

ACCOUNTING STATEMENTS

Banco do Nordeste and FNE

POSITION: 06.30.2005

**Banco do
Nordeste**



Accounting Statements

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POSITION: 06.30.2005

BANCO DO NORDESTE DO BRASIL S.A.
 HEADQUARTERS: AV. PARANAJANA, 5700 - FORTALEZA - CEARÁ
 PUBLICLY HELD COMPANY – BANKING LICENSE NO 3465 – Registered with the General Registry of Corporate Taxpayers (CNPJ) under no 07.237.373/0001-20

BALANCE SHEET
JUNE 30, 2005 AND JUNE 30, 2004
 Headquarters and Branches in Brazil
 (In thousands of R\$)

ASSETS			LIABILITIES	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
CURRENT ASSETS	4.420.343	3.351.172	CURRENT LIABILITIES	3.837.916
CASH AND CASH EQUIVALENTS	38.382	30.955	DEPOSITS (Note 7b).....	1.140.201
MONEY MARKET INVESTMENTS LIQUIDITY INTERFINANCE APPLICATIONS.....	389.803	599.787	Sight deposits	52.990
Open Market Applications	352.799	245.000	Savings account deposits.....	394.833
Applications in interfinance deposits	37.004	354.787	Interfinance deposits	63.057
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	2.760.285	1.402.059	Long Term deposits	623.182
Own portfolio	2.753.011	1.349.844	Other.....	6.139
attached to repurchase commitments	0	52.047	OPEN MARKET FUNDING	102.298
attached to guarantees.....	7.274	168	Own portfolio	0
INTERFINANCE OPERATIONS	119.537	95.075	Third-parties' portfolio	102.298
Payments and Compensations to settle	27.110	9.563	FUNDS FROM THE ACCEPTANCE AND ISSUANCE OF SECURITIES	0
Attached credits:			Liabilities from Bonds and Securities abroad	0
Deposits with the Brazilian Central Bank	83.093	79.378	Interfinance operations	12.908
Brazilian National Treasury Department – funds from Rural Credit.....	8.499	6.062	Payments and compensations to settle	12.908
Correspondents	835	72	INTERBRANCHES OPERATIONS.....	12.217
CREDIT OPERATIONS (note 5).....	677.422	329.536	Funds in transit from third parties	11.917
Public sector	10.904	16.025	Internal transfers of funds	300
Private sector	849.517	559.289	LIABILITIES FOR LOANS	145.085
(allowance for doubtful debts).....	(182.999)	(245.778)	Loans within the country - official Institutions	7.617
OTHER CREDITS (Note 7a).....	429.700	889.790	Loans from abroad (note 6d).....	137.468
Receivable on Credit - collateral and guarantees paid.....	17	6	COUNTRY ONLENDING LIABILITIES - OFFICIAL INSTITUTIONS	430.419
Foreign exchange portfolio	121.422	30.587	Brazilian National Treasury Department	208
Income receivable.....	2.668	6.680	BNDES (note 6d).....	276.380
Negotiation and Intermediation of Securities	15	81	CEF	310
Special credits	291	287.221	FINAME (note 6d).....	33.387
Sundry	317.072	565.366	Other Institutions.....	120.134
(allowance for other doubtful debts).....	(11.785)	(151)	LIABILITIES FOR ONLENDINGS FROM ABROAD (Note 6d and 7d).....	63.208
OTHER ASSETS	5.214	3.970	Foreign onlendings	63.208
Other assets	11.069	10.209	OTHER LIABILITIES (Note e).....	1.931.580
(Allowances for devaluations).....	(6.089)	(6.349)	Changing and collection of taxes and comparable	12.916
Advanced Expenses.....	234	110	Foreign exchange portfolio	20.340
			Social and Bylaws.....	240
			Taxes and Social Security	106.495
			Financial and development funds (Note 15)	1.438.940
			Sundry	352.649
LONG TERM RECEIVABLES	8.341.420	9.747.411	LONG TERM LIABILITIES	7.861.599
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS.....	5.263.503	6.638.165	DEPOSITS (Note 7b).....	1.615.847
Own portfolio	5.263.503	6.583.776	Sight deposits	64.313
attached to the Brazilian Central Bank.....	0	48.428	Long Term deposits (Note 6c).....	1.551.534
attached to guarantees	0	5.961	LIABILITIES FOR LOANS	87.790
INTERFINANCE OPERATIONS	22.101	24.941	Loans within the country - official Institutions	87.790
ATTACHED CREDITS:			COUNTRY ONLENDINGS LIABILITIES - OFFICIAL INSTITUTIONS	1.016.163
Brazilian National Treasury Department – funds from Rural Credits.....	1.019	1.165	Brazilian National Treasury Department	1.591
SFH – National Housing System	21.082	23.776	BNDES (Note 6b).....	698.299
CREDIT OPERATIONS(Note 5)	2.809.823	3.014.845	CEF	720
Public sector	1.219.438	1.445.345	FINAME (Note 6b).....	95.344
Private sector	1.767.948	1.717.297	Other Institutions	220.209
(allowance for doubtful debts).....	(177.563)	(147.797)	LIABILITIES FOR ONLENDINGS FROM ABROAD (Note 6d and 7d).....	809.450
OTHER CREDITS (Note 7a).....	245.993	69.460	Foreign onlendings	809.450
Receivables on - collateral and guarantees paid.....	37	0	OTHER LIABILITIES (Note 7e).....	4.332.349
Sundry.....	265.006	95.095	Taxes and Social Security	680.832
(allowance for other doubtful debts).....	(19.050)	(25.635)	Financial and development funds (Note 15)	2.716.077
PERMANENT ASSETS	158.315	150.933	Sundry	935.440
INVESTMENTS.....	762	766	RESULTS FROM FUTURE YEARS	1.456
Other investments.....	8.901	8.905	RESULTS FROM FUTURE YEARS	1.456
(Allowance for losses).....	(8.139)	(8.139)		
PROPERTY PLANT AND EQUIPMENT FOR USE.....	152.182	146.413		
Real state for use.....	193.975	186.181		
Other plant property and equipment for use	81.689	70.532		
(Accumulated depreciations).....	(123.482)	(110.300)		
DEFERRED ASSETS.....	5.371	3.754		
Organization and expansion expenditures	9.849	11.427		
(Accumulated amortization)	(4.478)	(7.673)		
			NET EQUITY	1.219.107
			CAPITAL	1.277.000
			From shareholders domiciled in Brazil	1.277.000
			REVALUATION RESERVES	40.897
			PROFIT RESERVES	221
			ADJUSTMENT TO MARKET VALUE - SECURITIES AND DERIVATIVE INSTRUMENTS	6.155
			RETAINED EARNINGS (LOSSES)	(105.166)
TOTAL ASSETS	12.920.078	13.249.516	TOTAL LIABILITIES	12.920.078
				13.249.516

BANCO DO NORDESTE DO BRASIL S.A.
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INCOME STATEMENT
JUNE 30, 2005 AND JUNE 30, 2004
 Headquarters and Branches in Brazil
 (In thousands of R\$)

	1st semester/2005	1st semester/2004
REVENUES FROM FINANCIAL INTERMEDIATION (Note 7f).....	1.019.501	987.108
Credit operations	318.772	384.719
Income from operations with Bonds and Securities	684.254	594.289
Income from exchange operations	6.842	9.593
Income from compulsory applications	9.633	(1.493)
EXPENSES FROM FINANCIAL INTERMEDIATION (Note 7g).....	(842.792)	(708.271)
Funding obtained in the market	(174.566)	(157.546)
Loan and onlending operations	(412.653)	(453.865)
Allowance for doubtful accounts	(255.573)	(96.860)
GROSS INCOME FROM FINANCIAL INTERMEDIATION	176.709	278.837
OTHER OPERATIONAL REVENUES/ EXPENSES (Note 7h).....	(52.189)	(58.967)
Income from services provided.....	290.400	274.978
Personnel expenses.....	(266.063)	(230.597)
Other administrative expenses	(167.005)	(161.074)
Tax expenses.....	(38.880)	(33.525)
Other operational income.....	501.067	143.112
Other operational expenses	(371.708)	(51.861)
OPERATIONAL INCOME	124.520	219.870
NON -OPERATIONAL INCOME	2.068	(5.804)
INCOME BEFORE TAXES ON PROFIT AND PARTICIPATIONS	126.588	214.066
INCOME TAX AND SOCIAL CONTRIBUTION (Note 8).....	(119.539)	(125.894)
Provision for Income Tax	(39.184)	(142)
Provision for Social Contribution	(14.201)	(61)
Deferred tax asset	(66.154)	(125.691)
NET PROFIT.....	7.049	88.172
Number of shares (in millions)	870.019	870.019
Net profit per batch of thousand (in shares R\$)	0,01	0,10

STATEMENT OF CHANGES IN NET EQUITY

JUNE 30, 2005 AND JUNE 30, 2004

Headquarters and Branches in Brazil

(In thousands of R\$)

ITEMS	PAID-UP CAPITAL		REVALUATION RESERVES	PROFIT RESERVES		MARK TO MARKET – SECURITIES AND DERIVATIVE INSTRUMENTS	RETAINED EARNINGS (LOSSES)	TOTAL
	CAPITAL	CAPITAL INCREASE	COMPANY ASSETS	LEGAL	STATUTORY			
BALANCES ON DECEMBER 31, 2003	1.162.000	0	44.925	4.236	62.466	41.554	0	1.315.181
ADJUSTMENTS FROM PREVIOUS PERIODS								
ADJUSTMENT TO MARKET VALUE– SECURITIES AND DERIVATIVES						(46.276)	(27.554)	(27.554)
CAPITAL INCREASE:								
from reserves		66.000		(3.534)	(62.466)			0
OTHER EVENTS:								
Assets Revaluation:								
Realization of reserve:								
Gross value			(2.262)				2.262	0
Tax charges			769				(769)	0
NET INCOME OF THE SEMESTER							88.172	88.172
Destinations:								
Reserves				4.409			(4.409)	0
Dividends							(14.624)	(14.624)
BALANCES ON JUNE 30, 2004	1.162.000	66.000	43.432	5.111	0	(4.722)	43.078	1.314.899
CHANGES OF THE SEMESTER	0	66.000	(1.493)	875	(62.466)	(46.276)	43.078	(282)
BALANCES ON DECEMBER 31, 2004	1.228.000	0	42.240	8.306	40.915	20.925	0	1.340.386
ADJUSTMENTS FROM PREVIOUS PERIODS								
ADJUSTMENT TO MARKET VALUE – SECURITIES AND DERIVATIVES						(14.770)	(113.558)	(113.558)
CAPITAL INCREASE:								
from reserves								
Transfer to Capital Increase		49.000		(8.085)	(40.915)			0
OTHER EVENTS:								
Assets Revaluation:								
Realization of the reserve:								
Gross value			(2.035)				2.035	0
Tax charges			692				(692)	0
NET PROFIT OF THE SEMESTER							7.049	7.049
BALANCES ON JUNE 30, 2005	1.228.000	49.000	40.897	221	0	6.155	(105.166)	1.219.107
CHANGES OF THE SEMESTER	0	49.000	(1.343)	(8.085)	(40.915)	(14.770)	(105.166)	(121.279)

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STATEMENT OF CHANGES IN FINANCIAL POSITION		
JUNE 30, 2005 AND JUNE 30, 2004		
Headquarters and Branches in Brazil		
(In thousands of R\$)		
	1st semester/2005	1st semester/2004
SOURCES OF FUNDS	453.540	1.037.710
ADJUSTED NET PROFIT (1)	15.602	101.913
Variation in results of future years	178	738
ADJUSTMENT TO MARKET VALUE – SECURITIES AND DERIVATIVES	(14.770)	(46.276)
ADJUSTMENTS FROM PREVIOUS PERIODS.....	(113.558)	(27.554)
THIRD PARTIES' FUNDS FROM:		
INCREASE OF LIABILITIES SUBGROUPS:		
Deposits.....	44.419	-
Funding from open market (committed operations)	-	110.003
Interfinance and Interbranch relationships.....	19.695	9.745
Other liabilities	190.293	521.496
DECREASE OF ASSETS' SUBGROUPS:		
Interfinance Liquidity applications.....	-	43.014
Securities.....	240.189	-
Credit operations.....	44.621	-
Other credits	27.544	323.670
Other assets	-	62
DISPOSAL OF ASSETS AND INVESTMENTS:		
Assets for own use.....	(137)	1.094
Property Plant and equipment for use	(527)	(186)
Investments	(9)	(9)
APPLICATION OF FUNDS	446.745	1.027.713
DIVIDEND AND BONUS PROPOSED.....	-	14.624
INVESTMENTS IN:		
Assets not for own use	387	654
Property plant and equipment for use	11.603	15.871
APPLICATIONS IN DEFERRED ASSETS.....	1.369	535
INCREASE OF ASSETS' SUBGROUPS:		
Interfinance Liquidity Applications	19.125	-
Securities	-	621.913
Interfinance and interbranch relationships	33.486	4.959
Credit operations	-	221.029
Other assets	135	-
DECREASE OF LIABILITIES' SUBGROUPS:		
Deposits	-	114.243
Funding from open market (committed operations)	100.689	-
Funds from acceptances and issuance of securities	32.066	11.257
Liabilities for loans and onlendings	247.885	22.628
INCREASE/ DECREASE OF AVAILABLE FUNDS	6.795	9.997
CHANGES IN THE FINANCIAL POSITION: Increase/ decrease of available funds	6.795	9.997
Beginning of the period	31.587	20.958
End of the period	38.382	30.955
(1) ADJUSTED NET PROFIT STATEMENT:		
NET PROFIT.....	7.049	88.172
ADJUSTMENTS TO NET PROFIT:		
Depreciations and amortizations	8.256	6.878
Provision for losses in investments	-	3.809
Provision for other assets devaluation	297	3.054
ADJUSTED NET PROFIT	15.602	101.913

NOTES TO FINANCIAL STATEMENTS
Years ended as of June 30, 2005 and 2004
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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 through the technical and managerial visitation process, 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 Fundo Constitucional de Financiamento do Nordeste [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 06.30.2005, as follows:

a.1) TRADING SECURITIES in R\$ Thousands

CLASS	06.30.2005			06.30.2004		
	COST VALUE	MARKET VALUE	MATURITY RANGE	COST VALUE	MARKET VALUE	MATURITY RANGE
FIXED INCOME SECURITIES	71,781	77,839		666,390	679,112	
Treasury Financial Bills	1,181	1,174	2005 to 2008	572,959	573,963	2004 to 2008
Central Bank Notes	57,081	62,115	2006	75,530	85,141	2004 to 2006
Brazilian Federal Treasury Notes	13,519	14,550	2006	17,901	20,008	2004 to 2006
TOTAL FOR THIS CLASS	71,781	77,839		666,390	679,112	

For securities classified in the category above, a negative adjustment in the amount of R\$ 922 thousands was registered in the first semester of 2005 (R\$15,515 thousands on 06.30.2004).

a.2) AVAILABLE-FOR-SALE SECURITIES in R\$ Thousands

CLASS	06.30.2005			06.30.2004		
	COST VALUE	MARKET VALUE	MATURITY RANGE	COST VALUE	MARKET VALUE	MATURITY RANGE
FIXED-INCOME SECURITIES	3,799,341	3,786,000		3,322,153	3,303,374	
Financial Treasury Bills	3,602,967	3,598,596	2005 to 2009	3,009,482	2,992,523	2004 to 2009
Central Bank Notes	92,161	99,979	2005 to 2006	140,027	151,724	2004 to 2006
National Treasury Notes	31,539	33,945	2005 to 2006	82,040	85,730	2004 to 2005
National Treasury Bills	41,972	41,970	2005	55,213	55,422	2004 to 2005
Fixed-Income Securities – Others	13,844	10,689	2005 to 2027	18,314	15,844	2004 to 2027
Federal Government Bonds – Others	16,740	742	2005	16,990	2,072	2004 to 2005
Agricultural Debt Securities	118	79	2005 to 2015	87	59	2005 to 2011
QUOTAS FROM INVESTMENT FUNDS	833	-		727	-	
Social Development Fund	833	-	No expiry date	727	-	With no maturity
VARIABLE-INCOME SECURITIES	144,159	169,648		144,159	158,810	
Open Corporation Stocks	139,948	168,403	No expiry date	139,948	157,394	With no maturity
Other tax Incentives (FINOR ¹)	4,211	1,245	No expiry date	4,211	1,416	With no maturity
GUARANTEE BONDS	1,989	-	2005	2,299	-	2004 to 2005
CATEGORY TOTAL	3,946,322	3,955,648		3,469,338	3,462,184	

¹ The Brazilian Northeastern Region Investment Fund (“FINOR”)

Because of the assets inclusion in “Available-for-Sale Securities” category, the amount of R\$ 9,326 thousands (R\$ 7,154 thousands, on 06.30.2004) 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\$ 6,155 thousands (R\$ 4,722 thousands, on 06.30.2004).

a.3) HELD-TO-MATURITY SECURITIES in R\$ Thousands

CLASS	06.30.2005			06.30.2004		
	COST VALUE	MARKET VALUE	MATURITY RANGE	COST VALUE	MARKET VALUE	MATURITY RANGE
FIXED INCOME SECURITIES	3,990,301	3,997,653		3,898,928	3,902,817	
Treasury Financial Bills	3,985,818	3,993,170	2005 to 2008	3,897,462	3,901,351	2005 to 2008
Quotas – Investment Fund- <i>Nordeste Empreendedor</i>	4,202	4,202	2005 to 2008	1,207	1,207	2011
Brazilian Federal Treasury Notes NTNP	281	281	2012 to 2014	259	259	2012 to 2014
TOTAL FOR THIS CLASS	3,990,301	3,997,653		3,898,928	3,902,817	

b) Derivative Instruments

In years 2005 and 2004, Banco do Nordeste had no operations with Derivatives.

NOTE 5 - Credit Portfolio and Allowance for Lending Losses

a) Details by type in R\$ Thousands

	06.30.2005	06.30.2004
Depositors advances	525	179
Loans	372,157	190,486
Discounted drafts	22,672	3,684
Financing	535,291	703,860
Export Financings	-	2,968
Foreign Currency financing	30,631	28,618
Government Refinancings	499,629	465,242
Agricultural and Agroindustrial Financing	1,647,644	1,335,124
Real Estate financing	264	239
Infrastructure and Development Financing	738,994	1,007,556
Lending Operations	3,847,807	3,737,956
Guarantees honored	54	6
Income receivables on Advances	1,110	161
Debtors for Purchasing of goods and Values	1,885	1,457
Securities and Receivables	11,852	10,181
Advances on exchange Contracts (*)	107,508	30,119
Operations Similar To Lending Operations	122,409	41,924
TOTAL	3,970,216	3,779,880

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

b) Detail by Maturity in R\$ Thousands

b.1) Regular Credit Facilities

Type Client/Business	0-90 days	91-180 days	181-360 days	Over 360 days	Total in June 2005	Total in June 2004
Agriculture	78,221	18,509	55,060	1,405,260	1,557,050	1,168,623
Industry	204,328	34,017	17,932	148,758	405,035	432,710
Government	24,466	7,577	44,262	1,153,660	1,229,965	1,460,750
Other Services	104,917	32,427	38,077	131,181	306,602	208,819
Commerce	122,110	24,107	4,666	30,786	181,669	140,570
Financial Intermediaries	21	7	2	25	55	18,657
Housing System	93	28	38	105	264	239
Consumer Credits	10,861	4,434	5,496	19,185	39,976	15,873
T O T A L	545,017	121,106	165,533	2,888,960	3,720,616	3,446,241

b.2) Past-due Credits

Type Client/Business	Current Installments				Total in June 2005	Total in June 2004
	0-90 days	91-180 days	181-360 days	Over 360 days		
Agriculture	575	615	1,860	52,888	55,938	143,577
Industry	4,252	2,177	3,606	26,724	36,759	39,267
Government	4	2	5	170	181	352
Other Services	3,838	1,322	1,606	21,361	28,127	38,079
Commerce	1,877	658	601	5,842	8,978	26,743
Financial Intermediaries	-	-	-	-	-	2
Consumer Credits	662	228	34	357	1,281	812
T O T A L	11,208	5,002	7,712	107,342	131,264	248,832

Type Client/Business	Past due Installments				Total in June 2005	Total in June 2004
	0-90 days	91-180 days	181-360 days	Over 360 days		
Agriculture	2,499	2,378	11,546	34,005	50,428	37,651
Industry	2,766	1,237	2,360	26,775	33,138	25,210
Government	28	35	43	58	164	19
Other Services	6,322	2,579	5,002	11,454	25,357	10,160
Commerce	1,754	1,011	1,209	4,120	8,094	11,307
Financial Intermediaries	-	-	-	-	-	1
Consumer Credits	662	108	342	43	1,155	459
T O T A L	14,031	7,348	20,502	76,455	118,336	84,807

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

Risk Level	06.30.2005				06.30.2004			
	Regular Credit (1)	Repayment in Arrears	Total Portfolio	Total Provision	Regular Credit (1)	Repayment in Arrear	Total Portfolio	Total Provision
AA	1,787,834	-	1,787,834	-	1,482,282	-	1,482,282	-
A	1,124,831	-	1,124,831	5,624	1,199,797	-	1,199,797	5,999
B	302,416	6,290	308,706	3,087	320,165	8,599	328,764	3,288
C	130,047	6,571	136,618	4,098	102,980	11,546	114,526	3,436
D	182,517	15,323	197,840	19,784	130,873	23,687	154,560	15,456
E	37,729	14,233	51,962	15,589	51,877	27,102	78,979	23,694
F	19,144	31,097	50,241	25,121	79,096	36,751	115,847	57,923
G	23,735	12,365	36,100	25,270	22,311	31,262	53,573	37,501
H	112,363	163,721	276,084	276,084	56,860	194,692	251,552	251,552
TOTAL	3,720,616	249,600	3,970,216	374,657	3,446,241	333,639	3,779,880	398,849

(1) Include 14 days past-due credits.

d) Allowance for the period in R\$ Thousands

	06.30.2005	06.30.2004
Opening Balance	368,059	598,813
(+) Allowance for the period	257,740	98,756
(-) Credits classified as Losses	(251,142)	(298,720)
(=) Allowance for losses and lending operations	374,657	398,849
(+) Allowance for losses on Others Credits	16,740	20,512
(=) Closing Balance	391,397	419,361

e) Allowance Expenses in R\$ Thousands

	06.30.2005	06.30.2004
(+) Expenses on Allowances for lending losses	256,003	98,893
(+) Expenses on Allowances for Other credits	1,737	156
(-) Reversions of Operational Provisions	-	(293)
(=) Balance of Expense with Allowance having a Credit Granting Nature	257,740	98,756
(+) Expense with the Allowance for Other Credits having not a Credit Granting Nature	382	676
(-) Reversions of Allowances for Other Credits having not a Credit Granting Nature	(2,549)	(2,572)
=) Final Balance	255,573	96,860

- f) Throughout the semester an amount of R\$ 107,583 thousands (R\$ 87,365 thousands on 06.30.2004) in loans written-off as losses was recovered; loan re-negotiations amounted R\$ 111,513 thousands (R\$ 663,258 thousands on 06.30.2004).
- g) On June 2005, The National Treasury Service was disclosed contrary to the cession of the agricultural credits operations, foreseen in the Provisional Measure nº 2,196-3 of August 24, 2001. Such credits were totally converted into Credit Operations of the Bank for the half-year period ended as of June 30, 2004.
- h) In the years of 2002 and 2003, based on Article 9 of Law number 10.464, from 05.24.2002, agricultural credit operations were converted to the Financing Constitutional Fund in the Northeast - FNE. In the first semester of 2005, the Bank refunded its operational asset the amount of R\$ 274,181 thousands, referring to operations that were converted without a duly contractual formalization in the operational systems. Such procedures had generated a negative impact on the Bank's Equity in the amount of R\$ 79,677 thousands, being R\$ 58,414 thousands in Accumulated Earnings or Losses of the Bank and R\$ 21,263 thousands in the revenue.

NOTE 6 – Long-Term Liabilities

- a) As respects obligations in connection with loans and onlending assignments executed in Brazil, interest rates range from 0 to 14% per annum, with maturity dates that range from 4 to 20 years, average maturity 7 years. Restatement, as applicable, is calculated according to legal and contractual provisions, subject to the rates published by the Brazilian Central Bank.
- b) The liabilities incurred with the BNDES [The Brazilian National Bank for Economic and Social Development] system to the order of R\$ 1,103,410 thousands were executed under the Long Term Interest Rate ("TJLP"), plus an average rate of 2% per year, average maturity date of 6 years.
- c) Liabilities incurred with Fundo de Amparo ao Trabalhador [Fund for Workers' Support] ("FAT"), recognized in Interest Bearing Special Deposits, to the order of R\$ 1,380,381 thousands (R\$ 1,617,390 thousands in June 30, 2004); 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 SELIC rate, total R\$ 448,588 thousands (R\$ 517,033 thousands on 06.30.2004).
- d) As to the external liabilities, interest rates range from 2.34% to 6.0% per annum, the average term is 10 years and the final maturity with the Interamerican Development Bank ("IDB") shall be in 2023. The foreign exchange correction, when applicable in accordance with the contractual provisions, is calculated based on official indexes disclosed by Brazilian Central Bank.
- e) 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.
- f) Distribution of the Liabilities for Loans And Transfers For Maturity Range in R\$ Thousand

	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total in Jun.05	Total in Jun04
Domestic Loans	6,058	1,559	21,793	23,061	42,936	-	95,407	96,388
Foreign Loans	64,951	72,517	-	-	-	-	137,468	64,028
Domestic Onlending	208,892	221,527	406,835	182,685	119,828	306,815	1,446,582	1,634,903
Foreign Onlending	2,719	60,489	118,067	119,719	567,808	3,856	872,658	872,658
Total	282,620	356,092	546,695	325,465	730,572	310,671	2,552,115	2,667,977

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

a) Other Credits

	<u>06.30.2005</u>	<u>06.30.2004</u>
a.1) Receivables for Guarantees honored	54	6
a.2) Foreign Currency Portfolio	121,422	30,587
Unsettled Currency Purchases	100,000	30,426
Rights on Foreign Currency Sales	20,312	72
Nacional Currency Advances	-	(72)
Income receivables on Advances	1,110	161
a.3) Income Receivable	2,668	6,680
a.4) Moneys Negotiation and Dealing	15	81
a.5) Specific Credits	291	287,221
National Treasury Department – Agriculture Credit Lengthening/Resolution Nr. 2471 (Note 5.g)	-	286,930
National Treasury Department - Agriculture Credit Lengthening/Resolution Nr. 2238	291	291
a.6) Sundry	582,078	660,461
Tax Credits - Temporary Differences	165,952	356,864
Tax Credits – marketable securities and Derivative instruments	147,040	98,765
Debtors for Guarantee Deposits	75,543	56,623

Tax and Payable Contributions	33,327	34,100
Tax Incentive Options	26,748	26,748
Security and Credits Receivable	11,852	10,181
Prepayments and Salary anticipations	6,685	6,015
Payments to Reimburse	19,176	6,338
Recalculation, discounts, exemption and bonus in BNDES operations	11,231	5,741
Recalculation, discounts, exemption and bonus in FAT operations	56,753	36,332
Other Values	27,771	22,754
a.7) Allowance for Other Doubtful Debts	(30,835)	(25,786)
Having a Credit Granting Nature	(14,095)	(5,274)
Having not a Credit Granting Nature	(16,740)	(20,512)
TOTAL	675,693	959,250
SHORT TERM BALANCE	429,700	889,790
LONG TERM BALANCE	245,993	69,460

b) Deposits

	<u>06.30.2005</u>	<u>06.30.2004</u>
b.1) Sight deposits	117,303	251,297
Investments deposits from tax incentive	-	113,637
Foreign currency deposits in the country	68,236	62,123
Governmental deposits	19,356	33,113
Bound deposits	11,727	21,808
Legal Entity	13,169	13,101
Individuals	4,039	6,146
Other Values	776	1,369
b.2) Saving deposits	394,833	374,650
Free Savings Account Deposits – individuals	302,489	285,503
Free Savings Account Deposits – legal entities	92,105	88,921
Linked and of Financial System Institutions	239	226
b.3) Interbank deposits	63,057	36,920
b.4) Time Deposits	2,174,716	1,989,690
Time Deposits	603,848	354,649
Judicial Deposits (interest bearing)	20,470	17,651
Special interest bearing deposits/ FAT – Available funds	444,588	517,033
Urban Proger	71,074	90,598
Rural Proger	52,304	109,529
Pronaf	211,485	221,868
Protrabalho	82,795	69,697
Draught period	26,930	25,341
Special interest bearing deposits/ FAT – Invested funds	935,793	1,100,357
Urban Proger	196,039	259,597
Rural Proger	47,892	74,289
Pronaf	101,269	106,041
Protrabalho	554,810	623,160
Draught period	35,783	37,270
FINOR/ Availabilities and Reinvestments/ Law Nº 8.167	170,017	-
b.5) Others Deposits – Deposits for investments	6,139	-
TOTAL	2,756,048	2,652,557
SHORT-TERM BALANCE	1,140,201	989,719
LONG-TERM BALANCE	1,615,847	1,662,838

c) Domestic Onlending Liabilities – Official Institutions

	<u>06.30.2005</u>	<u>06.30.2004</u>
c.1) Brazilian National Treasury	1,799	1,833
c.2) BNDES¹	974,679	1,162,082
POC	593,224	759,098
Credit facilities for investment in the Agricultural Sector	381,455	402,984
c.3) CEF²	1,030	1,297
c.4) FINAME³	128,731	148,341
Special program	1,358	2,008
Regular Programs	108,688	118,311
Agricultural Program	17,710	23,438
Import	975	4,584
c.5) Others institutions	340,343	321,350
Agrarian reform support - pilot project	64,676	62,618
MEPF - Fund for Lands and Agrarian Reform – Land Bank	155,053	179,063
EMBRATUR ⁴ /FUNGETUR ⁵	3,258	5,384
Land Bank – Rural Poverty Combat	113,590	69,392
Other Programs	3,766	4,893
TOTAL	1,446,582	1,634,903
SHORT-TERM BALANCE	430,419	440,680
LONG-TERM BALANCE	1,016,163	1,194,223

- 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>06.30.2005</u>	<u>06.30.2004</u>
IDB-Prodetur*	851,733	1,120,012
IDB - Other programs	18,890	1,321
Other programs	2,035	3,007
TOTAL	872,658	1,124,340
SHORT-TERM BALANCE	63,208	77,298
LONG-TERM BALANCE	809,450	1,047,042

* Tourism Development Program (“PRODETUR”)

e) Other Liabilities

	<u>06.30.2005</u>	<u>06.30.2004</u>
e.1) Collected taxes and others	12.916	7.847
Proagro funds	4.408	3.984
Federal Taxes receivings	7.338	2.970
Taxes and Others	1.170	893
e.2) Foreign Exchange portfolio	20.340	156
Exchange Purchase Liabilities	107.508	30.119
Exchange sold pending settlement	20.277	72
(Advances on exchange contracts)	(107.508)	(30.119)
Other Values	63	84
e.3) Social and Statutory	240	14.749
Dividends and payable Bonus	59	14.749
Profit Participation	181	-
e.4) Tax and social security	787.074	820.055
Provisions for tax risks	545.990	686.754
Tax and Contributions	521.312	686.754
Tax cases	24.678	-
Provision for deferred income and social contribution taxes	171.279	118.706
Securities and derivative financial instruments	150.211	96.332
Building and land revaluation	21.068	22.374
Provision for tax and contribution on Earnings	54.077	972
Tax and Contributions to Collect/Pay	15.728	13.623
e.5) Financial/ development funds	4.155.017	4.038.431
The Constitutional Fund for the Development of the Northeastern Region ("FNE")	4.129.640	4.003.011
Other Values	25.377	35.420
e.6) Miscellaneous	1.288.089	1.191.687
Provision for contingent liabilities (*)	655.298	719.423
Labor cases	142.038	43.558
Civil disputes	42.814	58.686
Tax-related disputes	-	17.254
Other actions	34.871	-
FNE (Note 15.c)	435.575	599.925
Provision for payments falling due	604.535	448.622
Benefits to employees – CVM Instruction 371(*)	560.069	414.869
CVM Instruction 371 – Retirement and pension plan	497.468	393.405
Health plan	62.601	21.464
Personnel Expendures	39.511	24.630
Other Values	4.955	9.123
Other	28.256	23.642
TOTAL	6.263.676	6.072.925
SHORT-TERM BALANCE	1.931.327	3.653.776
LONG-TERM BALANCE	4.332.349	2.419.149

(*) From June 2005, the Benefits to Employees - Deliberation CVM N° 371, were transferred from account "Provision to Contingent Liabilities" to "Provision for payments to effect". For comparison ends the balances presented in 06.30.2004 were adjusted

f) Financial Intermediation Income

	<u>06.30.2005</u>	<u>06.30.2004</u>
f.1) Credit operations	318,772	384,719
Interest and commissions	176,960	170,657
Monetary restatement	33,787	57,245
Exchange rate variation	442	69,452
Recovery of credits written off as losses	107,583	87,365
f.2) Result of Operation with Bonds and Securities	684,254	594,289

Fixed income securities	679,178	574,722
Other Applications	21,251	29,610
Profit, Loss and Adjustment	(16,175)	(10,043)
f.3) Result from Foreign Exchange operations	6,842	9,593
Foreign Exchange Operations	4,292	1,128
Cash in foreign currencies	50	7,590
Taxes Variations and Differences	2,500	875
f.4) Income from compulsory applications	9,633	(1,493)
Interest and commissions	9,244	(1,798)
Monetary Restatement	389	305
TOTAL	1,019,501	987,108

g) Financial intermediation expenses

	<u>06.30.2005</u>	<u>06.30.2004</u>
g.1) Funding operations at the market	(174,566)	(157,546)
Interest and commissions	(123,890)	(122,718)
Monetary restatement	(50,193)	(22,305)
Exchange rate variation	(483)	(12,523)
g.2) Borrowing and Onlending	(412,653)	(453,865)
Interest and commissions	(63,533)	(75,441)
Monetary restatement	(349,097)	(298,423)
Exchange rate variation	(23)	(80,001)
g.3) Allowance for doubtful accounts (Note 5.e)	(255,573)	(96,860)
Credit Operations	(257,740)	(98,756)
Operations Having not a Credit Granting Nature	2,167	1,896
TOTAL	(842,792)	(708,271)

h) Other Operational Income and Expenses

	<u>06.30.2005</u>	<u>06.30.2004</u>
h.1) Services provided income	290,400	274,978
Administration of investment funds	2,166	2,100
Administration of funds and programs	253,502	243,335
Services provided	34,732	29,543
h.2) Personnel expenses	(266,063)	(230,597)
Salaries	(114,129)	(97,435)
Social charges	(43,250)	(37,205)
Retirement and pension plan (CVM resolution 371)	(67,455)	(73,155)
Medical care plan (CVM resolution 371)	(21,734)	(8,653)
Benefits, trainings, wages and Remuneration of Trainee	(19,495)	(14,149)
h.3) Other administrative expenses	(167,005)	(161,074)
Data processing	(35,454)	(31,375)
Advertising and Publicity	(9,293)	(13,045)
Third Parties' services	(14,628)	(13,917)
Rents, materials, (water, electric power, gas)	(15,965)	(14,618)
Travels	(6,344)	(7,354)
Communications	(9,994)	(9,322)
Depreciation & amortization	(8,255)	(6,877)
Property maintenance and conservation	(7,029)	(5,919)
Surveillance, security and transportation	(7,546)	(6,445)
Promotions, public relations and publications	(2,938)	(5,427)
Services – financial system	(4,146)	(3,109)
Technical expert services	(5,849)	(7,656)
Insurance	(844)	(838)
Capecf and Camed employers' share - Pensioners	(24,733)	-
Legal fees, notary's office and advocative fees	(6,874)	(5,288)
Contribution to Employers' Union and Associative Entity	(481)	(436)
Condominium, Pantry, Kitchen and provisions	(2,812)	(27,590)
Other Values	(3,820)	(1,858)
h.4) Tax expenses	(38,880)	(33,525)
Cofins and PIS ¹ /PASEP ² contributions	(35,176)	(30,166)
CPMF	(1,049)	(982)
ISS e IPTU/ Improvement Contribution	(2,282)	(1,960)
Other Values	(373)	(417)
h.5) Other Operational Incomes	501,067	143,112
<i>Del credere</i> from managed funds	78,694	48,591
Negative Exchange rate variations from loans	184,698	921
Reversion from operational allowances/risks with FNE transactions	143,919	5,031
Recovery of Charges and expenses	2,352	5,979
special credits income	-	4,533
Reversion from social contribution and income tax allowance	7,712	-
Reversion from Operational Allowance	72,243	67,147
Interest and Comissions	6,632	5,671
Monetary Restatement	4	-

Tax Monetary update	974	2,774
Other Values	3,839	2,465
h.6) Other Operational Expenses	(371,708)	(51,861)
Exchange rate variation – exchange area	-	(5,357)
Negative Exchange rate variation - loans	(138,944)	(2,475)
Discounts granted in renegotiations	(2,420)	(3,851)
Charges of Credit Operations	(33,637)	-
Tax risks	(54,549)	(17,346)
FNE operations risk	(25,967)	-
Labor Disputes	(61,507)	(72)
Civil Actions	(11,323)	(16,031)
Other Actions	(218)	(799)
Other Operational allowances	(6,611)	-
Other Values	(36,532)	(5,930)
TOTAL	(52,189)	(58,967)

¹ Employees' Profit Participation Program ("PIS")

² Public Service Employee Savings Program ("PASEP")

NOTE 8 – Taxes and Contributions

a) Income Tax and Social Contribution

Banco do Nordeste is subject to the Real Profit Tax system, and pays Estimated Income Tax and Social Contribution on a monthly basis. The Income Tax expenses registered in the first semester of 2005 was R\$ 87,819 thousands and Social Contribution was R\$ 31,720 thousands, according to the conciliation provided below (in R\$ thousand):

	<u>Income tax</u>		<u>Social Contribution</u>	
	06.30.2005	06.30.2004	06.30.2005	06.30.2004
Income before taxes	87,156	180,674	118,876	214,066
Permanent additions/ exclusions	39,444	50,309	7,736	16,832
Period-related additions/ exclusions	101,715	(226,706)	101,715	(226,706)
Taxable income before offsets	228,315	4,277	228,327	4,192
Tax loss and negative basis offset	(68,494)	(1,283)	(68,498)	(1,258)
Taxable income after offsets	159,821	2,994	159,829	2,934
Taxes due	39,434	736	14,201	264
Deductions (tax incentives and offsets)	(250)	(594)	-	(203)
Tax credit on timing differences	48,635	92,420	17,519	33,271
Amounts recorded as expenses	87,819	92,562	31,720	33,332
Expense % in relation to income before taxes	100.76%	51.23%	26.68%	15.57%

b) Tax credits on timing differences

Article 9 of Law Number 9.430, of 12.27.1996 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 allowance 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.

For ends of attendance to determination of Resolution Number 3,059, issued by the Brazilian Currency Board of 12.20.2002, the Bank presented in DIPJ 2005, year calendar 2004, profit tributary of income tax and positive base of social contribution. The respective adjustments had been registered in the first semester of 2005 in Accumulated Profits or Losses.

Because of the temporary nature of the addition of allowances for bad debtors, and pursuant to provision of the Circular 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	Securities	Temporary differences	Securities	Article 8 Prov. Act 2,158/01
Initial Balance on December 31, 2004	170,660	90,818	61,446	32,694	37,912
(+) Credits Constitution	-	17,300	-	6,228	-
(-) Credits Realization	(48,635)	-	(17,519)	-	(37,912)
(=) Final Balance as of June 30, 2005	122,025	108,118	43,927	38,922	-

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	
	06.30.2005	06.30.2004	06.30.2005	06.30.2004
1. Total timing differences	2,671,376	2,801,108	2,671,376	2,801,108
2. Tax loss and negative basis	865,714	869,844	867,418	893,681
3. Total calculation basis (1) + (2)	3,537,090	3,670,952	3,538,794	3,694,789
4. Total Tax Credits	884,273	917,738	318,491	332,531
5. CSLL to offset – MP. 2158-35/01, Article 8	-	-	-	37,912
6. Tax credits arising from Securities market marking	108,118	72,621	38,922	26,144
7. Total Tax Credits	992,391	990,359	357,413	396,587
8. Tax Credits – activated	230,143	307,144	82,849	148,485
9. Tax Credits – Non-activated (7)-(8)	762,248	683,215	274,564	248,102

The deferred Income Tax and Social Contribution will be realized as timing differences that serve as the base for tax payable calculations are reversed or comply with the tax deductibility parameters, which realization Schedule is provided below, duly based on a technical report in which positive results are foreseeable in the future thereby generating income tax and social contribution payable, subject to the provisions of Law 9,249/95, Article 6, Sole Paragraph. The table provided below shows the expected realization values, on 06.30.2005, as compared to the present value of the credit, calculated according to the Interbank Deposit rate ("CDI"), as projected to the applicable periods. In the half-year period ended of 06.30.2005, was funded the amount of R\$ 66,154 thousands, of Tax Credit on timing differences, equivalent to 115.04% of R\$ 57,507 thousands foreseen in December 2004 for accomplishment in all the year of 2005.

Period	Realization of the Income Tax Credit		Realization of the Social Contribution Credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2006	19,813	18,157	7,131	6,534	26,944	24,691
2007	37,685	29,633	13,566	10,668	51,251	40,301
2008	44,985	30,854	16,195	11,107	61,180	41,961
2009	19,542	11,805	7,035	4,250	26,577	16,055
TOTAL	122,025	90,449	43,927	32,559	165,952	123,008

Tax credits on market adjustments for Bonds and Securities ascertained by the present value for realization in accordance with Circular Letter BACEN nr. 3,068/01 will be realized according to their respective maturities, as provided below, in R\$ Thousands:

Period	Realization of the Income Tax Credit		Realization of the Social Contribution Tax credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2005	95,004	95,004	34,201	34,201	129,205	129,205
2006	3,660	3,660	1,318	1,318	4,978	4,978
2007	3,106	3,106	1,118	1,118	4,224	4,224
2008	1,073	1,073	386	386	1,459	1,459
2009	2,542	2,542	915	915	3,457	3,457
2010 to 2012	5	5	2	2	7	7
2013 to 2015	1	1	-	-	1	1
2025 to 2027	2,727	2,727	982	982	3,709	3,709
TOTAL	108,118	108,118	38,922	38,922	147,040	147,040

NOTE 9 – Net Equity

a) Capital Stock

The amount of the Capital Stock is R\$ 1,277,000 thousand (R\$ 1,228,000 thousand on 06.30.2004) represented by 870,019,022,574 book entry shares, with no par value, duly paid-up, distributed as follows:

Shareholders	Common Shares	Preferred Shares	% of Voting Stock	% of Total Stock
The Federal Government	465,952,800,540	353,731,907,693	96.10	94.22
The <i>Fundo Nacional de Desenvolvimento</i> – FND	14,737,043,790	23,732,649,036	3.04	4.42
BNDES PAR ¹	490,153,432	4,899,854,822	0.10	0.62
Others (35,333 shareholders)	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 semester, in the amount of R\$ 1,343 thousands (R\$ 1,493 thousands on June 30, 2004) was transferred for "Accumulated Earnings or Losses".

c) Dividends and Profit Reserves

Although the Bank has presented in 06.30.2005 profit of R\$ 7,049 thousands, profit reserves had not been constituted nor distributed shares to the shareholders, in function of the negative balance presented in the account "Accumulated Earnings or Losses", decurrent of the adjustments of previous years specified in the Note 9.d.

Such decision is supported by the societary rules in the Law Nr. 6,404/76 (Share Societies Law), Chapter I, Section 20, of COSIF – Accounting plan for the Institutions of the National Financial System and art. 53 of the Bank Bylaws, as well as in obedience to the Principle of the Integrity of the Capital.

d) Adjustments from precedent years in R\$ Thousands

	<u>Debit adjustment</u>
Tax Credit of CSLL constituted in 1998 on basis of Art. 8° of MP 2158-35	(37,912)
Tax Credit of the CSLL on negative basis from 2003 generated by paid anticipations with improper credit of the "summer plan"	(9,518)
Reversion of default charges in view of operations conversion into FNE – Law Number 10.464 (Note 5h)	(6,995)
Recalculation of remuneration of FNE cash in the period from 02.26.98 to 12.31.04, regarding the improperly liberated parcel and returned to the Fund on 02.04.2005	(295)
Adjustments/complements on granted credits to the Federal Government–Resolution 2471 (Note 5g)	(171)
Deconversion of FNE Operations to the Bank–Law no. 10.464 (Note 5h)	(58,414)
TOTAL	(113,558)

NOTE 10 – Liability Contingencies

Banco do Nordeste participates in several lawsuits involving mainly civil, fiscal and labor actions, that are in progress in the administrative and legal spheres. The evaluation of the liability contingency, risk degree of new actions and the reevaluation of the already existing ones are accomplished by the Legal Area, case by case, being classified in accordance with the loss likelihood of probable, possible and remote.

This classification is carried through on the basis of the analysis of the following factors: a) legal and factual basis from the opposite party's request; b) obtained results by the Bank in similar demands; c) jurisprudencial trend of the Superior Courts to the demand's subjects.

In observance to the judicial decision NPC XXII of the IBRACON, from January, 2005, the Bank has started to constitute integral allowance on the estimated value of loss in demands classified as probable, not containing provision for those classified as possible and remote, as it is shown below, in R\$ Thousands:

	Basis Value	Provision
PROVISION FOR TAX RISKS		
Tax and Contributions (Probable)	521,312	521,312
Tax Actions	214,888	24,678
Probable	24,678	24,678
Possible	39,905	-
Remote	150,305	-
Total	736,200	545,990
PROVISION FOR CONTINGENT LIABILITIES		
Labor Disputes	176,070	142,038
Probable	142,038	142,038
Possible	20,098	-
Remote	13,934	-
Civil Actions	179,845	42,814
Probable	42,814	42,814
Possible	98,915	-
Remote	38,116	-
Others	40,168	34,871
Probable	34,871	34,871
Possible	1,705	-
Remote	3,592	-
Total	396,083	219,723

The risk assumed by the Bank, in FNE operations, contracted from 12.01.1998, is calculated in comparable way to that foreseen in Resolution Nr. 2,682/99.

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	R\$ 11,195.51	R\$ 13,054.46
Minimum	R\$ 504.52	-
Average	R\$ 3,259.19	-

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

(2) It Includes R\$ 2,175.74, for the 20% additional compensation for exercising a head position, fixed by Brazilian Treasury Department.

On 06.30.2005, Banco do Nordeste employees number totaled 4,385 (3,879 as of 06.30.2004), with a 13.04% increase, within the period, in Bank personnel.

NOTA 12 – Profit sharing and participation in Results

Although the Bank has presented profit in the half-year ended of 2005, the employees and administrators participation in the profit was not provisioned, in view of the negative balance presented in account "Accumulated Earnings or Losses" because of the adjustments of previous years specified in Note 9.d.

NOTE 13 – Benefits to Employees

As stipulated by CVM Instruction Nr.371 of December 13, 2000, the information on the employees benefits policy is provided below, as well as the accounting procedures adopted by Banco do Nordeste in order to recognize such obligations:

a) Banco do Nordeste does not provide:

- Dismissal benefits;
- Long-term benefits;
- 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 of the plan assets.

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 Method

CAPEF adopts the capitalization financial method in the actuarial calculation of the reserves in connection with the benefits for retirement supplementation, pension supplementation and ordinary annuity.

c.2) Benefits 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

Nihil.

c.4) Debt from Contributions

On 12.30.2003, Banco do Nordeste made a contract with CAPEF, in connection with the amount it would contribute as a sponsor, to extinguish judicial demands, in the amount of R\$ 183,695 thousands (contracted deficit). The agreement also included the recognition of unpaid contributions to CAPEF in the period of July 1993 to February 1994, in the amount of R\$ 54,975 thousands, totaling a debt of R\$ 238,670 thousands.

The remaining balance of BNB contractual debt amounted, on 06.30.2005, R\$ 90,304 thousands, which shall be paid on 12.29.2006.

c.5) Evaluation of the Actuarial Situation

CAPEF actuarial result as of June 2005 was a surplus of R\$ 126,156 thousands (a surplus of R\$ 76,681 thousands on June 30, 2004) as per an Actuarial Assessment by the firm PROBUS Suporte Empresarial S/C Ltda.

c.6) Contributions List (Members/Sponsor)

The contribution ratio between participants and Banco do Nordeste meets the parity rule established in the Constitutional Amendment Nr. 20/98, with the contributory ratio being, on 06.30.2005, 1:1 (On 06.30.2004 1:1).

d) Features of the Medical Care Plan

Banco do Nordeste contributes with the Health Plan managed by the 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 destined for covering or recovering expenses made for health furtherance, protection and recuperation.

d.1) Liabilities due

Nihil.

d.2) Contributions

The Natural Plan is basically financed by the social contribution paid by the associates, by the contributions related to the registration of natural dependents, by the financial protection fee, by the co-participation paid by the associates according to the medical procedures individually undergone by them and by the parity contribution which sponsors are liable for.

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

Conciliation of assets and liabilities is provided below in R\$ thousand, as per actuarial assessments made by PROBUS Suporte Empresarial S/C Ltda., according to the 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 the Banco do Nordeste do Brasil S/A, in compliance with the provision in item 49 of the Attachment of CVM Instruction Nr. 371:

Specification	CAPEF	CAMED
1. Present value of actuarial liabilities, fully or partially covered	2,236,717	262,613
2. Fair Value of Plan Assets	1,415,929	9,106
3. Present value of unfunded actuarial liabilities (item 1 minus item 2)	820,788	253,507
a. Present value of recognized unfunded actuarial liabilities	497,468	62,601
i. Current expenses	143,095	21,088
ii. Net value of actuarial losses	11,579	19,546
iii. Cost of services formerly provided	179,251	-
iv. Portion of the actuarial liabilities ascertained as of 12. 31.2001	163,543	21,967
b. Present value of non-recognized unfunded actuarial obligations	323,320	190,906
i. Net value of actuarial losses	107,505	181,491
ii. Cost of services formerly provided	145,725	-
iii. Portion of the actuarial liabilities ascertained as of 12. 31.2001	70,090	9,415

f) The Net Actuarial Liabilities Turnover within the Period is set out below, in R\$ Thousands:

Specification	CAPEF	CAMED
1. Net actuarial liabilities in the end of the previous year	831,697	232,712
2. Turnover result in unfunded actuarial liabilities in the current year	(10,909)	20,795
a. Current expenses	30,844	11,847
b. Net value of actuarial losses (earnings)	(12,537)	8,948
c. Cost of services formerly provided	(29,216)	-
3. Net actuarial liabilities in the end of the period	820,788	253,507

g) The expense Recognized in the Income Statement is set out below, in R\$ Thousands:

Specification	CAPEF	CAMED
1. Current expenses	56,269	18,928
a. Cost of current service, deducted from employees' contributions	6,367	4,966
b. Cost of interests	131,259	14,479
c. Expected Income on plan assets	(81,357)	(517)
2. Actuarial earnings and losses recognized in the year	-	6,749
3. Cost of services formerly provided	13,248	-
4. Actuarial liability ascertained on 12.31.2001, recognized in the year	23,363	3,138
5. Expense recognized in the income statement	92,880	28,815

h) Additional Comments

h.1) Current Expenses – Liabilities ascertained in the year, arising out of increase in time of service provide 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.

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\$ 29,216 thousands, as regards the private Pension Plan – CAPEF.

h.4) Actuarial Liability Ascertained as of 12.31.2001 – the current value for non-covered actuarial liabilities, in amounts of R\$ 233,632 thousands (CAPEF) and R\$ 31,382 thousands (CAMED), ascertained as of 12.31.2001, as provided in item 49 of the Attachment to the CVM Instruction 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) Used Assumptions

- i.1)** Biometric Assumptions: Table for General Mortality of capable people – AT83; Table for mortality of disabled people, IAPC Experience; Table for people becoming disabled – the CAPEF Experience; and Turnover Table – None.
- i.2)** Economic Assumptions: Expected Actual Yield Rate from the plan assets – 6% per annum; Future Inflation Rate - 6% per annum; Estimated Real Salary Increase Index – 1% per annum; Actual Growing Rate of Benefits – 0% per annum, and Actual Actuarial Liability Discount Rate – 6% per annum; Actual Growing Rate for INSS' Benefits – 0% per annum; Actual Growing Rate of Welfare Expenditures – 2.9% per annum.
- i.3)** The future inflation rate is used to calculate the Actuarial Liability Present Value, aiming to measure 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 of the plan.

NOTE 14 – Equity Balances Attached to Foreign Currencies

The operations contracted with foreign exchange restatement clause, on 06.30.2005, net balance of the purchased foreign exchange exposure, amounting R\$ 11,272 thousands, as it is shown below, in R\$ Thousands:

Current	1,840	Deposits	68,235
Liquidity Interfinance Applications	37,004	Interdependence Relationships	11,917
Marketable Securities	210,588	Liabilities For Loans and Transfers within the Country	12,906
Credit Operations	741,399	Liabilities For Loans and Transfers From Abroad	1,010,127
Other Credits	121,422	Other Liabilities	20,340
Total of Assets in Foreign Currencies	1,112,253	Total of Liabilities in Foreign Currencies	1,123,525

The Bank manages the foreign exchange rate risk keeping its exposition limited to residual values, obeying closely the percentage established by the Central Bank regime. The dissolution above represents 1% of the value from the indexed foreign currencies operations, which reaffirms the Bank's conservative policy in relation to this type of risk.

The net balance of the foreign exchange exposition is daily adjusted. In view of reducing those existing dissolutions, operations in the financial market are carried out for purchase and sale of federal bonds indexed to the exchange variation.

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

- a)** The operations financed with FNE's resources are registered in compensation accounts of the Bank (Equity from Public Managed Funds).
- b)** Fund availabilities, registered under the heading Other Liabilities/Financial and Development Funds, is invested at the extra-market rate.
- c)** The allowance to meet the credit risk in operations contracted under FNE is set up 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 allowances accounted as Contingent Liabilities of the Bank is as follows, in R\$ Thousands:

Risk Level	Balances (A)	% Risk (B)	Risk Value C = (A x B)	Allowance in June 2005 D = (C x 50%)	Allowance in June 2004
AA	1,076,123	0 %	-	-	-
A	1,104,445	0.50 %	5,522	2,761	1,184
B	1,362,043	1.00 %	13,620	6,810	3,461
C	334,836	3.00 %	10,045	5,023	5,116
D	856,125	10.0 %	85,612	42,806	24,099
E	90,378	30.0 %	27,113	13,557	15,201
F	48,812	50.0 %	24,406	12,203	14,930
G	38,770	70.0 %	27,139	13,570	16,998
H	677,690	100 %	677,690	338,845	518,936
TOTAL	5,589,222		871,147	435,575	599,925

- 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 management fee is calculated on Fund Net Equity, deducted from the values subject to onlending contract 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 06.30.2005, the capital adequacy rate (Basel Index) of Banco do Nordeste was 17.44% (20.85% on June 30, 2004), whilst the Reference Equity ("PR") was R\$ 1,218,870 thousands (R\$ 1,314,655 thousands on 06.30.2004). Resolution Nr. 2,099/94 of the National Monetary Council and supplementary rules issued by the Brazilian Central Bank determine that as of June 30, 2005 the capital adequacy rate should be at least 11% and, in the case of the Bank a minimum PR of R\$ 768,815 thousands (R\$ 693,714 thousands on 06.30.2004).

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

	<u>06.30.2005</u>	<u>06.30.2004</u>
Assets at a 0% risk		
Cash and Cash equivalents	36,560	28,164
Credits and bonds issued by the Brazilian Government	8,089,750	7,939,430
Deposits with the Brazilian Central Bank	83,093	79,378
Special credits – extension of the period of time to pay Rural Credits	291	287,221
Operations refinanced with the Brazilian government	499,629	465,242
Other	136,114	156,827
Total at a 0% risk	8,845,437	8,956,262
Assets at a 20% risk		
Cash and Cash Equivalents in foreign currencies	37,004	3,728
Check and other papers clearing service	66,390	46,079
Deposits in other banks	1,821	2,791
Total at a 20% risk	105,215	52,598
Weighted value	21,043	10,520
Assets at a 50% risk		
Applications in interfinance deposits, securities and investment funds	4,202	352,266
Foreign exchange portfolio	120,312	30,426
Offset accounts	197,631	147,777
Others	225	205
Total at a 50% risk	322,370	530,674
Weighted value	161,185	265,337
Assets at a 100% risk		
Credit operations	2,987,445	2,873,428
Property, plant and equipment in use	152,182	146,413
Investments	762	766
Foreign exchange portfolio	1,110	160
Offset accounts	2,315,369	1,197,736
Others	390,682	382,585
Total at a 100% risk	5,847,550	4,601,088
Weighted value	5,847,550	4,601,088
Assets at a 300% risk		
Tax credits - Income Tax and Social Contribution	312,503	455,384
Total at a 300% risk	312,503	455,384
Weighted value	937,509	1,366,152
Total of assets capable of being wighted by risk	15,433,075	14,596,006
Total weighted value	6,967,287	6,243,097
Find below the net equity calculation required and that for capital adequacy coefficient, (in R\$ thousands):		
	<u>06.30.2005</u>	<u>06.30.2004</u>
A) Assets subject to risk weighting	15,433,075	14,596,006
B) Risk weighted assets ("APR")	6,967,287	6,243,097
C) Swap credit risk	-	-
D) Net equity Requirement on APR (11% of "B")	766,402	686,741
E) Net equity Requirement on Swap (20% of "C")	-	-
F) Net equity Requirement on interest and foreign exchange rate exposure	2,413	6,973
G) Net equity required ("PLE"): "D" + "E" + "F"	768,815	693,714
H) Reference equity ("PR"):	1,218,870	1,314,655
Level I	1,177,973	1,271,223
Level II	40,897	43,432
Revaluation reserves	40,897	43,432
I) Ratio between the reference equity and the Net Equity required: PR/PLE("G"/"H")	0.63	0.53
J) Excess (/deficiency) of Net Equity: PR-PLE ("H"-“G”)	450,055	620,941
K) Excess (/deficiency) of leverage: (excess/deficiency of Net Equity x100)/11	4,091,409	5,644,918
L) Net Equity adequacy coefficient	17.44%	20.85%

NOTE 17 – Cash Flow

	<u>06.30.2005</u>	<u>06.30.2004</u>
Cash Flow from Operations		
Net profit of the year	7,049	88,172
Expenses (Revenues) not affecting the cash:		
- Depreciation and amortization expenses	8,256	6,878
- Allowance for losses in investments	-	3,809
- Allowance for other assets devaluation	297	3,054
- Allowance for Doubtful Debts	4,634	(199,466)
- Allowance for Other Doubtful Debts	(862)	(2,393)
Adjusted Net Profit (Loss)	19,374	(99,946)
Marketable Securities	240,189	(621,913)
Other assets	(135)	62
Liquidity Interfinance Applications	(19,125)	43,014
Interfinance and interbranch relationships	(13,791)	4,786
Credit operations	39,987	(21,563)
Other Credits	28,406	326,063
Variations in future years results	178	738
Previous years adjustments	(113,305)	(27,554)
Adjustment to market value - securities and derivative instruments	(14,770)	(46,276)
Cash generated (used) by operations	167,008	(442,589)
Cash flow from financing activities		
Deposits	44,419	(114,243)
Liabilities and onlendings	(247,885)	(22,628)
Open market funding	(100,689)	110,003
Other liabilities	190,040	521,496
Funds from the acceptance and issuance of securities	(32,066)	(11,257)
Dividends and bonuses proposed	-	(14,624)
Total fund inflow (outflow)	(146,181)	468,747
Cash flow from investment activities		
Investment in assets not destined for own use	(387)	(654)
Investment in property, plant and equipment for use	(11,603)	(15,871)
Disposal of assets not destined for own use	(137)	1,094
Disposal of property, plant, and equipment for use	(527)	(186)
Disposal of investments	(9)	(9)
Applications Increase in deferred assets	(1,369)	(535)
Total Funds Raised	(14,032)	(16,161)
Net cash variation	6,795	9,997
STATEMENT OF CASH VARIATION:		
In the beginning of the period	31,587	20,958
In the end of the period	38,382	30,955
Increase in cash	6,795	9,997

Note 18 – Other Informations

a) Transactions with related parties

Banco do Nordeste did not enter into transactions with affiliated and controlled companies in the first semester of 2005 and 2004. Operations with companies controlled by the Federal Government - the Bank's major shareholder, the balance of which was R\$ 245 thousands on 06.30.2004, were settled in the second semester of 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>06.30.2005</u>	<u>06.30.2004</u>
Open credits for import	20,430	5,726
Beneficiaries of guarantees provided:		
- Individuals or non-financial entities	3,236	3,236
- FNE	2,794,611	1,723,415
- Other entities	11,160	-
Co-obligations in credit assignments	197,731	147,868

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 June 30, 2005, and the respective income statements, net equity changes, and changes in financial position statements for the half-year period ended on that date, prepared under their administration responsibility. Our responsibility is expressing an opinion on such financial statements.
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 values and accounting information disclosed; and (c) the evaluation of the most representative accounting practices and estimates adopted by the Bank management, as well as 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 aspects, the equity and financial position of Banco do Nordeste do Brasil S.A. as of June 30, 2005, its operations result, the net equity changes, and the financial position changes for the half-year period ended on that date, according to accounting practices adopted in Brazil.
4. The financial statements for the half-year period ended as of June 30, 2004, provided for comparison purposes, were audited by our auditors, who issued an opinion dated July 25, 2004, with a restriction about the effects that could arise from the non-acceptance by the National Treasury Secretariat of credits referring to rural credit operations renegotiated upon determination of Law Nr. 9,138/95 and Resolution Nr. 2,471/98, of the Brazilian Monetary Council, being the referred credits transferred to the Bank's credit operations portfolio in the second semester of 2004 and therefore its effects are already reflected in the Financial statements.

INDEPENDENT AUDITORS' OPINION

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

5. The supplementary information concerning the statement of cash flow for the half-year period ended on June 30, 2005, provided as explanatory note number 17 to the financial statements, is provided with the purpose of allowing additional analyses, being not an integral part of basic financial statements. We reviewed such information in accordance with the audit procedures mentioned in paragraph 2, and, in our opinion, they are properly provided, in all outstanding ways, as regards the financial statements taken as a whole. The supplementary information for the half-year period ended on June 30, 2004, was reviewed by our independent auditors.

Recife, August 10, 2005

Mateus de Lima Soares
Accountant-partner
CRC 1RJ079.681/O-0 "S" CE
BDO Trevisan Auditores Independentes
CRC 2SP013.349/O-5 "S" PE

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

FISCAL COUNCIL'S REPORT

The fiscal council of Banco do Nordeste do Brasil S.A., in use of its legal and statutory duties, after reviewing the Bank's Patrimonial Balance Sheet, and other Financial Position Statements related to the semester finished on June 30, 2005, and based on Independent Auditors' Opinion – Trevisan Auditores Independentes - from August 10, 2005, has the opinion that these Financial Statements properly reflect the financial and patrimonial position developed by Banco do Nordeste do Brasil S.A., in the first semester of 2005.

Fortaleza (CE), August 26, 2005.

FISCAL COUNCIL

SUMMARY TO THE AUDIT'S COMMITTEE REPORT

1st SEMESTER 2005

Committee's Activities

During the first semester of 2005, while accomplishing its statutory duties for advisement to the Administration Council, the Audit's Committee consummated twelve ordinary meetings and two extraordinary, highlighted as follows:

- a) definition of a meeting agenda for the period, prioritizing the follow-up of the projects and steps adopted by the Bank's Administration for the internal control system improvement, legal and normative conformance check and risks management;
- b) the conclusion and posterior approval, by the Administration Council, of the Committee's operation rules, accomplished in the Procedures Manual, which was inserted in the Bank's normative system and electronically available to all managers and co-workers;
- c) The working up of the Audit's Committee Report concerning the second semester of 2004 and its presentation to the Administration Council, Fiscal Council, independent audit and managers to areas under their supervision, emphasizing result of accomplished evaluations and recommendations about actions and procedures subject to elaboration.
- d) Periodical analysis and discussion with managers responsible for monthly reports and balance sheets on the Bank's economical-financial performance, reservedly or through a group participation in meetings of the Administration Council.

After the semester ending, the Audit's Committee forwarded meetings – for analysis, review and quality evaluation of the accounting expositions set from the period ended on June 30, 2005 – with the managers responsible for its preparation, with the independent audit and took part in the meeting of the Administration Council, which approved the referred expositions, together with the Fiscal Council.

Evaluations Result

The Audit's Committee, in use of its regulative and regimental duties and in result of fulfilled evaluations, inferred that:

- a) The evaluation of the internal control system and the activities of legal and normative conformance check and risks management performed at BNB, showed that the Administration has been adopting some steps for the improvement of these areas effectiveness and for dissemination and strengthening of the relevant control culture; Among the most relevant administrative steps, the creation of the Basiléia II Project, for the implementation of integrated management to operational risks, credit and market, the co-workers training and the mapping to operational and administrative process risks; We must highlight that the expected results depend on the effectiveness of the ongoing administrative actions and investments in the Bank's technological solutions;
- b) The control environment established by the administration has been providing an appropriate receptivity to adjustment recommendations and relevant actions and procedures improvements suggested to the BNB managers by the Audit's Committee and by internal and external audits.
- c) The Independent Audit's evaluation confirmed the improvement of its effectiveness and has not observed facts or actions that can compromise its objectivity and independence;
- d) The internal audit's evaluation highlights a proper effectiveness, considering that the audit's annual plan, adopted methodology and performed works results are extensive and suitable to BNB's nature, size and operation complexity.
- e) The review to the financial statements set from the semester ended on June 30, 2005 enabled this Committee to declare that it does not know, until this date, about any relevant changes that should be done for such statements to be in accordance with the accounting actions adopted in the country and rules issued by Banco Central do Brasil (Brazilian Central Bank). Moreover, due to the quality and integrity evaluation from these statements, the Audit's Committee learns that they show a proper balance between the analyzed qualitative features.

Fortaleza, August 17, 2005.

By the Audit's Committee of Banco do Nordeste do Brasil S/A

**Banco do
Nordeste**



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

Accounting Statements

F N E

POSITION: 06.30.2005

THE CONSTITUTIONAL FUND FOR THE DEVELOPMENT OF THE NORTHEASTERN REGION - FNE
(Act 7,827 of September 27, 1989)
BALANCE SHEET
JUNE 30, 2005 AND JUNE 30, 2004
(In thousands of R\$)

	ASSETS		LIABILITIES	
	06.30.2005	06.30.2004	06.30.2005	06.30.2004
CURRENT ASSETS	5.981.396	10.202.466	NET EQUITY	15.232.978
CASH AND CASH EQUIVALENTS.....	4.129.640	4.003.011	TRANSFERS FROM THE BRAZILIAN FEDERAL GOVERNMENT:	17.104.329
Funds to be allocated	2.668.642	2.870.606	During the semester	1.266.131
Allocated funds	1.460.998	1.132.405	In previous years	12.635.029
INTERFINANCE OPERATIONS	93.855	92.695	INCOME FROM PREVIOUS YEARS	5.817.176
Rural credit – Proagro receivable	4.262	4.690	SEMESTER INCOME.....	(4.485.358)
onlending debtors	89.593	88.005		
CREDIT OPERATIONS	1.757.901	6.106.760		
Financings	2.256.847	1.966.641		
Agrobusiness Financings	540.039	441.876		
Rural Financings	4.108.933	3.698.243		
Allowance for debtful Debtors	(5.147.918)			
LONG TERM RECEIVABLES	9.251.582	6.901.863		
INTERFINANCE OPERATIONS	38.765	4.377		
Rural credit – Proagro receivable	5.298	962		
Onlending Debtors	33.467	3.415		
CREDIT OPERATIONS	9.210.971	6.893.239		
Financings	1.908.828	1.241.045		
Infrastructure and Development Financings	522.684			
Agrobusiness Financings	189.928	164.830		
Rural financings.....	6.589.531	5.487.364		
OTHER ASSETS	1.846	4.247		
Proagro Cover Bonds	668	2.890		
Agrarian debt bonds	2.368	2.467		
(Allowance for Bond Devaluation)	(1.190)	(1.110)		
TOTAL ASSETS	15.232.978	17.104.329	TOTAL LIABILITIES	15.232.978
				17.104.329

CONSTITUTIONAL FUND FOR THE NORTHEASTERN REGION - FNE
(Law 7.827 of September 27, 1989)
INCOME STATEMENT
JUNE 30, 2005 AND JUNE 30, 2004
(In thousands of R\$)

	1st semester/2005	1st semester/2004
REVENUES		
From Credit operations	568.204	420.975
From Yield on cash	327.926	263.727
EXPENSES		
From Administration	(224.913)	(220.687)
- PRONAF - compensation of the Finance Agent	(8.855)	
From Operational Allowances	(5.147.712)	(444)
From Audit	(8)	(14)
NET INCOME FOR THE SEMESTER	(4.485.358)	463.557

CONSTITUTIONAL FUND FOR THE NORTHEASTERN REGION - FNE
(Act 7.827 of September 27, 1989)
STATEMENT OF CHANGES IN NET EQUITY
JUNE 30, 2005 AND JUNE 30, 2004
(In thousands of R\$)

ITEMS	TRANSFERS OF FUNDS FROM THE FEDERAL GOVERNMENT	RETAINED PROFITS	TOTAL
BALANCES ON DECEMBER 31, 2003	10.548.710	5.035.049	15.583.759
Transfers from Brazilian Federal Government in the semester.....	1.088.468	0	1.088.468
Adjustments from previous years.....	0	(31.455)	(31.455)
Net profit of the semester.....	0	463.557	463.557
BALANCES ON JUNE 30, 2004	11.637.178	5.467.151	17.104.329
CHANGES IN THE SEMESTER	1.088.468	432.102	1.520.570
BALANCES ON DECEMBER 31, 2004	12.635.029	5.887.503	18.522.532
Transfers from Brazilian federal government in the semester.....	1.266.131	0	1.266.131
Adjustments from previous years.....	0	(70.326)	(70.326)
Net Loss of the semester.....	0	(4.485.358)	(4.485.358)
BALANCES ON JUNE 30, 2005	13.901.160	1.331.819	15.232.978
CHANGES IN THE SEMESTER	1.266.131	(4.555.684)	(3.289.554)

CONSTITUTIONAL FUND FOR THE NORTHEASTERN REGION - FNE
(Act 7.827 of September 27, 1989)
STATEMENT OF CHANGES IN THE FINANCIAL POSITION
JUNE 30, 2005 AND JUNE 30, 2004
(In thousands of R\$)

	1st semester/2005	1st semester/2004
SOURCES OF FUNDS	4.747.725	1.554.069
INCREASE OF LIABILITIES' SUBGROUPS:		
Transfers from Brazilian federal government in the year:		
Free funds	1.266.131	1.088.468
Net profit of the semester	0	463.557
DECREASE OF ASSETS':		
Interfinance operations	0	48
Credit Operations	3.480.417	0
Other assets	1.177	1.996
APPLICATION OF FUNDS	4.585.221	934.307
INCREASE OF ASSETS' SUBGROUPS:		
Interfinance operations	29.537	0
Credit Operations	0	902.852
DECREASE OF LIABILITIES' SUBGROUPS:		
Adjustments from previous years	70.326	31.455
Net Loss for the semester	4.485.358	0
INCREASE/ DECREASE OF CASH AND CASH EQUIVALENTS.....	162.504	619.762
CHANGES IN FINANCIAL POSITION	162.504	619.762
beginning of the semester	3.967.136	4.003.011
end of the semester	4.129.640	4.003.011

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 June 30, 2005, and the respective income, Net equity changes, and financial position changes statements for the half-year ended on that date, prepared under the responsibility of their administration. Our responsibility is expressing an opinion on such financial statements.
2. 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, as well as the financial statements submission taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1, properly provide, in all outstanding aspects, 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 June 30, 2005, the result of its operations, changes in the stockholders' equity, and changes in financial position for the semester 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.)

4. The financial statements for the half-year period ended on June 30, 2004, provided for comparison purposes, were audited by our auditors, who issued an opinion dated July 25, 2004, with qualifications as to possible effects resulting from the adoption of rules to be determined for the recognition of provision for losses in Fund's equity. Such rules were created in March 2005 and the referred provision was registered in May 2005.

Recife, August 10, 2005

Mateus de Lima Soares

Accountant-partner

CRC 1RJ079.681/O-0 "S" CE

BDO Trevisan Auditores Independentes

CRC 2SP013.349/O-5 "S" PE

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