenses to be appropriated, and it should be emphasized that the available funds from The Brazilian Northeastern Region Constitutional Financing Fund [The Brazilian Northeastern Region Constitutional Financing Fund] (“FNE”) are classified as Current and Long-Term Liabilities, provided that the disbursement flows forecast are complied with.

Allowances for the grant of after-employment benefits are recognized pursuant to the directions of “CVM” Resolution Number 371, of 12.13.2000.

e) Income Tax, Social Contribution, Public Service Employee Savings Program (“PASEP”), and Social Contribution on Billings (“COFINS”)

Provisions are constituted at the rates set out below, and take into account, for each tax, the tax basis provided for in the current laws:

Income Tax	15.00%
Income Tax Additional	10.00%
Social Contribution	9.00%
PASEP	0.65%
COFINS	4.00%

NOTE 4 - Marketable Securities and Derivative Instruments

For obtaining the market value, the following criteria were adopted:

- Fixed-Income Securities: average level of discount negotiated at secondary market, pursuant to “ANDIMA” [The Brazilian National Association of Open Market Institutions] disclosure;
- Variable-Income Securities: assets’ average rating at “BOVESPA” [The São Paulo Stock Exchange];

a) Marketable Securities

Banco do Nordeste, in accordance with the Circular Letter “BACEN” Number 3.068, of 11.08.2001, classified its portfolio, as of 12.31.2004, as follows:

TYPE	12.31.2004			12.31.2003		
	COST VALUE	MARKET VALUE	MATURITY RANGE	COST VALUE	MARKET VALUE	MATURITY RANGE
FIXED-INCOME SECURITIES	344,643	355,896		3,490,257	3,517,732	
Financial Treasury Bills	265,038	265,423	2005 to 2008	3,164,148	3,171,672	2004 to 2008
Central Bank Notes	64,362	73,276	2005 to 2006	187,904	203,541	2004 to 2006
National Treasury Notes	15,243	17,197	2005 to 2006	138,205	142,519	2004 to 2006
CATEGORY TOTAL	344,643	355,896		3,490,257	3,517,732	

In the year 2004, for securities classified in the category above, a negative adjustment in the amount of R\$ 16,984 thousand was registered, because of the discount provided by the assets in the year (R\$ 27,475 thousand, on 12.31.2003).

TYPE	12.31.2004			12.31.2003		
	COST VALUE	MARKET VALUE	MATURITY RANGE	COST VALUE	MARKET VALUE	MATURITY RANGE
FIXED-INCOME SECURITIES	3,558,330	3,547,528		40,579	25,707	
Financial Treasury Bills	3,265,310	3,252,103	2005 to 2009	-	-	
Central Bank Notes	135,159	151,921	2005 to 2006	-	-	
National Treasury Notes	88,579	93,661	2005 to 2006	-	-	
National Treasury Bills	38,687	38,595	2005 to 2005	-	-	
Fixed-Income Securities – Others	13,338	9,715	2005 to 2027	17,375	17,248	2027
Federal Government Bonds – Others	17,143	1,456	2005 to 2005	23,055	8,353	2004 a 2005
Agricultural Debt Securities	114	77	2005 to 2015	149	106	2004 a 2011

QUOTAS FROM INVESTMENT FUNDS	775	-		684	-	
Social Development Fund	775	-	With no Maturity	684	-	With no Maturity
VARIABLE-INCOME SECURITIES	144,159	189,626		145,242	225,463	
Open Corporation Stocks	139,948	188,179	With no Maturity	139,948	224,094	With no Maturity
Other tax Incentives (FINOR ¹)	4,211	1,447	With no Maturity	5,294	1,369	With no Maturity
GUARANTEE BONDS	2,185	-	2005 to 2005	1,706	-	2004 to 2005
CATEGORY TOTAL	3,705,449	3,737,154		188,211	251,170	

¹ The Brazilian Northeastern Region Investment Fund ("FINOR")

Because of the assets inclusion in "Available-for-Sale Securities" category, the amount of R\$ 31,705 thousand (R\$ 62.959 thousand, on 12.31.2003) is registered in the "Value Adjustment - Marketable Securities and Derivative Instruments" rubric, at the Bank Net Equity. Such adjustment, free from tax effects, corresponds to R\$ 20,925 thousand (R\$ 41,554 thousand, on 12.31.2003).

HELD-TO-MATURITY SECURITIES in R\$ Thousands

TYPE	12.31.2004			12.31.2003		
	COST VALUE	MARKET VALUE	MATURITY RANGE	COST VALUE	MARKET VALUE	MATURITY RANGE
FIXED-INCOME SECURITIES	4,170,927	4,174,481		3,649,799	3,663,848	
Financial Treasury Bills	4,168,660	4,172,214	2005 to 2008	3,647,750	3,662,193	2004 to 2008
Quotas from the Investment Fund - Venturer Northeast	1,998	1,998	2005 to 2008	1,800	1,406	2011
National Treasury Note ("NTNP")	269	269	2012 to 2014	249	249	2012 to 2014
CATEGORY TOTAL	4,170,927	4,174,481		3,649,799	3,663,848	

b) Derivative Instruments

In years 2004 and 2003, Banco do Nordeste had no operations with Derivatives.

NOTE 5 - Credit Portfolio and Allowance for Lending Losses

a) Details by type in R\$ Thousands

	<u>12.31.2004</u>	<u>12.31.2003</u>
Depositors advances	152	118
Loans	267,463	180,802
Discounted drafts	14,906	1,884
Financing	581,150	913,932
Export Financings	241	8,458
Foreign Currency financing	29,376	98
Government Refinancings	491,338	462,991
Agricultural and Agroindustrial Financing	1,611,419	1,196,556
Real Estate financing	251	228
Infrastructure and Development Financing	891,498	951,327
LENDING OPERATIONS	3,887,794	3,716,394
Guarantees honored	10	-
Income receivables on Advances	1,188	189
Debtors for Purchasing of goods and Values	1,309	3,475
Securities and Receivables	11,302	9,620
Advances on export Contracts (*)	103,348	38,663
OPERATIONS SIMILAR TO LENDING OPERATIONS	117,157	51,947
TOTAL	4,004,951	3,768,341

(*) Rubrics classified as OTHER LIABILITIES /Foreign Currency Portfolio.

b) Detail by Maturity in R\$ Thousands

Type Client/Business	Ordinary Course Credits					Total in Dec/04	Total in Dec/03
	0 to 90 days	91 to 180 days	181 to 360 days	Over 360 days			
Agriculture	19,467	10,086	54,006	1,414,934	1,498,493	893,820	
Industry	175,487	16,508	1,216	228,479	421,690	453,599	
Government	25,234	8,976	47,803	1,288,456	1,370,469	1,401,248	
Other Services	123,817	37,971	7,932	109,392	279,112	169,541	
Commerce	99,867	28,857	631	37,631	166,986	184,365	
Financial Intermediaries	5	6,111	3,714	42	9,872	26,230	
Housing System	54	19	51	127	251	228	
Consumer Credits	12,457	1,834	847	6,189	21,327	4,131	
T O T A L	456,388	110,362	116,200	3,085,250	3,768,200	3,133,162	

Type Client/Business	Past-due Credits Current Installments					Total in Dec/04	Total in Dec/03
	0 to 90 days	91 to 180 days	181 to 360 days	Over 360 days			
Agriculture	601	743	3,116	90,529	94,989	221,271	
Industry	1,682	766	1,181	13,415	17,044	60,636	
Government	112	58	99	702	971	-	
Other Services	3,743	1,704	2,628	22,632	30,707	61,225	
Commerce	2,643	1,069	1,179	10,632	15,523	35,450	
Financial Intermediaries	-	-	1	-	1	8	
Housing System	-	-	-	-	-	-	
Consumer Credits	177	67	30	156	430	58	
T O T A L	8,958	4,407	8,234	138,066	159,665	378,648	

Type Client/Business	Past due Installments					Total in Dec/04	Total in Dec/03
	0 to 90 days	91 to 180 days	181 to 360 days	Over 360 days			
Agriculture	3,296	5,786	2,903	20,964	32,949	91,206	
Industry	1,124	802	1,262	17,026	20,214	49,214	
Government	19	2	7	-	28	-	
Other Services	3,566	1,069	1,517	6,826	12,978	38,600	
Commerce	1,997	1,466	2,268	4,618	10,349	77,251	
Financial Intermediaries	-	-	2	-	2	2	
Housing System	-	-	-	-	-	-	
Consumer Credits	347	96	87	36	566	258	
T O T A L	10,349	9,221	8,046	49,470	77,086	256,531	

c) Detail by credit risk rating in R\$ Thousands

Risk Level	12.31.2004				12.31.2003			
	Ordinary Credit (1)	Credit in Arrears	Total Portfolio	Provision Value	Ordinary Credit (1)	Credit in Arrears	Total Portfolio	Provision Value
AA	1,772,172	-	1,772,172	-	1,232,882	-	1,232,882	-
A	1,179,231	-	1,179,231	5,896	1,128,585	-	1,128,585	5,643
B	293,404	6,079	299,483	2,995	404,025	17,476	421,501	4,215
C	79,652	9,123	88,775	2,663	100,315	28,215	128,530	3,856
D	218,497	31,818	250,315	25,031	53,924	39,488	93,412	9,341
E	60,819	16,967	77,786	23,336	56,330	70,460	126,790	38,037
F	18,243	12,727	30,970	15,485	95,216	57,671	152,887	76,444
G	28,989	16,231	45,220	31,654	23,381	51,544	74,925	52,448
H	117,193	143,806	260,999	260,999	38,504	370,325	408,829	408,829
TOTAL	3,768,200	236,751	4,004,951	368,059	3,133,162	635,179	3,768,341	598.813

(1) Include 14 days past-due credits.

d) Allowance for the period in R\$ Thousands

	<u>12.31.2004</u>	<u>12.31.2003</u>
Opening Balance	598,813	851,650
(+) Allowance for the period	174,429	213,971
(-) Credits classified as Losses	(405,183)	(466,808)
(=) Allowance for losses and lending operations	368,059	598,813
(+) Allowance for losses on Others Credits	19,566	22,409
(=) Closing Balance	387,625	621,222

e) Allowance Expenses in R\$ Thousands

	<u>06.30.2004</u>	<u>12.31.2004</u>	<u>12.31.2003</u>
(+) Expenses on Allowances for lending losses	69,308	168,201	207,691
(+) Expenses on Allowances for Other debts	6,365	6,521	9,501
(-) Reversions of Operational Provisions	-	(293)	(3,221)
(=) Balance of Expense with Allowance having a Credit Granting Nature	75,673	174,429	213,971
(+) Expense with the Allowance for Other Credits having not a Credit Granting Nature	-	676	22,409
(-) Reversions of Allowances for Other Credits having not a Credit Granting Nature	(947)	(3,519)	-
(=) Final Balance	74,726	171,586	236,380

f) In the year, Credits Written-off as Losses have been recovered in the amount of R\$ 193,875 thousand (R\$ 136,686 thousand on 12.31.2003), and its operation renegotiations amounted R\$ 867,606 thousand (R\$ 310,221 thousand on 12.31.2003).

g) According to Provisional Measure Number 2.196-3, of 08.24.2001, which established The Federal Financial Institutions Strengthening Brazilian Program, the grant of agricultural credit operations renegotiated based on Law Number 9.138, of 11.29.1995, and under CMN Resolution Number 2.471, of 02.26.1998, are being renegotiated with the Brazilian National Treasury. The amounts that were registered under Other Credits/Special Credits were totally converted into Credit Operations (R\$ 546,677 thousand on 12.31.2003). Such procedure has caused a negative impact on Bank Equity, to the order of R\$ 79,035 thousand, with R\$ 70,528 thousand in Retained earnings and R\$ 8,507 thousand in result.

NOTE 6 – Long-Term Liabilities

As per loan and transfer liabilities contracted in the Country, interest rates vary from 0 to 10% per year, with terms varying from 4 to 20 years, with a 7-year average term. Monetary updating, when applicable in accordance with provisions under the law and agreement, is calculated based on official indexes disclosed by the Brazilian Central Bank.

The liabilities incurred with the BNDES [The Brazilian National Bank for Economic and Social Development] system have burdens based on the TJLP [Long Term Interest Rate], plus a 2%-year average spread, and a 6-year average term. Liabilities incurred with Fundo de Amparo ao Trabalhador [Fund for Workers' Support] ("FAT"), recognized in Interest-bearing Special Deposits, to the order of R\$ 1,522,815 thousand (R\$ 1,721,469 thousand on 12.31.2003), have a financial funding cost based on SELIC [Special System for Settlement and Custody] rate, so long as they are not applied in Credit Operations, and based on the TJLP, upon release to borrowers. Such liabilities average term is 6 years, with final maturity in 2023. Free funds, updated based on the SELIC rate, total R\$ 503,614 thousand (R\$ 514,880 thousand on 12.31.2003).

As to the external liabilities, interest rates vary from 2.05% to 11,375% per year. (including Income Tax), the average term is 8 years, and the final maturity with the Interamerican Development Bank ("IDB") shall be in 2019. The foreign exchange correction, when applicable in accordance with the contractual provisions, is calculated based on official indexes disclosed by Brazilian Central Bank.

As for the funds raised as Eurobonus entries, interest rates vary from 9.625% to 11.375% per year, with the last tranche to be due on 03.07.2005.

Transfers of assets are made, at least, in the same condition of liability transfers as to charges and terms, and are supported by security interests, guarantees and bails, further to other collaterals.

NOTE 7 –Financial Statements Mainly Accounts Details in R\$ Thousands

a) Other Credits

	<u>12.31.2004</u>	<u>12.31.2003</u>
Receivables for Guarantees honored	10	-
Foreign Currency Portfolio	106,268	38,300
Unsettled Currency Purchases	105,080	38,111
Rights on Foreign Currency Sales	17,055	-
Other	(15,867)	189
Income Receivable	263	6,850
Moneys Negotiation and Dealing	14	-
Specific Credits	291	546,968
National Treasury Department – Agriculture Credit Lengthening/Resolution Nr. 2471 (Note 5.g)	-	546,677
National Treasury Department - Agriculture Credit Lengthening/Resolution Nr. 2238	291	291
Sundry	628,088	718,982
Tax Credits - Temporary Differences	270,018	482,555
Tax Credits – marketable securities and Derivative instruments	123,512	54,315
Debtors for Guarantee Deposits	61,213	54,407
Tax and Payable Contributions	27,497	44,454
Tax Incentive Options	26,748	26,748
Security and Credits Receivable	11,302	9,620
Other	107,798	46,883
Allowance for Other Doubtful Debts	(31,697)	(28,180)
Having a Credit Granting Nature	(12,131)	(5,770)
Having not a Credit Granting Nature	(19,566)	(22,410)
TOTAL	703,237	1,282,920
SHORT TERM BALANCE	634,388	820,731
LONG TERM BALANCE	68,849	462,189

b) Deposits

	<u>12.31.2004</u>	<u>12.31.2003</u>
Sight Deposits	239,685	342,622
Investments Deposits	117,444	229,899
Foreign Currency Deposits in the Country	53,377	49,133
Government Deposits	39,218	20,158
Bound Deposits	10,118	24,586
Other Values	19,528	18,846
Saving Deposits	396,359	354,172
Free Saving Account Deposits - Individuals	302,435	263,316
Free Saving Account Deposits - Corporate	93,739	90,679
Other Values	185	177
Interbanks Deposits	58,102	5,627
Time Deposits	2,014,861	2,064,379
Time Deposits	472,745	325,408
Interest-bearing Judicial Deposits	19,301	17,502
Interest-bearing Special Deposits/"FAT" - Available Funds	503,614	514,880
Urban <i>Proger</i>	82,949	97,829
Rural <i>Proger</i>	103,460	108,678
<i>Pronaf</i>	208,528	218,657
<i>Protrabalho</i>	82,434	65,741
Draught Period	26,243	23,975
Interest-bearing Special Deposits/"FAT" - Applied Funds	1,019,201	1,206,589
Urban <i>Proger</i>	226,609	330,478
Rural <i>Proger</i>	72,115	74,833
<i>Pronaf</i>	100,990	106,455
<i>Protrabalho</i>	583,039	656,110
Draught Period	36,448	38,713
Others Deposits	2,622	-
TOTAL	2,711,629	2,766,800
SHORT TERM BALANCE	1,082,052	962,306
LONG TERM BALANCE	1,629,577	1,804,494

c) Domestic Onlending Liabilities

	<u>12.31.2004</u>	<u>12.31.2003</u>
Brazilian National Treasury	1,777	1,826
BNDES¹	1,054,875	1,238,512
<i>Poc</i>	353,520	468,775
Facility for Investment in the Agricultural Sector	380,522	371,508
Other Programs	320,833	398,229
CEF²	1,166	1,427
FINAME³	138,191	155,929
Special Program	1,546	2,522
Automatic Program	72,534	73,374
Agricultural Program	21,843	22,711
Other Programs	42,268	57,322
Other Institutions	346,269	319,006
Pilot Project for Support to Agrarian Reform	63,895	62,615
MEPF - Fund for Lands and Agrarian Reform – Land Bank	177,267	176,144
EMBRATUR ⁴ /FUNGETUR ⁵	4,326	6,401
Land Bank – Rural Poverty Combat	96,441	68,418
Other Programs	4,340	5,428
TOTAL	1,542,278	1,716,700
SHORT TERM BALANCE	402,582	412,905
LONG TERM BALANCE	1,139,696	1,303,795

¹ The Brazilian National Bank for Economic and Social Development (“BNDES”)

² Federal Savings and Loans Bank (“CEF”)

³ The Brazilian Government Agency for Machinery and Equipment Financing (“FINAME”)

⁴ Brazilian Tourism Company (“EMBRATUR”)

⁵ The General Tourism Fund (“FUNGETUR”)

d) Foreign Onlending Liabilities

	<u>12.31.2004</u>	<u>12.31.2003</u>
IDB - Prodetur*	1,028,001	1,069,615
IDB - Other Programs	1,573	756
Linked to interbank onlending	2,433	2,942
TOTAL	1,032,007	1,073,313
SHORT TERM BALANCE	74,464	71,987
LONG TERM BALANCE	957,543	1,001,326

e) Other Liabilities

	<u>12.31.2004</u>	<u>12.31.2003</u>
Collected Taxes and Other	4,774	5,525
Foreign Currency Portfolio	26,413	78
Currency Purchase Liabilities	112,636	38,663
Currency sales payable	17,052	-
(Advances on Exchange Contracts)	(103,347)	(38,663)
Other Values	72	78
Social and Statutory	44,022	14,092
Tax and Social Security	674,292	837,357
Provision for Tax Risks	502,427	723,242
Provision for Taxes and Contributions, Deferred	156,051	98,865
Security and Derivatives	134,291	75,722
Revaluation on Buildings and Lands	21,760	23,143
Other Values	15,814	15,250
Financial and Development Funds	3,997,272	3,419,580
The Brazilian Northeastern Region Constitutional Financing Fund – FNE	3,967,136	3,388,556
Other Values	30,136	31,024
Sundry	1,326,863	1,274,797
Provision for Contingent Liabilities	1,158,465	974,904
Labor Disputes	91,939	44,220
Civil Actions	93,319	42,645
Tax Cases	31,728	16,720

Benefits to Employees – CVM Resolution 371	387,953	233,628
Retirement and Pension Plan	347,086	220,817
Medical Care Plan	40,867	12,811
FNE (Note 15.c)	553,526	604,956
Other Values	-	32,735
Provision for Payments Falling Due	142,199	264,680
CVM Resolution 371 - Retirement and Pension Plan	112,144	238,670
Other Values	30,055	26,010
Other Values	26,199	35,213
TOTAL	6,073,636	5,551,429
SHORT TERM BALANCE	3,878,591	3,722,538
LONG TERM BALANCE	2,195,045	1,828,891

* Tourism Development Program ("PRODETUR")

f) Financial Intermediation Income

	<u>2nd sem/2004</u>	<u>12.31.2004</u>	<u>12.31.2003</u>
Credit Operations	361,751	746,470	714,539
Interest and Commissions	197,994	368,651	414,723
Monetary Restatement	57,230	114,475	112,289
Foreign Exchange Variance	17	69,468	50,841
Recovery of Credits Written-off as Losses	106,510	193,876	136,686
Result of Operations with Bonds and Securities	575,375	1,169,664	1,332,383
Fixed-Income Securities	601,100	1,175,822	1,275,763
Other Applications	20,264	49,874	88,243
Profit, Loss, and Adjustment	(45,989)	(56,032)	(31,623)
Derivatives' Result	-	-	(5)
Result from Foreign Exchange Operations	6,323	15,916	84,466
Result from Compulsory Applications	(2,626)	(4,119)	17,245
TOTAL	940,823	1,927,931	2,148,628

g) Financial Intermediation Expenses

	<u>2nd sem/2004</u>	<u>12.31.2004</u>	<u>12.31.2003</u>
Funding Operations at the Market	(149,918)	(307,464)	(399,494)
Interest and Commissions	(118,164)	(240,882)	(326,163)
FAT	(89,608)	(183,704)	(275,688)
Others	(28,556)	(57,178)	(50,475)
Monetary Restatement	(31,754)	(54,059)	(71,463)
Foreign Exchange Variance	-	(12,523)	(1,868)
Loan and Transfer Operations	(400,751)	(854,616)	(846,888)
Interest and Commissions	(70,439)	(145,880)	(189,970)
Funds	(4,054)	(7,539)	(9,290)
Others	(66,385)	(138,341)	(180,680)
Monetary Restatement	(329,980)	(628,404)	(588,527)
Funds	(303,144)	(575,085)	(505,685)
Others	(26,836)	(53,319)	(82,842)
Foreign Exchange Variance	(332)	(80,332)	(68,391)
Allowance for Doubtful Debts (Note 5.e)	(74,726)	(171,586)	(236,380)
Credit Operations	(75,673)	(174,429)	(213,971)
Operations having not a Credit Granting Nature	947	2,843	(22,409)
TOTAL	(625,395)	(1,333,666)	(1,482,762)

h) Other Income/Operational Expenses

	<u>2nd sem/2004</u>	<u>12.31.2004</u>	<u>12.31.2003</u>
Services Provided Income	271,291	546,269	447,284
Administration of Investment Funds	2,048	4,149	3,927
Administration of Funds and Programs	227,875	471,209	403,372
Other Values	41,368	70,911	39,985
Personnel Expenses	(174,140)	(322,929)	(286,903)
Salaries	(111,197)	(208,633)	(184,625)
Social Charges	(44,434)	(81,638)	(72,565)

Other Values	(18,509)	(32,658)	(29,713)
Other Administrative Expenses	(160,553)	(321,627)	(261,316)
Data Processing	(35,743)	(67,118)	(50,592)
Advertising and Publicity	(8,420)	(21,465)	(5,091)
Third Parties' Services	(14,074)	(27,991)	(28,213)
Rental Fees, Material, Water, Electric Power, and Gas	(15,625)	(30,243)	(27,305)
Travels	(7,353)	(14,708)	(16,616)
Communications	(8,771)	(18,093)	(16,779)
Depreciation and Amortization	(7,600)	(14,477)	(12,081)
Property Maintenance and Conservation	(6,265)	(12,185)	(11,957)
Surveillance, Security, and Transportation	(6,784)	(13,229)	(13,624)
Promotions, Public Relations, and Publications	(3,671)	(9,097)	(6,929)
Financial System Services	(3,567)	(6,676)	(6,081)
Specialized Technical Services	(5,563)	(13,218)	(6,321)
Other Values	(37,117)	(73,127)	(59,727)
Tax Expenses	(36,367)	(69,892)	(59,456)
Contribution to Cofins	(27,619)	(53,568)	(45,477)
PIS ¹ /PASEP ²	(4,484)	(8,701)	(9,019)
Other Values	(4,264)	(7,623)	(4,960)
Other Operational Income	336,750	479,862	527,534
<i>Del credere</i> from Administered Funds	60,456	109,047	79,224
Negative Foreign Exchange Variance from Loans	177,658	178,578	271,136
Reversion from Operational Provisions/Risks with FNE Operations	52,824	57,855	-
Recovery of Charges and Expenses	2,881	8,861	7,985
Special Credits Income	-	4,533	100,638
Reversion from Operational Provisions/Social Contribution	-	-	28,282
Other Values	42,931	120,988	40,269

¹ Employees' Profit Participation Program ("PIS")

² Public Service Employee Savings Program ("PASEP")

Other Operational Expenses	(390,454)	(524,123)	(1,054,056)
Foreign Exchange Variance of the Foreign Exchange Area	-	(5,357)	(80,148)
Negative Foreign Exchange Variance from Loans	(136,883)	(139,358)	(181,661)
Discounts Granted in Renegotiation	(775)	(4,627)	(8,117)
Tax Risks	(31,787)	(48,599)	(86,976)
Retirement and Pension Plan (CVM Nr. 371)	(65,825)	(138,979)	(425,971)
Medical Care Plan (CVM Nr. 371)	(19,403)	(28,056)	(9,015)
FNE Operations risk	(6,425)	(6,425)	(151,968)
Other Values	(129,356)	(152,722)	(110,200)
TOTAL	(153,473)	(212,440)	(686,913)

NOTE 8 - Taxes and Contributions

a) Income Tax e Social Contribution

Banco do Nordeste is subject to the Real Profit tax system, and pays Income Tax and Estimate Social Contribution on a monthly basis. The Income Tax expense registered in year 2004 was R\$ 156,283 thousand, and Social Contribution was R\$ 56,253 thousand, with its conciliation being set out below in R\$ Thousands:

	<u>Income Tax</u>		<u>Social Contribution</u>	
	<u>12.31.2004</u>	<u>12.31.2003</u>	<u>12.31.2004</u>	<u>12.31.2003</u>
Income Before Taxes	326,137	(46,047)	382,391	(17,766)
Permanent Additions/Exclusions	75,228	(19,260)	18,814	(48,492)
Temporary Additions/Exclusions	(470,035)	(64,975)	(470,035)	(64,975)
Tax Income Before Offsets	(68,670)	(130,282)	(68,830)	(131,233)
Tax Loss and Negative Basis Offset	-	-	-	-
Taxable Income after Offsets	(68,670)	(130,282)	(68,830)	(131,233)
Taxes Due	-	-	-	-
Deductions (Tax incentives and offsets)	-	-	-	-

Tax Credit on Timing Differences	(156,283)	76,438	(56,253)	27,518
Income Tax Complement, base year 2002	-	(1,476)	-	-
Amounts registered in expense	(156,283)	74,962	(56,253)	27,518
expense % in relation to Income Before Taxes	(47.92%)	(162.79%)	(14.71%)	(154.89%)

b) Tax Credits on Timing Differences

Article 9 of Law Number 9.430, sets deductibility rules applied in the registration of allowance for bad debtors in the tax basis for the Income Tax and Social Contribution, which differ from the provisions of the National Monetary Council Resolution Number 2.682, of 12.21.1999. The portion of the provision constituted by the rules of the National Monetary Council exceeding the limit ascertained in accordance with the tax laws is temporarily added in the tax basis for the aforementioned taxes. The provisioning, temporarily non-deductible, shall reduce the tax results from subsequent periods, when it shall be included in concepts of loss for taxable purposes, or upon the reversion thereof.

Because of the temporary nature of the addition of allowances bad debtors, and pursuant to provision of the Circular Letter BACEN Nr. 3.171, of 12.30.2002, CVM Resolution Nr. 273, of 08.20.1998, and Article 8, of Provisional Measure Nr. 2.158-35, of 08.24.2001, the Bank registers the tax credit corresponding to the Income Tax and Social Contribution on said Temporary Differences.

In accordance with the Circular Letter BACEN Nr. 3.023, of 06.11.2002, Tax Credits have been constituted on adjustments to the market value of Bonds and Securities, as regards the securities available for sale. Credits' movement is shown below, in R\$ Thousands:

	INCOME TAX		SOCIAL CONTRIBUTION		
	Temporary Differences	TVM	Temporary Differences	TVM	Art. 8, MP 2.158/01
Initial Balance as of 12.31.2003	326,943	39,938	117,700	14,378	37,912
(+) Credit Constitution	-	50,880	-	18,316	-
(-) Credit Realization	(156,283)	-	(56,254)	-	-
(=) Final Balance as of 12.31.2004	170,660	90,818	61,446	32,694	37,912

The balance for the Income Tax and Social Contribution active provision, registered in "OTHER CREDITS-Sundry", has the following composition, in R\$ Thousands:

	Income Tax		Social Contribution	
	12.31.2004	12.31.2003	12.31.2004	12.31.2003
1. Total Timing Differences	2,557,779	3,027,814	2,557,779	3,027,814
2. Tax Loss and Negative Basis	934,562	871,127	936,258	894,939
3. Total calculation basis (1) + (2)	3,492,341	3,898,941	3,494,037	3,922,753
4. Total Tax Credits	873,085	974,735	314,463	353,048
5. CSLL ¹ to Offset - Article 8, MP 2158-35/01	-	-	37,912	37,912
6. Tax credit arising from TVM market marking	90,818	39,938	32,694	14,377
7. Total Tax Credits	963,903	1,014,673	385,069	405,337
8. Tax Credits, Active	261,501	366,881	132,052	169,989
9. Tax Credits, Non-Activated (7)-(8)	702,402	647,792	253,017	235,348

¹ Social Contribution on Net Income ("CSLL")

The deferred Income Tax and Social Contribution shall be realized so long as the Timing Differences on which they are calculated are reverted, or they are included in tax deductibility parameters, the realization time schedule of which is provided below, duly grounded on technical study in which there is an expectation towards the generation of future positive results, with the consequent generation of liabilities for Taxes and Contributions, already considering the provisions in Article 6, sole paragraph, of Law Number 9.249/95. The picture below shows the realization foreseen values in comparison with the current credit value, calculated based on Interfinance Deposits' rate ("CDI"), projected for the corresponding periods:

Period	Income Tax Credit Realization		CSLL Credit Realization		Total	
	Book Value	Current Value	Book Value	Current Value	Book Value	Current Value
2005	42,278	35,963	15,229	12,954	57,507	48,917
2006	26,170	19,337	9,421	6,961	35,591	26,298
2007	37,685	24,482	13,566	8,813	51,251	33,295
2008	44,986	25,824	16,195	9,297	61,181	35,121
2009	19,542	9,948	7,035	3,581	26,577	13,529
TOTAL	170,661	115,554	61,446	41,606	232,107	157,160

Tax Credits on market value adjustments for Bonds and Securities ascertained by the Current Value for realization, in accordance with Circular Letter BACEN Nr. 3.068/01, shall be realized in accordance with Securities' maturity, as shown below, in R\$ Thousands:

Period	Income Tax Credit Realization		CSLL Credit Realization		Total	
	Book Value	Current Value	Book Value	Current Value	Book Value	Current Value
2005	79,771	79,771	28,717	28,717	108,488	108,488
2006	1,682	1,682	606	606	2,288	2,288
2007	3,124	3,124	1,125	1,125	4,249	4,249
2008	1,064	1,064	383	383	1,447	1,447
2009	2,509	2,509	903	903	3,412	3,412
2010 to 2012	2	2	1	1	3	3
2013 to 2015	1	1	-	-	1	1
2025 to 2027	2,664	2,664	959	959	3,623	3,623
TOTAL	90,817	90,817	32,694	32,694	123,511	123,511

The tax credit for Social Contribution, registered in accordance with Article 8, Provisional Measure 2.158/01, shall be realized pursuant to offset with the Social Contribution due, as shown below, in R\$ Thousands, calculated based on the Interfinance Deposits' rate ("CDI") projected for the corresponding periods:

CSLL Credit Realization MP 2158/01		
Period	Book Value	Current Value
2005	7,582	6,450
2006	7,582	5,602
2007	7,582	4,926
2008	7,582	4,353
2009	7,582	3,860
TOTAL	37,910	25,191

NOTE 9 - Net Equity

a) Capital Stock

The amount of the Capital Stock is R\$ 1,228,000 thousand (R\$ 1,162,000 thousand on 12.31.2003), represented by 870,019,022,574 book entry shares, with no par value, paid-up, distributed as follows:

Stockholders	Common Shares	Preferred Shares	Voting Capital %	Total Capital %
Federal Government	465,952,800,540	353,731,907,693	96.10	94.22
The Brazilian National Development Fund – FND	14,737,043,790	23,732,649,036	3.04	4.42
BNDESPAR ¹	490,153,432	4,899,854,822	0.10	0.62
Others (35,391 stockholders)	3,667,757,582	2,806,855,679	0.76	0.74
TOTAL	484,847,755,344	385,171,267,230	100.00	100.00

¹ BNDES Participações

b) Revaluation Reserve

It refers to the revaluation of assets for own use, constituted on 02.26.1993. The realization occurred in this year, in the amount of R\$ 2,685 thousand (R\$ 2,675 thousand as of 12.31.2003), was transferred for "Accumulated Earnings or Losses".

c) Net Profit – Destinations

1. Net Profit	152,069
2. Adjustments from Precedent Years	(54,909)
3. Revaluation Reserves transferred for LPA	2,685
4. Provision Effect of Deferred Taxes on Revaluation Reserve realization	1,383
5. Adjusted Net Profit	101,228
Legal Reserve (item 1 times 5%)	7,604
Dividends (Note 9.d)	52,709
Statutory Reserve (item 5 – Legal Reserve – Dividends)	40,915

d) Dividends

Banco do Nordeste's By-Laws assures to stockholders no less than 25% on the Net Profit result ascertained in each year, adjusted as set forth by Law.

The Administration proposed and the Board of Directors approved, “ad referendum” of the General Stockholders’ Meeting, the dividend payment of 50% on the Adjusted Net Profit for the year.

From the supplementary dividend to be paid to the stockholders, the advance dividend on Net Profit for the 1st semester shall be deducted, corrected by the SELIC rate. See below the demonstration of dividend calculations for year 2004 in R\$ Thousands:

1. Net Profit of the Year	152,069
2. Legal Reserve Constituted	(7,604)
3. Revaluation Reserves transferred for LPA	2,685
4. Adjustments from Precedent Years	(54,909)
5. Participations in Profit	13,177
6. Dividend Calculation Basis	105,418
7. 50% Proposed and Provisioned Dividend	52,709
8. Advance Dividend, Restated	15,488
9. Supplementary Dividend	37,221
- Dividend of R\$ 0.04096433121 per batch of 1,000 Common Shares	19,861
- Dividend of R\$ 0.04507135533 per batch of 1,000 Preferred Shares	17,360

For preferred shares, dividends 10% greater than those given to common shares were calculated, as provided for in subsection “I”, Article 17, of Law Number 6.404/76, with the new wording given by Law Number 9.457/97, subject to paragraph 2, Article 6, of the Bank By-Laws.

Dividends shall be paid including financial charges based on the SELIC rate, from the date of the balance sheet closing, up to the date the income is made available to the stockholder, pursuant to Decree Number 2.673, of 07.16.1998, with the new wording given by Decree Number 3.381, of 03.13.2000.

Employees’ profit sharing was added to the tax basis for dividends, as set forth by Article 2, Resolution Nr. 10/1995, of Conselho de Coordenação e Controle das Empresas Estatais [The Council for Coordination and Control of State-Owned Companies] (“CCE”).

e) Adjustments from Precedent Years

	Debt Adjustment	Credit Adjustment	Net Adjustment
Reversal of credit grant for the Federal Government – Resolution 2471 (Note 5.g)	(176,359)	105,831	(70,528)
Yielding for FNE applications in PRONAF A, pursuant to Resolution Nr. 2.766/2000, of CMN, in the period comprehended between Aug/2000 and Dec/2003		10,395	10,395
Bank <i>Del Credere</i> Recalculation in FNE operations secured by guarantee funds, because of alteration in the methodology of ascertainment of the amount of guarantees by BNB	(848)		(848)
Adjustments in Assets Not for Own Use	(735)		(735)
Segregation of values related to bonus and/or dispense of charges capable of equalization for operations renegotiated under Law Number 10.696		11,110	11,110
Reversion of default charges incurred because of operations conversion into FNE – Law Number 10.464	(4,344)	41	(4,303)
TOTAL	(182,286)	127,377	(54,909)

NOTE 10 – Contingent Liabilities

Banco do Nordeste participate in several lawsuits involving mainly civil actions and labor disputes, both individual and collective. Before such a number of proceedings, and based on a case-by-case analysis, the Legal Superintendency, from provisioning criteria prior defined, indicates the values that should be provisioned in each situation. For criteria determination, all of the Bank legal units conducted a survey as regards demands capable of being included in the classification hereby provided, with the entire basis of proceedings being considered. To such an effect, the civil, tax, and labor actions were classified as to the involved risk, and provisions were set aside in amounts considered enough by the Bank lawyers, as it is shown below, in R\$ Thousands:

	%	Number of	Base Value	Provision
	Accrued	Proceedings		Balance
Legal Entities (A)				
Probable	65.00%	745	193,162	125,555
Possible	20.00%	524	139,392	27,878
Remote	10.00%	920	216,531	21,653
Provision on Legal Deposits (B)	68.45%	879	61,213	41,900

Labor, Civil, and Tax Cases (A+B)		3,068	610,298	216,986
Provision for Tax Risks (Summer Plan)	100.0%	1	502,427	502,427
TOTAL		3,069	1,112,725	719,413

Provisions for the granting of after-employment benefits are recognized in accordance with the directions of CVM Resolution Nr. 371, of 12.13.2000, and the risk assumed by the Bank, in FNE operations, contracted from 12.01.1998, is calculated in a manner comparable to that provided for in Resolution Nr. 2.682/99.

Provisions for contingent liabilities total R\$ 1,158,465 thousand and R\$ 974,904 thousand in years 2004 and 2003, respectively. (note 7.e)

NOTE 11 - Compensation Paid to Employees and Officers

The maximum, average, and minimum monthly compensation values paid by the Bank to its employees and officers are as follows, in R\$ 1.00:

Gross Compensation	Employees (1)	Officers (2)
Maximum	9,678.84	11,437.61
Minimum	504.52	-
Average	3,371.22	-

(1) It includes payment for overtime (including night job extra payment), when actually provided.

(2) It includes R\$ 1,756.93, for the 20% additional compensation for exercising a head position, fixed by the Brazilian Treasury Department.

On 12.31.2004, Banco do Nordeste employees number totaled 4,053, against 3,666, as of 12.31.2003, with a 10.55% increase, within the period, in Bank personnel.

NOTE 12 – Profit Sharing and Participation in Results

In the year 2004, the amount of R\$ 13,177 thousand was set aside for employees' and officers' profit sharing, corresponding to 25% of dividends, pursuant to Resolution Nr. 10/1995, of the Conselho de Coordenação e Controle das Empresas Estatais [The Council for Coordination and Control of State-Owned Companies] ("CCE").

NOTE 13 - Benefits to Employees

As defended by CVM Resolution Nr. 371, of 12.13.2000, the following information on the policy for Benefits to Employees is provided, as well as on accounting procedures adopted by Banco do Nordeste in the recognition of its liabilities:

a) Banco do Nordeste does not Maintain:

- Dismissal benefits;
- Long term benefits;
- Deferred compensation through shares and securities corresponding to equity interest.

b) Accounting Policy Adopted by the Bank in the Recognition of Actuarial Earnings and Losses

The policy adopted in the recognition of actuarial earnings and losses complies with the provisions in items 52 to 55 of the attachment to CVM Resolution Nr. 371, recognizing the actuarial earnings or losses portion exceeding the higher of:

- 10% of the current actuarial liability value for the benefit determined; and
- 10% of the fair value for assets of the plan.

c) Features of the Pension Plan for Employees of Banco do Nordeste do Brasil

The Bank is the sponsor of Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil [Private Pension Association for Employees of Banco do Nordeste do Brasil] ("CAPEF"), a supplementary pension closed entity intended to supplement the government retirement pension plan for affiliated employees, further to the granting of a pension allowance for their dependents. Below are outstanding information concerning CAPEF operation:

c.1) Actuarial System

CAPEF adopts the capitalization financial system in the actuarial calculation of reserves related to benefits for retirement supplementation, pension supplementation, and ordinary annuity.

c.2) Benefit Plan

The adopted type plan is that of determined benefit, assuring the supplementation of the retirement for service time, aging, and incapability of participants, as well as the supplementation of the ordinary pension and annuity for participants' dependents.

c.3) Liabilities Overdue

None.

c.4) Debt from Contributions

In the second semester of 2003, CAPEF, participants and assisted people, further to sponsors, entered into an agreement for recomposing the benefits, including the payment for benefits differences for the period between January 1997 and December 2003, intending to extinguish legal demands then existing (537 actions comprehending 3,054 participants and assisted), which jeopardized Entity subsistence.

As a consequence of the negotiation proceeding, on 12.30.2003, Banco do Nordeste entered into an agreement with CAPEF, as regards its part in the agreement in the capacity of sponsor, in the amount of R\$ 183,695 thousand. The agreement also includes the recognition of contributions not paid to CAPEF in the period of July/1993 to February/1994, in the amount of R\$ 54,975 thousand, totaling a debt of R\$ 238,670 thousand.

In the course of 2004, that value was updated in R\$ 12,710 thousand, and Banco do Nordeste amortized the amount of R\$ 139,236 thousand.

So, the remaining balance of BNB contractual debt amounted, on 12.31.2004, R\$ 112,144 thousand, which shall be paid in twenty-four (24) monthly installments, updated by the rate corresponding to CAPEF actuarial goal (INPC [National Consumer Price Index] variance plus a 6% annual rate), with the first to be due on 01.31.2005.

c.5) Evolution of the Actuarial Situation

CAPEF actuarial result, as of December/2004, was a surplus one, in the amount of R\$ 113,362 thousand (surplus of R\$ 100,536 thousand, on 12.31.2003), pursuant to Actuarial Evaluation made by PROBUS Suporte Empresarial S/C Ltda.

c.6) Contribution Ratio (Participants/Sponsor)

The contribution ratio between participants and Banco do Nordeste meets the parity established in the Constitutional Amendment Nr. 20/98, with the contributory ratio being, by the end of the year 2004, 1:1 (On 12.31.2003 1:1).

d) Features of the Medical Care Plan

Banco do Nordeste contributes with the Health Plan administered by Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil [Association for the Aid to Employees of Banco do Nordeste do Brasil] (“CAMED”), the main purpose of which is to provide medical care to its associates and dependents enrolled with the Natural Plan, through the grant of aids destine for covering or recovering expenses made for health furtherance, protection, and recovery.

d.1) Liabilities due

None.

d.2) Contributions

The Natural Plan is basically financed by the social contribution paid by the associates, by parity contribution which Sponsors are liable for, by contributions related to the enrollment of natural dependents, by financial protection rate, and by the financial co-participation paid by the associate on used events.

e) Conciliation of Assets and Liabilities Recognized in the Balance Sheet

Assets’ and liabilities’ conciliation is shown below, in R\$ thousands, pursuant to actuarial evaluations made by PROBUS Suporte Empresarial S/C Ltda., based on information provided by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (“CAPEF”), by Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil (“CAMED”), and by Banco do Nordeste do Brasil S.A., in compliance with the provision in item 49 of the Attachment of CVM Resolution Nr. 371:

Specification	CAPEF	CAMED
1. Current Value of Actuarial Liabilities Fully or Partially Covered	2,187,646	241,322
2. Plan Assets’ Fair Value	1,355,949	8,610
3. Current Value for Actuarial Liabilities at Risk (item 1 minus item 2)	831,697	232,712
a. Current Value for Actuarial Liabilities at Risk, Recognized	459,230	40,867
i. Current Expenses	112,252	9,242
ii. Actuarial Loss Net Value	11,579	12,796
iii. Cost of Services Formerly Provided	195,220	-
iv. Portion of Actuarial Liabilities Ascertained as of 12.31.2001	140,179	18,829
b. Current Value for Actuarial Liabilities at Risk, Non-Recognized	372,467	191,845
i. Actuarial Loss Net Value	120,041	179,293
ii. Cost of Services Formerly Provided	158,973	-
iii. Portion of Actuarial Liabilities Ascertained as of 12.31.2001	93,453	12,552

f) The Net Actuarial Liability Turnover within the Period is Set Out Below, in R\$ Thousands:

Specification	CAPEF	CAMED
1. Net Actuarial Liabilities, in the End of the Precedent Year	850,323	31,640
2. Turnover Result in Actuarial Liabilities at Risk in the Current Year	(18,626)	201,072
a. Current Expenses	65,757	8,983
b. Actuarial Loss Net Value	54,853	192,089
c. Cost of Services Formerly Provided	(139,236)	-
3. Net Actuarial Liabilities, in the End of the Period	831,697	232,712

g) The Expense Recognized in the Income Statement is Set Out Below, in R\$ Thousands:

Specification	CAPEF	CAMED
1. Current Expenses	115,506	22,072
a. Cost of Current Service, Deducted from Employees' Contributions	15,274	9,197
b. Cost of Interests	244,157	13,551
c. Expected Income on Plan Assets	(143,925)	(676)
2. Actuarial Losses and Liabilities Recognized in the Year	-	12,796
3. Cost of Services Formerly Provided	26,496	-
4. Actuarial Liability As of 12/31/2001, Recognized in the Year	46,726	6,276
5. Expense Recognized in the Income Statement	188,728	41,144
a. Expense of Provision for Contingent Liabilities (Note 7.h)	138,979	28,056
b. Expense of Contributions	49,749	13,088

h) Additional comments

h.1) Current Expenses – liabilities ascertained in the year, arising out of increase in time of service provided by employees;

h.2) Net Actuarial (Gains)/Losses – liabilities ascertained in the year, arising out of actuarial assumptions adopted changes or divergence between used assumptions and what has actually occurred. Such liabilities' recognition follows the rules application for recognizing actuarial gains and losses – item b of this note. The losses charged to CAPEF arise out of differences effects between the used assumptions for calculating the Actuarial Liabilities and what has actually occurred. The CAMED ascertained losses arise out of actuarial evaluation assumptions changes effects, which started to consider the total non-covered costs, instead of the obligation to contribute in statutory contributions.

h.3) Cost of Services Formerly Provided - liabilities ascertained upon the increase of after-employment benefits, as regards services provided by employees in former time periods. The expenses recognition for the cost of services formerly provided complies with the provision in items 38, 56, and 57 of the Attachment to CVM Resolution Nr. 371. In the current year, an amortization of the cost of services formerly provided was made, in the amount of R\$ 139,236 thousand, as regards the private pension plan – CAPEF, corresponding to benefits already granted, which was recognized in year 2003 (R\$ 307,960 thousand);

h.4) Actuarial Liability Ascertained as of 12.31.2001 – the current value for non-covered actuarial liabilities, in amounts of R\$ 233,632 thousand (CAPEF) and R\$ 31,381 thousand (CAMED), ascertained as of 12.31.2001, as provided for in item 49 of the Attachment to CVM Resolution Nr. 371. The expenses recognition for actuarial liabilities on 12.31.2001 is being conducted for a five-year period, from 2002 (item 84 of the aforementioned provision).

i) Assumptions used

i.1) Biometric Assumptions: Table for General Mortality of Capable People – AT83; Table for Mortality of Incapable People – IAPC Experiences; Table for People Becoming Incapable – CAPEF Experience, and Turnover Table – None.

i.2) Economic Assumptions: Expected Actual Rate of Yielding for Plan Assets – 6% per annum; Future Inflation Rate – 6% per annum; Estimated Real Salary Increase Index – 1% per annum; Actual Growing Rate of CAPEF's Benefits – 0% annum, and Actual Rate of Actuarial Liability Discount – 6% per annum; Actual Growing Rate for INSS' Benefits – 0% per annum; Actual Growing Rate of Welfare Expenditures – 2.8% per annum.

i.3) The future inflation rate is used in calculating the Actuarial Liability Current Value, aiming at measuring the inflationary floating arising out of freezing, per annual cycles, of future contributions and benefits, by admitting

in such calculation the occurrence of an inflationary process of equal intensity for all salary, welfare, social security, and economic variables for the plan.

NOTE 14 - Equity Balances Bound to Foreign Currencies

The operations contracted with foreign exchange restatement clause, on 12.31.2004, net balance of the purchased foreign exchange exposure, amounting R\$ 59,885 thousand, resulting from the difference between Assets in foreign currencies (R\$ 1,362,177 thousand) and Liabilities in foreign currencies (R\$ 1,302,292 thousand).

NOTE 15 - The Brazilian Northeastern Region Constitutional Financing Fund ("FNE")

- a) The operations made with FNE funds are registered in off set accounts of the Bank (Equity from Public Administered Funds)
- b) Fund availabilities, registered under the heading Other Liabilities/Financial and Development Funds, is invested at the extra-market rates.
- c) The allowance for bearing the credit risk in operations contracted under FNE is constituted complying with the following criteria:
 - c.1) In the operations contracted up to 11.30.1998, the Bank is free from operational risk;
 - c.2) For operations contracted from 12.01.1998, the Bank credit risk is limited to 50% of the amount calculated under Resolution Nr. 2.682/99. The balance composition for financings and provisions accounted for Contingent Liabilities of the Bank is as follows, in R\$ Thousands:

Risk Level	Balances (A)	Risk % (B)	Risk Value C = (A x B)	Provision in Dec/04 D = (C x 50%)	Provision in Dec/03
AA	1,109,520	0 %	-	-	-
A	719,948	0.50 %	3,600	1,800	667
B	917,559	1.00 %	9,176	4,588	5,230
C	312,631	3.00 %	9,379	4,689	1,787
D	754,839	10.0 %	75,484	37,742	4,229
E	147,004	30.0 %	44,101	22,051	16,766
F	45,001	50.0 %	22,500	11,250	19,524
G	31,548	70.0 %	22,083	11,041	20,004
H	920,729	100 %	920,729	460,365	536,749
TOTAL	4,958,779		1,107,052	553,526	604,956

- d) For the operations contracted up to 11.30.1998, the Bank *del credere* was reduced to zero. For agreements entered into upon that date, the *del credere* is 3% per annum, when the credit risk is 50% and 6%, when contracted in the name of the very Bank.
- e) The 3% year administration fee is calculated on Fund Net Equity, deducted from the values subject matter of the transfer agreement entered into with the Bank, it being limited, for each year, to 20% of the amount of transfers made by the Brazilian National Treasury.

NOTE 16 - Operational Limits - Basel Pact

On 12.31.2004, the capital suitability index (Basel Index) of Banco do Nordeste was 19.77% (on 12.31.2003, 22.55%), while the Reference Equity (PR) was R\$ 1,340,142 thousand (R\$ 1,315,181 thousand, on 12.31.2003). Resolution Nr. 2.099/94, of the National Monetary Council, and supplementary rules issued by the Brazilian Central Bank determine, for 12.31.2004, an 11% minimum threshold for the capital suitability index, and, in the case of the Bank, a minimum PR of R\$ 745,560 thousand (R\$ 641,504 thousand, on 12.31.2003).

The assets capable of being weighted by the risk show the following composition (R\$ thousand):

	12.31.2004	12.31.2003
Assets at a 0% Risk		
Cash and Cash Equivalents	27,738	19,248
Credits and Bonds issued by the Brazilian Government	8,073,140	7,700,849
Deposits with the Banco Central	82,776	76,557
Special Credits – extension of credit to Agriculture	291	546,968
Operations refinanced with the Brazilian Government	491,338	462,991
Others	28,721	107,942
Total at a 0% risk	8,704,004	8,914,555
Assets at a 20% risk		
Cash and Cash Equivalents in foreign currencies	9,553	8,665
Check and other papers clearing service	37,963	35,580
Deposits with other banks	3,848	1,706
Total at a 20% risk	51,364	45,951
Weighted value	10,273	9,190

Assets at a 50% risk		
Applications in Interfinance Deposits, securities and investment funds	352,621	1,407
Foreign Currency Portfolio	105,080	38,111
Off Set accounts	169,981	117,281
Others	214	195
Total at a 50% risk	627,896	156,994
Weighted value	313,948	78,497
Assets at a 100% risk		
Credit Operations	3,040,325	2,662,922
Property, plant, and equipment for use	147,218	136,448
Investments	753	4,567
Foreign Currency Portfolio	1,188	189
Off Set accounts	1,700,082	855,624
Others	372,339	409,065
Total at a 100% risk	5,261,905	4,068,815
Weighted value	5,261,905	4,068,815
Assets at a 300% risk		
Tax Credits - Income Tax e Social Contribution	393,285	536,871
Total at a 300% risk	393,285	536,871
Weighted value	1,179,855	1,610,613
Total of assets capable of being weighted by risk	15,038,454	13,723,186
Total weighted value	6,765,981	5,767,115

Find below the Net Equity calculation required, and that for capital suitability coefficient (R\$ thousand):

	12.31.2004	12.31.2003
A) Assets subject to risk weighting	15,038,454	13,723,186
B) Assets weighted at risk (APR)	6,765,981	5,767,115
C) Swap credit risk	-	1
D) Net Equity Requirement on APR (11% of "B")	744,258	634,383
E) Net Equity Requirement on Swap (20% of "C")	-	-
F) Net Equity Requirement on interest and foreign exchange rate exposure	1,302	7,122
G) Net Equity required (PLE): "D" + "E" + "F"	745,560	641,505
H) Reference equity (PR):	1,340,142	1,315,181
Level I	1,297,902	1,270,256
Level II	42,240	44,925
Revaluation Reserves	42,240	44,925
I) Ratio between the reference equity and the Net Equity required: PR / PLE ("G / H"):	0,56	0,49
J) Excess (/deficiency) of Net Equity: PR - PLE ("H" - "G")	594,582	673,676
K) Excess (/deficiency) of leverage: (Excess/deficiency of Net Equity x 100)/11	5,405,291	6,124,327
L) Net Equity suitability coefficient	19.77%	22.55%

NOTE 17 – Cash Flow

	12.31.2004	12.31.2003
Cash Flow From Operations		
Net Profit of the Year	152,069	84,715
Expenses (Revenues) not affecting the Cash:		
- Depreciation and Amortization Expenses	14,477	13,304
- Allowance for Losses in Investments	3,810	
- Allowance for Other Moneys' and Assets' Devaluation	3,159	567
Interfinance relationships and interdependences	12,243	(23,874)
Credit Operations	(408,514)	447,801
Other Credits	579,683	(290,384)
Variation in Future Year Results	918	361
Adjustments from Precedent Years	(54,909)	(1,222)
Revaluation Reserve	1,383	1,378
Cash Generated/(Used) by Operations	304,319	232,646
Cash Flow From Financing Activities		
Deposits	(55,171)	(309,182)
Liabilities for loans and transfers	(142,287)	(293,354)
Open market funding	139,486	(15,463)
Other Liabilities	522,207	2,238,717
Funds from securities' take on and issuance	(84,226)	(25,926)
Dividends and bonuses proposed	(52,709)	(20,541)

Total Fund Inflow	327,300	1,574,251
Cash Flow From Investment Activities		
Inversions in assets not destined for own use	(1,904)	(1,398)
Inversions in property, plant, and equipment for use	(23,753)	(9,430)
Inversions in investments	-	(135)
Disposal of assets not destined for own use	1,422	1,082
Disposal of property, plant, and equipment for use	108	142
Disposal of Investments	4	-
Applications in deferred funds	(2,692)	(1,781)
Interfinance liquidity applications	272,123	(254,569)
Other moneys and assets	(3)	(93)
Bonds and securities	(845,667)	(1,627,752)
Derivatives	-	(5)
Adjustment to market value - TVM and derivatives	(20,628)	80,585
Total Funds Raised	(620,990)	(1,813,354)
Net Cash Variance	10,629	(6,457)

STATEMENT OF CASH VARIANCE:

In the beginning of the period	20,958	27,415
In the end of the period	31,587	20,958
Increase/(Reduction) of Available Funds	10,629	(6,457)

NOTE 18 - Other Information

a) Transactions with related parties

Banco do Nordeste did not enter into transactions with affiliated and controlled companies in years 2004 and 2003. Operations with companies controlled by the Federal Government – a major shareholder in the Banco, the balance of which was R\$ 458 thousand on 12.31.2003, were settled in 2004. Such Credit Operations were made under the same conditions applicable to non-related parties.

b) Guarantees Granted

Co-obligations and risks in guarantees provided by the Bank had the following composition in R\$ Thousands:

	<u>12.31.2004</u>	<u>12.31.2003</u>
Open Credits for Import	2,707	
Beneficiary of Guarantees Provided:		
- Individuals or Legal Entities having not a Financial nature	6,545	3,124
- FNE	2,263,700	1,451,571
Co-obligations in Credit Assignments	170,076	117,367

c) Insurance

The Bank chattels and real estates are sufficiently insured in the amount of R\$ 240,799 thousand (R\$ 225,644 thousand on 12.31.2003), being distributed as such:

	<u>12.31.2004</u>	<u>12.31.2003</u>
Chattels	64,364	52,527
Real Estates	176,435	173,117

Fortaleza, January 31, 2005.

ROBERTO SMITH
CHIEF EXECUTIVE OFFICER

FRANCISCO DE ASSIS GERMANO ARRUDA
BUSINESS AND PEOPLE MANAGEMENT OFFICER

PEDRO EUGÊNIO DE CASTRO TOLEDO CABRAL
DEVELOPMENT MANAGEMEN OFFICER

VICTOR SAMUEL CAVALCANTE DA PONTE
INVESTMENT FURTHERANCE OFFICER

LUIZ ETHEWALDO DE ALBUQUERQUE GUIMARÃES
FINANCE AND FOREIGN EXCHANGE OFFICER

JOÃO FRANCISCO FREITAS PEIXOTO
FINANCIAL CONTROL SUPERINTENDENT

LUIZ ALBERTO CRUZ DE OLIVEIRA
LEGAL SUPERINTENDENT

AÍLA MARIA RIBEIRO DE ALMEIDA – ACCOUNTANT
CRC-CE* Nr. 016318/O-7

OBS.: Notes are an integral part of Financial Statements.

* The Regional Accounting Council - State of Ceará Section

INDEPENDENT AUDITORS' OPINION

To Stockholders and Managers
Banco do Nordeste do Brasil S.A.

1. We have conducted the Banco do Nordeste do Brasil S.A. balance sheet review, as of December 31, 2004, and the respective income statements, stockholders' equity changes, financial position changes for the half-year period ended on that date, prepared under their administration responsibility. Our responsibility is expressing an opinion of these financial statements opinion.
2. Our review was conducted in accordance with the Brazilian applicable audit rules, and it comprehended: (a) the planning of works, considering the balance importance, the transactions volume and the Bank accounting and internal control systems; (b) the ascertainment, based on tests, of evidences and records supporting accounting values and information disclosed; and (c) the evaluation of the most representative accounting practices and estimates adopted by the Bank management, and the submission of financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1, properly provide, in all outstanding respects, the equity and financial position of Banco do Nordeste do Brasil S.A., as of December 31, 2004, its operations result, the stockholders' equity changes, and the financial position changes for the year ended on that date, pursuant to accounting practices adopted in Brazil.
4. As mentioned in note number 5 (g), the credits registered under the rubric Other credits - Special credits - Extension of credit to agriculture, in the amount of R\$ 546,677 thousand, on December 31, 2003, corresponding to the operations of credit to agriculture renegotiated upon determination of Law number 9.138, of November 29, 1995, and Resolution number 2.471, of February 26, 1998, of the Brazilian National Monetary Council, were transferred to Credit operations during year 2004. The total assignment of credits to agriculture, included in the Bank credit operations' portfolio, is being renegotiated with the National Treasury Service.

INDEPENDENT AUDITORS' OPINION

To Stockholders and Managers
Banco do Nordeste do Brasil S.A.

5. The financial statements for the year period ended on December 31, 2003, provided for comparison purposes, were audited by other auditors, who issued an opinion dated February 12, 2004, with qualifications as to the effects that could arise from the non-acceptance of credits included in the rubric Other credits - Special credits - Extensions of credit to agriculture, by the National Treasury Service, for renegotiated credit operations to agriculture, which were fully transferred.
6. The supplementary information concerning the statement of cash flows for the year ended on December 31, 2004, provided as note number 17 to the financial statements, is provided with the purpose of allowing additional analyses, being not an integral part of the financial statements required by Brazilian corporation law. We reviewed such information in accordance with the audit procedures mentioned in paragraph 2, and, in our opinion, it was properly provided, in all outstanding respects, as regards the financial statements taken as a whole. The supplementary information for the year ended on December 31, 2003, was reviewed by other independent auditors.

Recife, February 10, 2005

Orlando Octávio de Freitas Júnior
Accountant-partner
CRC* 1SP178871/O-4 "S" CE
Trevisan Auditores Independentes
CRC* 2SP013.349/O-5 "S" PE

* The Regional Accounting Council ("CRC") - State of Ceará Section

**Banco do
Nordeste**



THE BRAZILIAN NORTHEASTERN REGION CONSTITUTIONAL FINANCING FUND - FNE
Administered by Banco do Nordeste do Brasil S.A.

Financial Statements

F N E

Position: 12/31/2004

THE BRAZILIAN NORTHEASTERN REGION CONSTITUTIONAL FINANCING FUND - FNE

(Law number 7.827, of 09.27.89)

BALANCE SHEET

DECEMBER 31, 2004 AND 2003

(Amounts in R\$ Thousands)

	ASSETS		LIABILITIES	
	12.31.2004	12.31.2003	12.31.2004	12.31.2003
CURRENT	10.515.032	9.378.034	NET EQUITY	18.522.532
CASH AND CASH EQUIVALENTS	3.967.136	3.383.249	TRANSFERS FROM BRAZILIAN FEDERAL GOVERNMENT:	
Funds to be Destined	2.277.455	2.895.569	In the Year	1.791.511
Destined Funds	1.689.681	487.680	In Precedent Years	10.548.710
INTERFINANCE RELATIONSHIPS	97.761	92.270	RESULTS FROM PRECEDENT YEARS	4.976.515
Credit to Agriculture - Proagro Receivable	5.363	4.243	YEAR RESULT	910.988
Transfer Debtors	92.398	88.027		
CREDIT OPERATIONS	6.450.135	5.902.515		
Financings	2.074.167	1.830.395		
Financings to Agriculture and Industry	489.962	411.809		
Financings to Agriculture	3.886.006	3.660.311		
LONG TERM	8.007.500	6.205.725		
INTERFINANCE RELATIONSHIPS	5.322	4.849		
Credit to Agriculture - Proagro Receivable	3.809	1.239		
Transfer Debtors	1.513	3.610		
CREDIT OPERATIONS	7.999.154	6.194.633		
Financings	1.547.877	967.442		
Infrastructure and Development Financings	200.370	0		
Financings to Agriculture and Industry	165.485	152.665		
Financings to Agriculture	6.085.422	5.074.526		
OTHER MONEYS AND ASSETS	3.024	6.243		
Proagro Cover Bonds	1.859	4.719		
Agricultural Indebtedness Bonds	2.561	2.673		
(Allowance for Bond Devaluation)	(1.396)	(1.149)		
TOTAL ASSETS	18.522.532	15.583.759	TOTAL LIABILITIES	18.522.532
				15.583.759

THE BRAZILIAN NORTHEASTERN REGION CONSTITUTIONAL FINANCING FUND - FNE

(Law number 7.827, of 09.27.89)

INCOME STATEMENT

DECEMBER 31, 2004 AND 2003

(Amounts in R\$ Thousands)

	Year/2004	Year/2003
REVENUES		
From Credit Operations	772.956	1.024.799
From Available Funds' Compensation	561.850	500.110
EXPENSES		
From Administration	(417.264)	(358.302)
(PRONAF - Compensation from the Finance Agent).....	(6.532)	0
From Audit	(22)	(25)
NET PROFIT OF THE YEAR	910.988	1.166.582

THE BRAZILIAN NORTHEASTERN REGION CONSTITUTIONAL FINANCING FUND - FNE
(Law number 7.827, of 09.27.89)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
DECEMBER 31, 2004 AND 2003
(Amounts in R\$ Thousand)

EVENTS	TRANSFER FROM BRAZILIAN FEDERAL	RETAINED EARNINGS	TOTAL
BALANCES ON 12.31.2002.....	8.757.199	3.897.619	12.654.818
Transfers from Brazilian Federal Government in the Y	1.791.511		1.791.511
Adjustments from Precedent Years		(29.152)	(29.152)
Net Profit of the Year		1.166.582	1.166.582
BALANCES ON 12.31.2003	10.548.710	5.035.049	15.583.759
CHANGES IN THE YEAR	1.791.511	1.137.430	2.928.941
BALANCES ON 12.31.2003	10.548.710	5.035.049	15.583.759
Transfers from Brazilian Federal Government in the Y	2.086.319		2.086.319
Adjustments from Precedent Years		(58.534)	(58.534)
Net Profit of the Year		910.988	910.988
BALANCES ON 12.31.2004	12.635.029	5.887.503	18.522.532
CHANGES IN THE YEAR	2.086.319	852.454	2.938.773

THE BRAZILIAN NORTHEASTERN REGION CONSTITUTIONAL FINANCING FUND - FNE

(Law number 7.827, of 09.27.89)

STATEMENT OF CHANGES IN FINANCIAL POSITION

DECEMBER 31, 2004 AND 2003

(Amounts in R\$ Thousands)

	Year/2004	Year/2003
SOURCE OF FUNDS	3.000.526	2.971.543
INCREASE OF LIABILITIES' SUBGROUPS:		
Transfers from Brazilian Federal Government in the Year		
Free Funds	2.086.319	1.791.511
Net Equity of the Year	910.988	1.166.582
REDUCTION OF ASSETS' SUBGROUPS:		
Interfinance Relationships		9.606
Other Moneys and Assets	3.219	3.844
APPLICATION OF FUNDS	2.416.639	1.414.464
INCREASE OF ASSETS' SUBGROUPS:		
Interfinance Relationships	5.964	
Credit Operations	2.352.141	1.385.312
REDUCTION OF LIABILITIES' SUBGROUPS:		
Adjustments from Precedent Years	58.534	29.152
INCREASE OF AVAILABLE FUNDS	583.887	1.557.079
CHANGES IN FINANCIAL POSITION	583.887	1.557.079
Beginning of the Year	3.383.249	1.826.170
Year-End	3.967.136	3.383.249

NOTES TO THE FINANCIAL STATEMENTS

Years ended as of December 31, 2004 and 2003

NOTE 1 – History

Fundo Constitucional de Financiamento do Nordeste [The Brazilian Northeast Region Constitutional Financing Fund] (“FNE”) was created under the provision included in Brazilian Federal Constitution (Article 159 I “c”), and it was regulated by Law Number 7.827, of 09.27.1989, amended by Laws Numbers 9.126, of 11.10.1995, and 10.177, of 01.12.2001, by the Provisional Measure Number 2.196-1, of 06.28.2001, and its reissues, as well as by Article 13, Provisional Measure Number 2.199-14, of 08.24.2001. Its purpose is to further Brazilian Northeastern Region economic and social development by creating programs for financing productive segments, in compliance with the respective regional development plans, with a preferential attention to business related to mini and small rural producers, those developed by micro and small companies, and those producing basic food, further to irrigation projects, with the lost fund application to be prohibited herein.

NOTE 2 – Administration

Banco do Nordeste shall: apply funds and implementing credit grant policy; define rules, procedures, and operational conditions, adequate financing proposals within burden ranges; defer credits; execute agreements for transfer of funds to other institutions authorized to operate by Brazilian Central Bank; account for results achieved; exercise other business inherent to the application of funds and credit recovery.

NOTE 3 – Inspection

Banco do Nordeste, on a continued basis, keeps statements of funds, applications and income of the Fund available to relevant inspection bodies, as of the end of the month.

NOTE 4 – Credit Risk

FNE is responsible for 100% of the credit risk for operations entered into up to 11.30.1998, in the amount of R\$ 9,421,379 thousand (R\$ 8,902,849 thousand on 12.31.2003). In operations entered into from 12.01.1998, within the PRONAF scope (A, B, A/C, Semi-Arid, and Forrest) and Programa da Terra [The Land Program], with The Fund resources, totaling R\$ 500,510 thousand (R\$ 284,903 thousand on 12.31.2003), FNE’s and PROCERA’s credit risk is a 100% one, respectively, while for other operations, in the amount of R\$ 4,527,400 thousand (R\$ 2,909,396 thousand on 12.31.2003), FNE credit risk is 50%, with an equal percentage to be charged to Banco do Nordeste.

The Fund is free from credit risk in funds transferred to Banco do Nordeste for it, in its own behalf, to conduct credit operations. In years 2004 and 2003 there were no records of transfers from FNE to Banco do Nordeste for application in such a modality.

As set forth in Article 8, Law Number 10.177, of 01.12.2001, studies are being conducted by the Grupo de Trabalho Interministerial [The Interministerial Work Group] (“GTI”) instituted by the Treasury, National Integration, and Transparency Control Government Departments, through the Interministerial Administrative Ruling Nr. 388, of 12.31.2003, aiming at the Constitutional Funds accounting information structuring and standardization, also for defining the criteria for recognizing losses in the equity of such Funds.

In such a respect, Banco do Nordeste has forwarded a proposal to the Brazilian Treasury Department suggesting rules for recognizing losses for Fund operation assets by adopting, as a criterion, the eight-year term of delay in operations. As the discussions on the matter, under the Brazilian Treasury and Brazilian National Integration Government Departments were not yet extinguished, the criteria proposed were not implemented in FNE accounting. Notwithstanding the proposal for loss recognition, and as a part of legal assignments of Fund’s money administration, Banco do Nordeste has enhanced actions for recovering credits in arrears, by renegotiating debts capable of doing so, within the internal credit administration rules, or based on legal instruments issued with such purpose, and through the consideration of credits the amicable solution perspectives of which have been exhausted.

Installments in arrears, net as regards revenues to appropriate, total R\$ 5,306,362 thousand (R\$ 4,825,282 thousand on 12.31.2003). From such amount, R\$ 4,812,146 thousand (R\$ 4,230,339 thousand on 12.31.2003) refer to operations with risk shared with Banco do Nordeste. In the second case, the Bank has registered the respective provisions in its statements, pursuant to Note Nr. 15 to the Financial Statements for Banco do Nordeste as of 12.31.2004. Find below the distribution of installments due and to become due for agreements in arrears, which amount R\$ 8,020,079 thousand (R\$ 8,543,567 thousand on 12.31.2003), as set out below, in R\$ thousands:

12.31.2004

12.31.2003

	Installments to Become Due	Installments Due	Installments to Become Due	Installments Due
Up to 1 year	593,838	82,746	1,276,236	204,009
From 1 to 2 years	537,573	240,033	974,131	579,162
From 2 to 3 years	540,469	638,292	613,518	477,546
From 3 to 4 years	433,652	508,001	438,392	858,237
From 4 to 5 years	310,674	939,028	217,277	543,904
From 5 to 6 years	167,952	669,332	79,188	500,163
From 6 to 7 years	52,663	1,002,157	85,759	568,691
From 7 to 8 years	53,758	511,049	28,392	933,567
Over 8 years	23,138	715,724	5,392	160,003
TOTAL	2,713,717	5,306,362	3,718,285	4,825,282

NOTE 5 - Independent Audit

FNE maintains an independent audit revue, contracted at its expenses, for certifying the compliance with the constitutional and legal provisions set forth, further to the revue of accounts and other usual audit procedures.

NOTE 6 – Main Accounting Policies

FNE holds an own accounting, availing of Banco do Nordeste's accounting system for registering its acts and facts in special headings, with the ascertainment of results being conducted separately.

The Banco do Nordeste adopted main accounting policies for FNE control are consubstantiated in the Accounting Plan of the Brazilian Northeastern Region Constitutional Financing Fund ("COFIN"), instituted by the Bank board of directors under the powers granted to them by the Law Number 7.827/1989.

The main headlights for accounting procedures are as follows:

a) Appropriation of Revenues and Expenses

They are the financing charges incurred on credit operations and the remuneration paid by Banco do Nordeste on Fund moneys that are not applied by that time.

In the Income Statement, the "Income from Credit Operations" are registered by their net value, with the following composition in R\$ Thousands:

	12.31.2004	12.31.2003
Credit Operation Income	1,079,315	1,211,765
Negative Restatement Update	(6,804)	(18,212)
Expenses from Discounts Granted in Renegotiations - Law 10.696/2003	(92,009)	-
Operational Provision Expenses	(324)	(108)
Rebate/Bonus for Compliance Without Princ.-Ops. Contracted by the Bank	(204,670)	(164,550)
Rebate Principal-Ops. w/Rec. FAT - BNDES - Law 10.193/2001	(2,552)	(3,959)
Other Expenses	-	(137)
TOTAL	772,956	1,024,799

The amounts for hiring independent audit and the administration fee Banco do Nordeste is entitled as manager of the Fund are FNE expenses.

Revenues and expenses are recognized on an accrual basis. During the period in which due credit operations installments, the financial charges calculated at rates provided for by Law are accounted for in proper Fund income accounts and the charges for default are entered as income to be appropriated.

The 3%-annum administration paid to Banco do Nordeste by FNE is monthly appropriated, it being calculated on Fund net equity, deducted from the amounts subject mater of the agreement of transfer entered into with the Bank, to be limited, in each year, to 20% of the amount for transfers made by Brazilian National Treasury.

b) Current and Long-Term Assets

They are shown by realization amounts, including revenues and monetary variances earned.

On the resources representing the Fund availabilities in Banco do Nordeste possession, there is a remuneration based on the extra-market rate disclosed by the Brazilian Central Bank, paid by the Bank, the recognition of which occurs in the proper Fund income account, on an accrual basis.

From January 14, 2000, the financial charges on financings granted with FNE funds started to vary from 5 to 16% per year, pursuant to the business area and service takers size, complying with the following:

- The *del credere* Banco do Nordeste is entitled to is included in the financial charges covenanted with borrowers, it being reduced in a percentage identical to the percentage guaranteed by guarantee funds.
- Financing agreements shall contain a clause setting forth that the financial charges shall be reviewed on a yearly basis, and whenever the TJLP [Long Term Interest Rate] has an accumulated variance, up or down, exceeding thirty percent (30%).
- A compliance bonus of up to twenty-five percent (25%) shall be granted for borrowers developing their business in the Northeastern semi-arid region, and fifteen percent (15%) for the other regions borrowers, on financial charges, provided that the debt installment is paid up to the respective maturity date.
- In the funds application deviation event, the borrower shall lose any and all benefit, especially those relevant to the compliance bonus, without prejudice to reasonable legal actions, including those having an enforceable nature.

Headings registered under the rubric “Other Moneys and Assets” are recognized by their face value, plus compensation provided for each paper, and the assets adjustment effects to the market value or realization, when applicable, shall be considered.

The Provisional Measure Number 2.196-1, of 06.28.2001, and its reissues, which established the Programa de Fortalecimento das Instituições Financeiras Federais [Program for the Strengthening of Federal Institutions], defines, as to FNE funds, that:

- In operations contracted up to 11.30.1998, Banco do Nordeste’s *del credere* was reduced to zero, keeping charges covenanted with borrowers unaltered.
- For operations contracted with a 50% Bank credit risk, the Fund shall pay to Banco do Nordeste a 3%-year *del credere*.
- Fund moneys may be transferred to the Bank for it, in its own behalf and at its sole risk, to make credit operations on which it shall be entitled to a 6%-year *del credere*.
- On funds applied as transfer, the FNE shall not pay administration fee to the Bank.
- The Law Number 10.186, of 02.12.2001, set forth that the FNE risk in the projects financing for the initial settlers structuring, farm laborers, or Banco da Terra beneficiaries still not benefited with the credit exclusively directed to that class of agriculturists, provided that the conditions set forth by the Brazilian National Monetary Council for such credit operations are complied with. Said operations are conducted within PRONAF A.

From 2003, BNB has changed the *del credere* calculation criteria on shared risk operations, starting to ascertain the amounts due upon the application of a rate of 0.25% per month on the accounting balances of such operations. In year 2003, the criterion change resulted in the return, to FNE, of the amount of R\$ 675 thousand, for amounts due in the first semester of 2003. Still in the same year, the Bank *del credere* recalculation on operations with guarantees from guarantee funds (Dec/2000), and on operations included in PRONAF A (Dec/1999 to Dec/2000), with the amounts of R\$ 37 thousand and R\$ 2,100 thousand, respectively, being returned to the Bank (amounts updated by the extra-market rate).

From the year 2004, BNB has changed the *del credere* calculation methodology on operations guaranteed by guarantee funds, starting to consider the balances from each fund deposits and financial applications in the amounts ascertainment actually guaranteed by funds source, in operations supported by guarantee funds. Because of such change, the amounts due within the period comprehended between year 2000 and August 2004 was recalculated, with the FNE being repaid in the amount of R\$ 1,059 thousand, it being R\$ 848 thousand for years 2000 to 2003, and R\$ 211 thousand for the period comprehended between January and August /2004, being accounted, respectively, under Creditors’ Adjustments from Precedent Years and Year Result.

Based on the provisions in Resolution Number 2.766, of 08.10.2000, which regulated the Article 3 of Provisional Measure Number 2.050-11, of 07.28.2000, converted into Law Number 10.186, of 02.12.2001, which fixed in 2% per year the managing agents remuneration as regards PRONAF A operations ballasted with Constitutional Funds’ moneys (Article 7 and Sole Paragraph), BNB started to monthly charge FNE said remuneration. The calculation for amounts due, on a retroactively basis, in the Resolution effectiveness beginning, resulting in the payment to BNB of the amount of R\$ 10,395 thousand, corresponding to the compensation due within the period comprehended between Aug/2000 and Dec/2003. Said amount was accounted for under the rubric Debtors’ Adjustments from Precedent Years.

NOTE 7 - Net Equity

FNE Net Equity arises out of:

- Transfers from the Brazilian Federal Government, at the ratio of one point eight tenths percent (1.8%), extracted from the income tax collection product, and any nature revenues, and the excise tax;
- Operational returns and results;
- Result from the remuneration paid by Banco do Nordeste from Fund moneys not applied by that time.

NOTE 8 - Adjustments from Precedent Years

The negative net adjustment of R\$ 58,534 thousand, 12.31.2004, refers to the following events, in R\$ Thousands:

Remuneration on FNE applications in PRONAF A, in the period comprehended between Aug/2000 and Dec/2003, pursuant to Resolution Number 2.766/2000, of CMN	(10,395)
Recalculation of the Bank <i>Del Credere</i> in ensured by guarantee funds operations, by virtue of the guarantees amount ascertainment methodology alteration by BNB	848
Recalculations of charges on credit operations	(48,987)
TOTAL	(58,534)

NOTE 9 - Results Ascertainment

FNE financial year coincides with the calendar year, for purposes results ascertainment.

The positive year result, arising out of revenues and expenses balance, is evidenced in Fund net equity.

NOTE 10 - Tax Exemption

FNE is tax exempted, and its results, income and financing operations are free from any tax, contribution or other encumbrance.

Fortaleza, January 31, 2005.

ROBERTO SMITH
CHIEF EXECUTIVE OFFICER

FRANCISCO DE ASSIS GERMANO ARRUDA
BUSINESS AND PEOPLE MANAGEMENT OFFICER

PEDRO EUGÊNIO DE CASTRO TOLEDO CABRAL
DEVELOPMENT MANAGEMENT OFFICER

VICTOR SAMUEL CAVALCANTE DA PONTE
INVESTMENT FURTHERANCE OFFICER

LUIZ ETHEWALDO DE ALBUQUERQUE GUIMARÃES
FINANCE AND FOREIGN EXCHANGE OFFICER

JOÃO FRANCISCO FREITAS PEIXOTO
FINANCIAL CONTROL SUPERINTENDENT

LUIZ ALBERTO CRUZ DE OLIVEIRA
LEGAL SUPERINTENDENT

AÍLA MARIA RIBEIRO DE ALMEIDA – ACCOUNTANT
CRC-CE* Nr. 016318/O-7

OBS.: Notes are an integral part of Financial Statements.

* The Regional Accounting Council - State of Ceará Section

INDEPENDENT AUDITORS' OPINION

To Managers and Stockholders

Fundo Constitucional de Financiamento do Nordeste

[The Brazilian Northeastern Region Constitutional Financing Fund] ("FNE")

(Administered by Banco do Nordeste do Brasil S.A.)

1. We have conducted the Fundo Constitucional de Financiamento do Nordeste [The Brazilian Northeastern Region Constitutional Financing Fund] ("FNE") (administered by Banco do Nordeste do Brasil S.A.) balance sheet review, as of December 31, 2004, and the respective income statements, stockholders' equity changes, financial position changes for the year ended on that date, prepared under the responsibility of their administration. Our responsibility is expressing an opinion on such financial statements.
2. Except for the issue mentioned in paragraph 3, our review was conducted in accordance with the Brazilian applicable audit rules, and it comprehended: (a) the work planning, considering the balances importance, the transactions volume and the Fund accounting and internal control systems; (b) the ascertainment, based on tests, of evidences and records supporting accounting values and information disclosed; and (c) the most representative accounting practices and estimates evaluation adopted by the Fund management, and the financial statements submission taken as a whole.
3. As mentioned in note number 4 to the financial statements, the Fund Administrator has conducted studies, together with Grupo de Trabalho Interministerial [The Interministerial Labor Group] ("GTI"), for setting forth rules for recognizing losses in equity of Constitutional Funds, specially by setting aside allowances for doubtful credits, which practice was not adopted by the Fund. Consequently, we could not make analyses for measuring possible losses in Fund's equity for the year ended on December 31, 2004, once only from the definition of said rules it shall be possible to make such evaluations, notwithstanding losses arising out of the establishing of the rules to be determined may be significant ones.
4. In our opinion, except for possible effects resulting from the adoption of rules to be determined for the recognition of losses in Fund's equity mentioned in paragraph 3, the financial statements referred to in paragraph 1 properly provide, in all outstanding respects, the equity and financial position of Fundo Constitucional de Financiamento do Nordeste [The Brazilian Northeastern Region Constitutional Financing Fund] ("FNE") (administered by Banco do Nordeste do Brasil S.A.), as of December 31, 2004, the result of its operations, changes in the stockholders' equity, and changes in financial position for the year ended on that date, pursuant to accounting practices adopted in Brazil.

INDEPENDENT AUDITORS' OPINION

To Managers and Stockholders
Fundo Constitucional de Financiamento do Nordeste
[The Brazilian Northeastern Region Constitutional Financing Fund] ("FNE")
(Administered by Banco do Nordeste do Brasil S.A.)

5. The financial statements for the year ended on December 31, 2003, provided for comparison purposes, were audited by other auditors, who issued an opinion dated February 12, 2004, with qualifications as to the same issue mentioned in paragraph 3.

Recife, February 10, 2005

Orlando Octávio de Freitas Júnior
Accountant-Partner
CRC* 1SP178871/O-4 "S" CE
Trevisan Auditores Independentes
CRC* 2SP013.349/O-5 "S" PE

* The Regional Accounting Council ("CRC") - State of Ceará Section