

Quarterly Information (ITR)

Banco do Nordeste do Brasil S.A.

September 30, 2019

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Company Information / Capital Breakdown

Number of shares (in thousands)	Current quarter 09/30/2019
Paid-in Capital	
Common shares	86,371
Preferred shares	0
Total	86,371
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

Company Information / Cash Proceeds

Event	Approval	Proceeds	Beginning of payment	Share type	Share class	Earnings per share (Reais/Share)
Board of Directors' Meeting	08/09/2019	Interest on Equity (IOE)	08/28/2019	Common		1.93168
Board of Directors' Meeting	08/09/2019	Dividends	08/28/2019	Common		0.20269

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

Account code	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
1	Total assets	60,003,255	58,677,741
1.01	Current assets	15,505,349	16,409,154
1.01.01	Cash and cash equivalents	138,500	133,428
1.01.02	Interbank investments	6,220,699	7,779,984
1.01.02.01	Open market funding	6,129,292	7,626,446
1.01.02.02	Interbank deposit investments	91,407	153,538
1.01.03	Securities	1,772,230	1,296,313
1.01.03.01	Own portfolio	1,627,165	701,750
1.01.03.02	Derivative financial instruments	145,065	585,664
1.01.03.03	Linked to guarantees given	0	8,899
1.01.04	Interbank accounts	597,128	502,579
1.01.04.01	Payments and receipts pending settlement	102,832	1,362
1.01.04.02	Central Bank deposits	493,431	500,019
1.01.04.03	Correspondents	865	1,198
1.01.06	Loans	4,359,170	4,268,172
1.01.06.01	Public Sector	85,201	185,614
1.01.06.02	Private sector	4,655,022	4,429,321
1.01.06.03	(Allowance for loan losses)	-381,053	-346,763
1.01.08	Other Credits	2,384,345	2,402,198
1.01.08.01	Exchange portfolio	920,079	868,658
1.01.08.02	Income receivable	17,223	15,938
1.01.08.03	Securities Trading	20	12
1.01.08.04	Sundry	1,499,239	1,528,319
1.01.08.05	(Allowance for losses on other credits)	-52,216	-10,729
1.01.09	Other Assets	33,277	26,480
1.01.09.01	Other Assets	19,759	15,868
1.01.09.02	(Valuation allowances)	-3,276	-632
1.01.09.03	Prepaid expenses	16,794	11,244
1.02	Long-term receivables	44,266,424	42,026,807
1.02.02	Securities	37,369,799	35,077,031
1.02.02.01	Own portfolio	35,426,069	33,398,598
1.02.02.02	Linked to repurchase agreements	1,358,550	1,238,171
1.02.02.03	Linked to guarantees given	579,308	440,262
1.02.02.04	Securities under Repurchase Agreements with Free Movement	5,872	0
1.02.03	Interbank accounts	73,687	70,581
1.02.03.01	National Housing System (SFH)	73,687	70,581
1.02.05	Loans	4,557,110	4,774,644
1.02.05.01	Public Sector	409,968	429,654
1.02.05.02	Private Sector	4,429,430	4,615,157
1.02.05.03	(Allowance for loan losses)	-282,288	-270,167
1.02.07	Other Credits	2,265,828	2,104,551
1.02.07.01	Sundry	2,293,239	2,132,399
1.02.07.02	(Allowance for losses on other credits)	-27,411	-27,848
1.03	Permanent assets	231,482	241,780

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

Account code	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
1.03.01	Investments	1,592	1,591
1.03.01.04	Other investments	6,878	6,877
1.03.01.05	Provision for losses	-5,286	-5,286
1.03.02	Property and equipment in use	229,327	220,241
1.03.04	Intangible assets	563	19,948

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

Account code	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
2	Total liabilities	60,003,255	58,677,741
2.01	Current liabilities	13,864,773	16,288,477
2.01.01	Deposits	6,087,564	6,750,628
2.01.01.01	Demand deposits	359,322	328,683
2.01.01.02	Savings deposits	2,442,596	2,433,765
2.01.01.03	Interbank Deposits	1,360,800	1,559,993
2.01.01.04	Time deposits	1,924,846	2,428,187
2.01.02	Open market funding	1,353,462	1,372,662
2.01.02.01	Own portfolio	1,353,462	1,227,897
2.01.02.02	Third-party portfolio	0	144,765
2.01.03	Funds from acceptance and issue of securities	117,951	1,311,459
2.01.03.01	Funds from real estate, mortgage, credit and similar notes	117,951	162,276
2.01.03.02	Liabilities for Foreign Securities	0	1,149,183
2.01.04	Interbank accounts	87,554	316
2.01.04.01	Receipts and payments pending settlement	87,554	316
2.01.05	Interbranch accounts	11,814	8,108
2.01.05.01	Third-party funds in transit	8,793	7,996
2.01.05.02	Internal transfers of funds	3,021	112
2.01.06	Borrowings	946,050	900,437
2.01.06.01	Foreign borrowings	946,050	900,437
2.01.07	Domestic Onlending	118,191	131,908
2.01.07.01	National Treasury	276	162
2.01.07.02	BNDES	102,189	113,476
2.01.07.03	FINAME	15,726	18,270
2.01.08	Foreign onlending	117,257	168,656
2.01.09	Other Liabilities	5,024,930	5,644,303
2.01.09.01	Collection of taxes and other contributions	110,132	1,477
2.01.09.02	Exchange portfolio	3,570	5,319
2.01.09.03	Social and statutory	67,830	179,662
2.01.09.04	Tax and social security	729,086	594,593
2.01.09.05	Securities Trading	153	153
2.01.09.06	Financial and development funds	1,450,460	2,357,803
2.01.09.07	Sundry	2,663,699	2,483,705
2.01.09.08	Derivative financial instruments	0	21,591
2.02	Long-Term Payables	41,063,447	38,176,385
2.02.01	Deposits	6,748,733	6,063,633
2.02.01.03	Time deposits	6,748,733	6,063,633
2.02.02	Open market funding	9,225	8,819
2.02.02.01	Own portfolio	9,225	8,819
2.02.07	Domestic Onlending	1,068,771	1,090,110
2.02.07.01	National Treasury	221	320
2.02.07.02	BNDES	1,031,237	1,041,974
2.02.07.03	FINAME	37,313	47,816
2.02.08	Foreign onlending	386,775	411,946
2.02.09	Other Liabilities	32,849,943	30,601,877
2.02.09.01	Tax and social security	335,333	115,998

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

Account code	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
2.02.09.02	Financial and development funds	23,749,511	23,114,932
2.02.09.03	Subordinated debts eligible to capital	2,503,628	2,369,446
2.02.09.04	Debt instruments eligible to capital	1,801,040	1,000,000
2.02.09.05	Sundry	4,460,431	4,001,501
2.05	Equity	5,075,035	4,212,879
2.05.01	Paid-in capital	3,813,000	2,844,000
2.05.03	Revaluation reserves	13,934	13,979
2.05.03.01	Own assets	13,934	13,979
2.05.04	Income reserves	1,896,401	2,277,391
2.05.04.01	Legal reserve	344,930	307,691
2.05.04.02	Statutory reserve	1,551,471	1,969,700
2.05.05	Equity Adjustments	-913,585	-950,962
2.05.05.01	Adjustments to securities	-913,585	-950,962
2.05.06	Retained Earnings/Accumulated Losses	265,285	28,471

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

Account code	Account description	Current quarter 07/01/2019 to 09/30/2019	Current YTD - 01/01/2019 to 09/30/2019	Same quarter of prior year 07/01/2018 to 09/30/2018	Prior YTD 01/01/2018 to 09/30/2018
3.01	Revenues from financial intermediation	1,483,115	4,340,245	1,304,071	3,972,910
3.01.01	Loans	671,671	1,990,963	440,568	1,372,095
3.01.02	Gains (Losses) on securities transactions	693,857	2,102,061	714,493	2,063,040
3.01.03	Gain (Loss) on derivative financial instruments	0	47,343	57,668	213,887
3.01.04	Foreign exchange gains (losses)	111,227	180,713	85,133	305,171
3.01.05	Compulsory investment gains (losses)	6,360	19,165	6,209	18,717
3.02	Expenses from financial intermediation	-850,919	-2,461,405	-915,262	-2,875,657
3.02.01	Open market funding	-203,562	-693,216	-274,225	-838,406
3.02.02	Borrowings and onlending	-553,026	-1,457,359	-569,572	-1,741,641
3.02.03	Allowance for loan losses	-94,331	-310,830	-71,465	-295,610
3.03	Gross profit from financial intermediation	632,196	1,878,840	388,809	1,097,253
3.04	Other operating income/expenses	-103,274	-182,597	-25,962	-297,740
3.04.01	Service revenues	694,636	1,972,396	629,088	1,846,047
3.04.02	Personnel expenses	-498,009	-1,497,799	-490,699	-1,433,689
3.04.03	Other administrative expenses	-331,229	-952,718	-289,828	-922,520
3.04.04	Tax Expenses	-91,427	-269,462	-76,330	-229,582
3.04.05	Other operating income	472,773	1,513,049	465,426	1,413,003
3.04.06	Other operating expenses	-350,018	-948,063	-263,619	-970,999
3.05	Operating income	528,922	1,696,243	362,847	799,513
3.06	Non-operating income (expenses)	-2,336	-5,655	284	2,507
3.06.01	Revenues	1,250	22,570	1,845	7,296
3.06.02	Expenses	-3,586	-28,225	-1,561	-4,789
3.07	Income before Taxes/Profit sharing	526,586	1,690,588	363,131	802,020
3.08	Provision for income tax and social contribution	-181,569	-433,175	-72,232	-309,283
3.09	Deferred income tax	24,922	-96,367	-67,445	-23,405
3.10	Statutory contributions/profit sharing	-20,702	-67,032	-11,538	-25,598
3.10.01	Profit sharing	-20,702	-67,032	-11,538	-25,598
3.13	Income/Loss for the period	349,237	1,094,014	211,916	443,734

Individual Financial Statements / Income Statement

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2019 to 09/30/2019	Current YTD 01/01/2019 to 09/30/2019	Same quarter of prior year 07/01/2018 to 09/30/2018	Prior YTD 01/01/2018 to 09/30/2018
3.99	Earnings per share (reais / share)	4.04346	12.66646	2.45356	5.13753

Individual Financial Statements / Statement of Comprehensive Income

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2019 to 09/30/2019	Current YTD 01/01/2019 to 09/30/2019	Same quarter of prior year 07/01/2018 to 09/30/2018	Prior YTD 01/01/2018 to 09/30/2018
4.01	Net Income for the period	349,237	1,094,014	211,916	443,734
4.02	Other Comprehensive Income	81,998	35,035	-44,067	100
4.02.01	Equity adjustment to available-for-sale securities	137,388	666,922	-72,277	-178,245
4.02.02	Tax effect on equity adjustment to available-for-sale securities	-54,953	-266,134	28,694	66,781
4.02.03	Realization of Revaluation Reserve	25	-3,903	-146	176
4.02.04	Tax effect on Realization of Revaluation Reserve	-10	1,561	26	-136
4.02.05	Actuarial gains (losses)	-754	-605,685	-605	185,875
4.02.06	Tax Effect on Actuarial Gains or Losses	302	242,274	241	-74,351
4.03	Comprehensive income (loss) for the period	431,235	1,129,049	167,849	443,834

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

Account code	Account description	Current YTD 01/01/2019 to 09/30/2019	Prior YTD 01/01/2018 to 09/30/2018
6.01	Net cash from operating activities	3,175,059	4,925,186
6.01.01	Cash from operations	2,358,164	1,666,828
6.01.01.01	Net income for the period	1,094,014	443,734
6.01.01.02	Depreciation and amortization expenses	8,597	7,440
6.01.01.03	Provision for Impairment of Other Assets	2,644	-2
6.01.01.04	Allowance for Loan Losses, net	268,772	288,322
6.01.01.05	Allowance for Losses on Other Credits, net	42,059	7,288
6.01.01.06	Provision for financial guarantees provided, net (FNE Risk)	207,066	484,448
6.01.01.07	Provision for financial guarantees provided, net (FDNE Risk)	38	22
6.01.01.08	Provision for contingencies, net	130,716	41,055
6.01.01.09	Provision for other contingencies, net	57,715	50,077
6.01.01.10	Actuarial liability	207,231	193,716
6.01.01.11	Provision for Debt instruments Eligible to Principal Capital	215,568	110,122
6.01.01.12	Monetary Restatement of Debt Instrument Eligible to Capital	4,674	4,365
6.01.01.13	Monetary restatement of judicial deposits	13,398	22,177
6.01.01.14	Deferred Tax Assets	96,367	23,405
6.01.01.15	Reversal of provision for losses on credits linked to SFH	-25	-71
6.01.01.18	Provision for charges on Issue of Financial Bill	16,607	0
6.01.01.19	Monetary restatement of Appeal Deposits	-7,277	-9,270
6.01.02	Changes in assets and liabilities	816,895	3,258,358
6.01.02.01	Interbank Investments	206,896	-33,453
6.01.02.02	Interbranch and interdepartmental accounts	-6,687	-72,346
6.01.02.03	Loans	-142,235	-213,393
6.01.02.04	Other Credits	-274,574	286,632
6.01.02.05	Other Assets	-5,978	1,738
6.01.02.06	Deposits	8,637	104,488
6.01.02.07	Open market funding	-18,794	354,363
6.01.02.08	Funds from acceptance and issue of securities	15,074	207,767
6.01.02.09	Borrowings and onlending	-66,011	-335,649
6.01.02.10	Derivative financial instruments	564,072	-211,522
6.01.02.11	Other Liabilities	691,983	3,472,011
6.01.02.12	Income tax and social contribution paid	-184,266	-294,233
6.01.02.13	Prior years' adjustments	28,012	-8,057
6.01.02.14	Reversal of Realization of Revaluation Reserve	796	12
6.01.02.15	Realization of Revaluation Reserve of June 2019	-30	0
6.02	Net cash from investing activities	-3,004,100	-8,065,530
6.02.02	Investments in property and equipment in use	-67,789	-7,084
6.02.03	Investments in assets not for own use	-6,669	-66
6.02.05	Disposal of property and equipment in use	1,328	1,524
6.02.06	Disposal of assets not for own use	3,206	43

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

Account code	Account description	Current YTD 01/01/2019 to 09/30/2019	Prior YTD 01/01/2018 to 09/30/2018
6.02.07	Write-off of Intangible assets	19,385	0
6.02.08	Available for sale Securities	-2,953,561	-8,059,947
6.03	Net cash from financing activities	-1,518,276	-290,726
6.03.01	Payment of Dividends as Interest on Equity	-131,538	-93,888
6.03.02	Payment of interest on debt Instruments Eligible to Principal Capital	-178,156	-196,838
6.03.03	Payments of Eurobonds	-1,208,582	0
6.05	Increase (decrease) in cash and cash equivalents	-1,347,317	-3,431,070
6.05.01	Cash and cash equivalents at beginning of period	7,615,109	12,841,968
6.05.02	Cash and cash equivalents at end of period	6,267,792	9,410,898

Individual Financial Statements / Statement of Changes in Equity / SCE - 01/01/2019 to 09/30/2019**(In thousands of reais)**

Account code	Account description	Capital	Capital reserves	Revaluation reserves	Income reserves	Retained earnings (accumulated losses)	Equity adjustments	Total equity
5.01	Opening Balance	2,844,000	0	13,979	2,277,391	28,471	-950,962	4,212,879
5.02	Prior years' adjustments	0	0	0	0	-488	0	-488
5.03	Adjusted balance	2,844,000	0	13,979	2,277,391	27,983	-950,962	4,212,391
5.04	Income/loss for the period	0	0	0	0	1,094,014	0	1,094,014
5.05	Allocations	0	0	0	588,010	-855,166	0	-267,156
5.05.01	Dividends	0	0	0	0	-17,596	0	-17,596
5.05.02	Interest on Equity (IOE)	0	0	0	0	-249,560	0	-249,560
5.05.03	Other allocations	0	0	0	588,010	-588,010	0	0
5.05.03.01	Legal reserve	0	0	0	37,239	-37,239	0	0
5.05.03.02	Statutory Reserve	0	0	0	550,771	-550,771	0	0
5.07	Equity Adjustments	0	0	-45	0	-1,546	37,377	35,786
5.07.01	Adjustments to securities	0	0	0	0	0	400,788	400,788
5.07.04	Realization of reserve	0	0	-45	0	-1,546	0	-1,591
5.07.05	Actuarial gains and losses	0	0	0	0	0	-363,411	-363,411
5.08	Capital increase/reduction	969,000	0	0	-969,000	0	0	0
5.08.01	Transfer for capital increase	969,000	0	0	-969,000	0	0	0
5.13	Closing Balance	3,813,000	0	13,934	1,896,401	265,285	-913,585	5,075,035

Individual Financial Statements / Statement of Changes in Equity / SCE - 01/01/2018 to 09/30/2018**(In thousands of reais)**

Account code	Account description	Capital	Capital reserves	Revaluation reserves	Income reserves	Retained earnings (accumulated losses)	Equity adjustments	Total equity
5.01	Opening Balance	2,844,000	0	14,022	1,685,026	76,458	-850,954	3,768,552
5.02	Prior years' adjustments	0	0	0	0	-8,057	0	-8,057
5.03	Adjusted balance	2,844,000	0	14,022	1,685,026	68,401	-850,954	3,760,495
5.04	Income/loss for the period	0	0	0	0	443,734	0	443,734
5.05	Allocations	0	0	0	171,535	-271,223	0	-99,688
5.05.02	Interest on Equity (IOE)	0	0	0	0	-99,688	0	-99,688
5.05.03	Other allocations	0	0	0	171,535	-171,535	0	0
5.05.03.01	Legal reserve	0	0	0	11,591	-11,591	0	0
5.05.03.02	Statutory Reserve	0	0	0	159,944	-159,944	0	0
5.07	Equity Adjustments	0	0	-28	0	40	60	72
5.07.01	Adjustments to securities	0	0	0	0	0	-111,464	-111,464
5.07.04	Realization of reserve	0	0	-28	0	40	0	12
	Adjustments of Securities and Equity Values	0	0	0	0	0	111,524	111,524
5.13	Closing Balance	2,844,000	0	13,994	1,856,561	240,952	-850,894	4,104,613

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

Account code	Account description	Current YTD 01/01/2019 to 09/30/2019	Prior YTD 01/01/2018 to 09/30/2018
7.01	Revenues	6,561,143	5,967,859
7.01.01	Financial intermediation	4,340,245	3,972,910
7.01.02	Services Rendered	1,972,396	1,846,047
7.01.03	(Reversal of) Allowance for loan losses	-310,830	-295,610
7.01.04	Other	559,332	444,512
7.02	Expenses from financial intermediation	-2,150,575	-2,580,047
7.03	Inputs Acquired from Third Parties	-917,025	-888,248
7.03.01	Materials, energy and other expenses	-68,979	-64,739
7.03.02	Third-party services	-512,738	-464,281
7.03.04	Other	-335,308	-359,228
7.04	Gross Value Added	3,493,543	2,499,564
7.05	Retentions	-8,597	-7,440
7.05.01	Depreciation, Amortization and Depletion	-8,597	-7,440
7.06	Net value added produced	3,484,946	2,492,124
7.08	Total Value Added to be Distributed	3,484,946	2,492,124
7.09	Distribution of Value Added	3,484,946	2,492,124
7.09.01	Personnel	1,360,431	1,261,740
7.09.01.01	Direct compensation	948,623	858,286
7.09.01.02	Benefits	345,183	338,997
7.09.01.03	Unemployment Compensation Fund (FGTS)	66,625	64,457
7.09.02	Taxes, Rates and Contributions	1,003,405	759,818
7.09.02.01	Federal	972,511	733,136
7.09.02.02	State	63	29
7.09.02.03	Municipal	30,831	26,653
7.09.03	Third-parties Capital Remuneration	27,096	26,832
7.09.03.01	Rent	27,096	26,832
7.09.04	Equity Remuneration	1,094,014	443,734
7.09.04.01	Interest on Equity (IOE)	249,560	99,689
7.09.04.02	Dividends	17,596	0
7.09.04.03	Retained Earnings (Loss in the period)	826,858	344,045

Comments on Performance

OPERATING PERFORMANCE

BNB entered into 1,309,246 loan and financing transactions in the third quarter of 2019. These transactions totaled R\$9.8 billion - a 2.0% increase compared with the same period in 2018.

The funds used in long-term loan transactions mostly derived from *Fundo Constitucional de Financiamento do Nordeste* (FNE). In the third quarter of 2019, 156,210 transactions were entered into, amounting to R\$6.3 billion with FNE funds, which represents an 11.1% reduction in the amount taken out and 7.2% in the number of operations, compared with the third quarter of 2018.

Through its urban production-oriented microloan program, denominated Crediamigo, BNB disbursed approximately R\$2.6 billion, with 1,122,328 transactions entered into in the third quarter of 2019 to provide support to micro-entrepreneurs within the Bank's jurisdiction. BNB presented 21.3% and 8.9% increases in the contracted amount and in the number of transactions, respectively, compared with the third quarter of 2018.

In relation to the National Family Farming Strengthening Program (Pronaf), BNB entered into 143,536 financing transactions, totaling R\$825.2 million in the period, which represents a 4.5% increase in the amount taken out and a 4.6% increase in the number of transactions, compared with the third quarter of 2018.

Under the Pronaf program, BNB operates the rural production-oriented microloan program denominated Agroamigo. In the third quarter of 2019, under this type, 138,957 transactions were entered into with family farmers, totaling R\$699.7 million (a 7.5% increase compared with the same period of 2018).

Under the urban production-oriented microloan program (Crediamigo) and the rural Agroamigo program, the total amount of R\$3.3 billion was entered into in the third quarter of 2019, with 1,261,285 transactions entered into to provide support to micro-entrepreneurs in the urban and rural areas within the Bank's jurisdiction. These results represented an 18.1% increase in the amount entered into and an 8.6% increase in the number of transactions, compared with the same period in 2018.

In relation to support to micro and small enterprises, BNB entered into 11,106 transactions totaling R\$916.5 million through the third quarter of 2019, a 24.9% increase in the amount taken out and a 19.8% increase in the number of transactions.

Regarding finance income (costs), BNB recorded income of R\$349.2 million in the third quarter of 2019, a 79.2% increase compared with the third quarter of 2018, when the Bank reached the amount of R\$194.9 million.

NOTES TO INTERIM FINANCIAL STATEMENTS
Quarters ended September 30, 2019 and 2018
Amounts expressed in thousands of reais, unless otherwise stated

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NOTE 1 - The Bank and its Characteristics

Banco do Nordeste do Brasil S.A. is a mixed economy publicly-held financial institution established by Federal Law No. 1649 of 07.19.1952, with head office at Avenida Dr. Silas Munguba, nº 5700, Passaré, Fortaleza, Ceará State, Brazil, and its mission is: "to operate as the Development Bank for the Brazilian Northeast Region". Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks. As an institution devoted to regional development, the Bank operates as the executive agent of public policies and is responsible for managing Fundo Constitucional de Financiamento do Nordeste (FNE) - the main source of funds used by the Bank for long-term financing - and the operation of the National Family Farming Strengthening Program (Programa Nacional de Fortalecimento da Agricultura Familiar - Pronaf) in its jurisdiction. The Bank is also the operator of the Northeast Investment Fund (Fundo de Investimentos do Nordeste - FINOR) and the Northeast Development Fund (Fundo de Desenvolvimento do Nordeste - FDNE). It has the largest micro-financing program in Latin America, consolidated under Crediamigo and Agroamigo, which facilitate access to loans to small entrepreneurs who engage in production-related, product sale, and service activities in urban and rural areas. In addition to federal funds, the Bank has access to other sources of financing in the domestic and foreign markets through funds raised directly, as well as partnerships with domestic and foreign institutions, including multilateral institutions such as the World Bank and the InterAmerican Development Bank (IDB).

NOTE 2 - Basis of Preparation and Presentation of interim financial statements

The interim financial statements were prepared in accordance with the provisions from the Brazilian Corporation Law, as amended by Laws No. 11638 and No. 11941 of 12.28.2007 and 05.27.2009, respectively, and regulations of the National Monetary Council (Conselho Monetário Nacional - CMN), the Central Bank of Brazil (Banco Central do Brasil - BACEN), and the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (Plano Contábil das Instituições do Sistema Financeiro Nacional - Cosif).

The pronouncements issued by Brazil's Financial Accounting Standards Board - FASB (Comitê de Pronunciamentos Contábeis - CPC) in the process of convergence between the Brazilian accounting standards and the International Financial Reporting Standards (IFRS), adopted by the CMN by way of rules amended as well as those approved by the CVM that do not clash with CMN rules, are included in the Bank's interim financial statements, as follows:

- CPC 00 (R1) - The Conceptual Framework for Financial Reporting (CMN Resolution No. 4144 of 09.27.2012);
- CPC 01 - Impairment of Assets (CMN Resolution No. 3566 of 05.29.2008);
- CPC 02 (R2) - Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements (CMN Resolution No. 640 of 10.07.2010);
- CPC 03 - Statement of Cash Flows (CMN Resolution No. 3604 of 08.29.2008);
- CPC 05 - Related-Party Disclosures (CMN Resolution No. 3750 of 06.30.2009);
- CPC 09 - Statement of Value Added (CVM Rule No. 557 of 11.12.2008);
- CPC 12 - Present Value Adjustment (CVM Rule No. 564 of 12.17.2008);
- CPC 21 (R1) - Interim Financial Reporting (CVM Rule No. 673 of 10.20.2011);
- CPC 22 - Segment Reporting (CVM Rule No. 582 of 07.31.2009);
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors (CMN Resolution No. 4007 of 08.25.2011);
- CPC 24 - Subsequent Events (CMN Resolution No. 3973 of 05.26.2011);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution No. 3823 of 12.16.2009);
- CPC 26 (R1) - Presentation of Financial Statements (CVM Rule No. 760 of 12.22.2016);
- CPC 27 - Property and Equipment (CMN Resolution No. 4535 of 11.24.2016);
- CPC 32 - Income Taxes (CVM Rule No. 599 of 09.15.2009);
- CPC 33 (R1) - Employee Benefits (CMN Resolution No. 4424 of 06.25.2015); and
- CPC 41 - Earnings per Share (CVM Rule No. 636 of 08.06.2010).

NOTE 3 - Summary of Significant Accounting Practices

a) Functional Currency

The Bank's functional and reporting currency is the Brazilian real.

Assets and liabilities denominated in foreign currency are recognized at the currency rate in force on the transaction date, while nonmonetary assets are stated at historical cost.

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

b) P&L recognition criteria

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

c) Current and noncurrent assets and liabilities

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

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

d) Cash and cash equivalents

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

e) Interbank Investments

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

f) Securities

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

Available-for-sale securities: are those that are not classified as either trading securities or held-to-maturity securities and reported at marked value, net of taxes, with unrealized gains and losses matched against Equity; and

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

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

The methodology for adjusting the market value of securities was established in accordance with consistent and verifiable criteria, which take into consideration the following criteria, according to the following order of priority:

1st - Market Prices disclosed by the National Association of Financial Market Institutions (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais - Anbima) and B3 S.A (Brasil Bolsa Balcão);

2nd - Goodwill/Negative Goodwill on transactions occurred over the past 3 months in B3 S.A.; and

3rd - calculation of probable realizable value based on own pricing model. In this case, the present value is determined by discounted cash flow by the market rate, net of the risk factor and of the discount for the low liquidity, such as the Financial Bills and Debentures.

Gains on securities, irrespective of the category into which they are classified, are appropriated on a pro rata day basis and on an accrual basis, through maturity date or definitive sale of the security, according to the compound interest method or the straight-line method, based on remuneration clauses and acquisition rate distributed in the passage of time and recorded directly in P&L for the period.

Losses on available-for-sale and held-to-maturity securities that are not characterized as temporary losses are recognized directly in P&L for the period and begin to compose the new base of the asset cost.

At the time of disposal, the difference between the sale price and the acquisition cost restated by income is considered as a result of the transaction and is recorded at the transaction date as gain or loss on securities.

g) Derivative financial instruments

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

Swap transactions are stated in balance sheet and memorandum accounts, according to their nature, based on prevailing accounting standards and legal provisions. They are measured at market value upon preparation of monthly trial balances and half-yearly balance sheet. Valuations or devaluations are stated in P&L accounts. The rates disclosed by B3 S.A. are used to calculate the market value of these transactions.

Hedge Accounting

Considering the risk of foreign exchange exposure and conditions of the funding market abroad through long-term Senior Unsecured Notes - Eurobonds, the Bank designated derivative financial instruments (*swap* contracts) to fully hedge the loans raised and corresponding interest payable (market risk hedge). To equalize the effects of marked-to-market of derivative financial instruments designated as hedging instruments, the hedged item is also adjusted for changes in market value.

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

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

h) Loans, Advances on Exchange Contracts, Other Credits with Loan Features and Allowance for Loan Losses

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

Income from loans overdue for more than 59 days, regardless of the risk level, is only recognized as revenue when effectively received.

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

Renegotiated operations remain, at least, at the same level as previously classified.

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

i) Prepaid expenses

These refer to funds used in prepayments, whose benefits or service rendering will occur in coming years. Prepaid expenses are recorded at cost and amortized as the services are rendered and benefits generated.

j) Permanent

Investments: these are stated at cost, net of Provision for Losses.

Property and equipment in use: stated at acquisition cost, less impairment losses and related depreciation, are calculated by the straight-line method, from the moment of availability of the Asset for use, considering the estimated useful lives of the assets, as follows: Buildings and Facilities - 40 to 60 years; Furniture and Fixtures - 10 to 45 years; Machinery and Equipment - 15 to 35 years; Aircraft - 20 years; and Vehicles (cars, tractors and bicycles) - 10 to 30 years. Land and works of art are not depreciated. The depreciation method, useful life and residual values of property and equipment are reviewed every year.

Intangible assets: correspond to identifiable non-monetary assets, without physical substances, internally acquired or developed and intended for the maintenance of the Bank's activities.

k) Taxes

Corporate Income Tax (IRPJ) is calculated at the rate of 15% plus a 10% surtax (on taxable profit exceeding R\$240 thousand for the year), and Social Contribution Tax on Net Profit (CSLL) is calculated at the rate of 15%, after adjustments in Corporate Profit defined in tax legislation. The federal contribution taxes on gross revenue for Public Service Employee Savings Program (Pasep) and for Social Security Financing (Cofins) are calculated at the rates of 0.65% and 4%, respectively. The Service Tax (ISSQN) is calculated according to the legislation of each municipality, with rates ranging from 2% to 5%.

The total IRPJ and CSLL tax burden is comprised of the provision for these taxes (current expense + deferred tax liability) and of deferred tax asset. Current expense refers to the amount effectively paid to the federal treasury. Deferred tax assets and liabilities are deferred taxes arising from income tax and social contribution losses and temporary differences between accounting and tax base. Temporary differences arise, for example, from allowances for loan losses, provisions for post-employment benefits, other provisions for contingencies, market value adjustments, income from renegotiations - taxed on a cash basis (article 12, paragraph 2 of Law No. 9430 of 12.27.1996), depreciation, etc.

The recognition of IRPJ/CSLL deferred tax assets (tax credits) is based on their estimated realization, according to technical studies and analyses performed by management, considering the tax rates in force in the realization period of these assets. Under assets, these credits are recorded in "Other credits - Sundry", according to the expected generation of deferred income, in accordance with the criteria for recognition, maintenance and write-off established by CMN Resolution No. 3059/2002 and Bacen Circular Letter No. 3171/2002.

CMN Resolution No. 3059/2002 determines the essential criteria for recognition and maintenance of IRPJ/CSLL tax credits, among which the following is highlighted:

- Present a history of taxable income or taxable revenues for at least three of the last five fiscal years, period that must include the reporting year;
- There should be expected generation of future taxable income or revenues within 10 years; and
- Reassess each half-yearly and annual balance sheet, writing off the credit when: a) the conditions mentioned above are not met; or b) the amounts effectively realized in two consecutive periods are less than 50% of the forecasted amounts; or c) existence of doubts as to the institution ability to continue as a going concern.

In the case of Deferred Tax Liabilities, the Brazilian Corporation Law has not established criteria for recognition and maintenance, since their realization does not require future profits.

Deferred Tax Assets and Liabilities are realizable according to their origin. Those arising from temporary differences are realized through the use or reversal of the provisions that served as the basis for their recognition, and the main realization criteria are as follows:

- Allowance for loan losses: a) credit reimbursement schedule; and b) classification under Losses according to Law No. 9430/1996;
- Other Provisions: payment forecast (contribution flow, stock market prediction, etc.);
- Market Value Adjustment: contractual term;
- Revenues from renegotiations, taxed on a cash basis (article 12, paragraph 2 of Law No. 9430/1996: credit reimbursement schedule; and
- Depreciation: forecast for appropriation of depreciation expenses.

In turn, the tax credits on income tax and social contribution losses are realized upon generation of taxable profits, through offsetting in the tax base of referred to taxes, respecting the limit of 30% of referred to base.

Current and deferred taxes are recognized in the income statement, except when they result from a transaction recognized directly in equity, case in which the tax effect is recognized in equity (in other comprehensive income).

l) Employee benefits

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

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

For “defined benefit” plans and for the portion of unplanned benefits of the variable contribution plan, which has characteristics of defined benefit plan, the net current service cost and net interest on net actuarial liabilities, including interest on the defined benefit asset limit effect, as applicable, are recognized in P&L, whereas actuarial gains and losses and return on plan assets, less amounts considered in net interest, are recognized under “Equity adjustments”, in Equity.

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

m) Deposits and open market funding

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

n) Impairment of assets

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

o) Provisions, Contingent Assets, Contingent Liabilities and Legal Obligations

Provisions, contingent assets, contingent liabilities and legal obligations are recognized, measured and disclosed according to the criteria defined in CPC 25 - Provisions, Contingent Liabilities and Contingent

Assets, approved by CMN Resolution No. 3823 of 12.16.2009, and BACEN Circular Letter No. 3429 of 02.11.2010.

Provisions for civil, tax, labor and other claims are recognized in the interim financial statements when, based on the opinion of legal advisors and management, the likelihood of loss in a given legal or administrative proceeding is assessed as probable, the settlement of which is likely to result in an outflow of economic benefits, and the amounts involved can be reliably measured upon court reference/notification, reviewed as required by procedural changes, and monetarily restated on a monthly basis.

The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing claims are made case by case, and are classified according to the likelihood of loss, as probable, possible and remote.

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

Contingent assets are not recognized in the interim financial statements.

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

p) Subordinated debts

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

q) Interest on Equity (IOE) and Dividends

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

r) Use of estimates

The preparation of the interim financial statements includes estimates and assumptions, such as in determining allowances for loan losses, market value measurement of financial instruments, provision for contingencies, impairment losses and other provisions, e.g. provision for actuarial liabilities for health care and complementary pension plans, and life insurance, as well as for set up and realization of Deferred tax Assets/Liabilities. Actual results could differ from such estimates and assumptions.

s) Earnings per share

The Bank's basic and diluted earnings per share were calculated by dividing net income attributable to shareholders by the weighted average number of total common shares. The Bank has no stock option, subscription bonus or any other right to acquire shares. Accordingly, basic and diluted earnings per share are the same.

Restatement of corresponding figures

The Bank changed its accounting policy in relation to the recognition of tax credits on contingent liabilities, which started to be recognized to the extent that projections indicate their realization within 10 years.

Regarding tax credits on actuarial provisions, the Bank no longer considers the estimated contribution flow over the next 10 years as the basis for the realization of the portion related to actuarial losses, as well as adjusted the deferred tax base.

The Bank also made adjustments to the classification of tax credits recorded under accounts Equity Adjustment, Retained Earnings (Accumulated Losses) and P&L for 2017.

In addition, in 2019, the Bank recalculated the useful lives of property and equipment, in accordance with CMN Resolution No. 4535 of 11.24.2016, whose effects were recorded in "Retained earnings" and "Depreciation expenses" accounts.

According to CPC 23 - Accounting Policies, Change of Estimate and Errors, adopted by CMN Resolution No. 4007, these effects were recognized retrospectively and generated the following effects on the balances as of 09.30.2018, which are being restated:

BALANCE SHEETS	12.31.2018		
	Originally stated	Adjustment	Restated
Permanent assets	193,002	48,778	241,780
Property and equipment in use	171,463	48,778	220,241
(Accumulated depreciation)	(409,004)	48,778	(360,226)
Total assets	58,628,963	48,778	58,677,741
Long-Term Payables	38,158,465	17,920	38,176,385
Other Liabilities	30,583,957	17,920	30,601,877
Tax and social security	98,078	17,920	115,998
Equity	4,182,021	30,858	4,212,879
Revaluation reserves	11,592	2,387	13,979
Retained Earnings (Accumulated Losses)	-	28,471	28,471
Total liabilities	58,628,963	48,778	58,677,741

INCOME STATEMENTS	09.30.2018		
	Originally stated	Adjustment	Restated
Other administrative expenses	(937,092)	14,572	(922,520)
Depreciation and amortization expense	(22,012)	14,572	(7,440)
Income Tax and Social Contribution	(335,108)	2,420	(332,688)
Provision for Income Tax	(166,154)	(3,643)	(169,797)
Provision for Social Contribution	(137,288)	(2,198)	(139,486)
Deferred Tax Assets	(31,666)	8,261	(23,405)
Net Income	426,742	16,992	443,734
Earnings per Share - (Basic/Diluted) - in R\$	4.941	0.197	5.138

STATEMENTS OF CHANGES IN EQUITY	09.30.2018		
	Originally stated	Adjustment	Restated
Equity	3,875,169	229,444	4,104,613
Revaluation Reserve	11,592	2,402	13,994
Equity Adjustments	(984,622)	133,728	(850,894)
Retained Earnings (Accumulated Losses)	147,638	93,314	240,952

STATEMENTS OF CASH FLOWS	09.30.2018		
	Originally stated	adjustment	Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for year	426,742	16,992	443,734
Depreciation, Amortization and Depletion	22,012	(14,572)	7,440
Deferred Tax Assets ⁽²⁾	(31,666)	55,071	23,405
Changes in assets and liabilities	3,306,580	(48,222)	3,258,358
Other Credits ⁽¹⁾	326,620	(39,988)	286,632
Other Liabilities	3,480,257	(8,246)	3,472,011
Revaluation reserve realized	-	12	12

⁽¹⁾ This includes restatement referring to monetary restatement of appeal deposits, amounting to R\$9,270.

⁽²⁾ Refers to the restatement of the amount, which was unduly indicated with negative sign, on 09.30.2018

STATEMENTS OF VALUE ADDED	09.30.2018		
	Originally stated	Adjustment	Restated
Retentions	(22,012)	14,572	(7,440)
Depreciation, Amortization and Depletion	(22,012)	14,572	(7,440)
TAXES, RATES AND CONTRIBUTIONS	762,238	(2,420)	759,818
Federal	735,556	(2,420)	733,136
EQUITY REMUNERATION	426,742	16,992	443,734
RETAINED PROFITS IN THE PERIOD	327,053	16,992	344,045

STATEMENT OF COMPREHENSIVE INCOME	09.30.2018		
	Originally stated	Adjustment	Restated
Net Income	426,742	16,992	443,734
Other Comprehensive Income	14,313	(14,213)	100
Realization of revaluation reserve	322	(146)	176
Tax effect on realization of revaluation reserve	(145)	9	(136)
Tax Effect on Actuarial Gains or Losses	(60,275)	(14,076)	(74,351)
Comprehensive Income	441,055	2,779	443,834

NOTE 4 - Segment Reporting

For management purposes, the Bank is organized into two operating segments based on products and services:

- a) Own Portfolio - comprises own portfolio products and services such as: lending and market operations, fund management and provision of other banking services and collaterals; and
- b) FNE - comprises loans within the scope of FNE.

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

For the periods ended 09.30.2019 and 09.30.2018, no revenue from transactions with one single customer accounted for 10% or more of the Bank's total revenue.

The table below shows information on revenues, costs, expenses and financial margin of operating segments. Administrative expenses, as well as other expenses not directly allocated to each operating segment, are classified as corporate expenses and were included in column "Total":

Specification	01.01 to 09.30.2019			01.01 to 09.30.2018 Restated		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	3,441,815	2,405,825	5,847,639	3,126,068	2,262,353	5,388,421
Income from Loans	1,990,963	-	1,990,963	1,372,095	-	1,372,095
Income from securities transactions	879,414	1,222,647	2,102,061	800,986	1,262,054	2,063,040
Gains (losses) on derivative financial instruments	47,343	-	47,343	213,887	-	213,887
Foreign exchange gains (losses)	180,713	-	180,713	305,171	-	305,171
Compulsory investment gains (losses)	19,166	-	19,165	18,717	-	18,717
Other revenues	324,216	1,183,178	1,507,394	415,212	1,000,299	1,415,511
Expenses	(1,223,465)	(1,451,958)	(2,675,423)	(1,622,220)	(1,739,441)	(3,361,661)
Open market expenses	(693,216)	-	(693,216)	(838,406)	-	(838,406)
Expenses on borrowings and onlending	(219,419)	(1,237,940)	(1,457,359)	(488,204)	(1,253,437)	(1,741,641)
Allowance for loan losses (Note 9.e and Note 19.g)	(310,830)	(214,018)	(524,848)	(295,610)	(485,997)	(781,607)
Proagro provision receivable	-	-	-	-	(7)	(7)
Financial margin	2,218,350	953,867	3,172,216	1,503,848	522,912	2,026,760
Service revenues	479,374	1,422,168	1,901,542	421,857	1,368,047	1,789,904
Income from fees, charges and commissions	70,854	-	70,854	56,143	-	56,143
PASEP and COFINS	(67,700)	(169,750)	(237,450)	(39,981)	(161,799)	(201,780)
Income after fees and commissions	2,700,878	2,206,285	4,907,162	1,941,867	1,729,160	3,671,027
Administrative expenses			(2,450,517)			(2,356,209)
Personnel expenses			(1,497,799)			(1,433,689)
Depreciation and Amortization			(8,597)			(22,012)
Other administrative expenses			(944,121)			(900,508)
Other expenses			(577,627)			(421,148)
Expenses with provisions, except allowance for loan losses			(188,430)			(91,650)
Income before taxation and profit sharing			1,690,588			802,020)
Income Tax and Social Contribution			(529,542)			(332,688)
Profit sharing			(67,032)			(25,598)
Net Income			1,094,014			443,734

NOTE 5 - Cash and Cash Equivalents

Specification	09.30.2019	12.31.2018
Cash and cash equivalents in local currency	134,165	129,549
Cash and cash equivalents in foreign currency	4,335	3,879
Total cash and cash equivalents	138,500	133,428
Interbank investments ⁽¹⁾	6,129,292	7,481,681
Total cash and cash equivalents	6,267,792	7,615,109

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

NOTE 6 - Interbank Investments

a) Breakdown

Specification	09.30.2019	12.31.2018
a) Open market investments	6,129,292	7,626,446
Resale agreements pending settlement	6,129,292	7,481,681
Resale agreements pending settlement - Financed position	-	144,765
b) Interbank deposit investments	91,407	153,538
Investments in foreign currencies	16,288	45,188
Interbank deposit investments	75,119	108,350
Total	6,220,699	7,779,984
Short-term	6,220,699	7,779,984

b) Income from interbank investments

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
a) Income from open market investments (Note 7.b)	330,638	583,783
Self-funded position	325,555	578,496
Financed position	5,083	5,287
b) Income from interbank deposit investments (Note 7.b)	4,362	4,560
Total	335,000	588,343

NOTE 7 - Securities and Derivative Financial Instruments

a) Securities

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

a.1) Securities and Derivative Financial Instruments

Specification	09.30.2019	12.31.2018
Securities available for sale	38,878,184	35,550,260
Securities held to maturity	263,845	237,420
Swap differential receivable	-	585,664
Total	39,142,029	36,373,344
Short-term	1,772,230	1,296,313
Long-term	37,369,799	35,077,031

a.2) Securities portfolio

Securities available for sale	09.30.2019								12.31.2018		
	Market value					Maturity	Cost value	Market/book value	Market adjustment	Market/book value	Market adjustment
	No maturity	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days						
Fixed Income Securities	13,000	-	15,342	1,506,851	36,561,048		37,898,737	38,096,241	197,504	35,065,997	(446,684)
Financial Treasury Bills (LFT)	-	-	12,710	1,454,022	32,487,205	From 2020 to 2025	33,943,191	33,953,937	10,746	31,233,564	11,309
National Treasury Notes (NTN)	-	-	-	-	3,120,106	From 2050 to 2055	2,295,360	3,120,106	824,746	1,914,110	230,388
Financial Bills	-	-	-	52,829	819,562	From 2020 to 2022	908,488	872,391	(36,097)	1,807,566	(57,936)
Debentures	13,000	-	2,602	-	131,033	From 2019 to 2041	710,467	146,635	(563,832)	107,133	(593,538)
Federal Government Securities - FCVS	-	-	-	-	3,068	2027	3,688	3,068	(620)	3,397	(688)
Federal Government Securities - Other	-	-	-	-	-	1993	37425	-	(37,425)	-	(36,196)
Agrarian Debt Securities (TDAs)	-	-	30	-	74	From 2019 to 2022	118	104	(14)	227	(23)
Investment Fund Shares	472	-	-	-	-		2,077	472	(1,605)	431	(1,605)
Social Development Funds (FDS)	-	-	-	-	-	No maturity	1,605	-	(1,605)	-	(1,605)
Investment Guarantee Fund (FGI)	434	-	-	-	-	No maturity	434	434	-	400	-
Operation Guarantee Fund (FGO)	38	-	-	-	-	No maturity	38	38	-	31	-
Variable Income Securities	57,098	-	-	-	-		23,241	57,098	33,857	34,671	11,430
Other Tax Incentives (FINOR)	148	-	-	-	-	No maturity	109	148	39	171	62
Shares Issued by Publicly-Held Companies	56,950	-	-	-	-	No maturity	23,132	56,950	33,818	34,500	11,368
Security Deposits⁽¹⁾	-	-	4,537	140,528	579,308		724,404	724,373	(31)	449,161	(336)
Financial Treasury Bills (LFT)	-	-	-	140,528	579,308	From 2020 to 2025	718,901	719,836	935	440,262	594
Federal Government Securities - Other	-	-	-	-	-	1993	948	-	(948)	-	(916)
Debentures	-	-	4,537	-	-	2019	4,555	4,537	(18)	8,899	(14)
Total of Category	70,570	-	19,879	1,647,379	37,140,356		38,648,459	38,878,184	229,725	35,550,260	(437,195)
Tax Credit (Note 10.d and Note 20.c)									258,984		279,464
Provision for Deferred Taxes and Contributions (Note 20.d)									(348,876)		(103,221)
Total Market Value Adjustment									139,833		(260,952)

⁽¹⁾ Breakdown: Guarantees on stock exchange transactions R\$529,261 (R\$270,805 at 12.31.2018); Guarantees on clearing house association transactions R\$3,225 (R\$3,081 at 12.31.2018); Guarantees on legal proceedings R\$162,695 (R\$147,388 at 12.31.2018); and Other guarantees R\$29,193 (R\$27,887 at 12.31.2018).

Account "Federal Government Securities - Other" under items Fixed Income Securities and Security Deposits records cash investments in government securities named by the National Treasury as NUCL910801, maturing on 08.31.1993, but not yet redeemed by the National Treasury. These securities record a full devaluation due to their maturity, without, however, falling under the concept of Permanent Loss, as provided by Bacen Circular Letter No. 3068 of 11.08.2001.

In view of the classification of assets under "Available-for-sale securities", the amount of R\$229,725 (R\$437,195) at 12.31.2018) are recorded in the Bank's Equity under "Market value adjustments" account. Such adjustment, net of taxes, corresponds to R\$139,833 (R\$260,952) at 12.31.2018).

Securities held to maturity	09.30.2019							12.31.2018	
	Cost value				Maturity	Cost (book) value	Market value ⁽¹⁾	Cost (book) value	Market value ⁽¹⁾
	0 to 30 days	31 to 180 days	181 to 360 days	Over 360 days					
Fixed Income Securities	-	34,402	-	229,443		263,845	244,066	237,420	184,507
National Treasury Notes (NTN) - P	-	-	-	184,981	2030	184,981	165,202	176,986	124,073
Investment Fund Shares - Criatec	-	22,040	-	-	2019	22,040	22,040	13,923	13,923
Investment Fund Shares - Criatec II	-	-	-	14,839	2023	14,839	14,839	12,981	12,981
Investment Fund Shares - Criatec III	-	-	-	3,320	2025	3,320	3,320	2,289	2,289
FIP Brasil Agronegócios	-	12,362	-	-	2020	12,362	12,362	13,309	13,309
Nordeste III FIP	-	-	-	26,303	2023	26,303	26,303	17,932	17,932
Total of Category	-	34,402	-	229,443		263,845	244,066	237,420	184,507

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

- a.3) In the period, there were no reclassifications of securities into the categories above, and no held-to-maturity securities were sold.
- a.4) Bank Management states that the institution has the financial capacity and the intention to keep these securities held under this category until maturity.

b) Gain (loss) on securities

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Open Market Investments (Note 6.b)	330,638	583,783
Interbank Deposit Investments (Note 6.b)	4,362	4,560
Fixed Income Securities	1,766,720	1,474,419
Variable Income Securities	341	278
Total	2,102,061	2,063,040

c) Derivative financial instruments

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

At 09.30.2019, the Bank has no swap transactions, since the contracts expired on 05.03.2019.

Specification	12.31.2018	
	Differential receivable	Differential payable
Within 3 months	-	-
3 to 12 months	585,664	21,591
1 to 3 years	-	-
Total	585,664	21,591

c.1) Derivative Financial Instruments Classified as Market Risk Hedge (Hedge Accounting)

Specification	12.31.2018				
	Curve value		Market value		Market value adjustment
Hedging Instruments	Assets - dollar	Liabiliti es - CDI	Assets - dollar	Liabiliti es - CDI	
Swap - Foreign currency - Long position	1,170,210	584,546	1,148,619	584,546	(21,591)
Hedged Item	Curve value ⁽¹⁾		Market value ⁽¹⁾		Market value adjustment
Eurobonds - Senior Unsecured Notes	1,170,493		1,148,033		(22,460)
Tax credit (Note 20.c)					-
Provision for Deferred Taxes and Contributions (Note 20.d)					(8,984)

⁽¹⁾Net of tax effects at source in the amount of R\$1,150, at 12.31.2018, on the transaction interest.

The transactions with derivative financial instruments for hedging purposes were assessed as effective under Bacen Circular Letter No. 3082 of 01.30.2002, based on the financial flows (principal and interest) of the hedged item, Eurobonds - Senior Unsecured Notes, and of hedging instruments (swap contracts).

d) Gain (loss) on Derivative Financial Instruments

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Swap	47,343	213,887
Total	47,343	213,887

NOTE 8 - Linked Credits

a) Linked Credits

Specification	09.30.2019			12.31.2018		
	Gross amount	Provision	Net amount	Gross amount	Provision	Net amount
Mandatory Payments - Savings Accounts	487,346	-	487,346	486,835	-	486,835
Compulsory Reserves - Cash Funds	6,085	-	6,085	13,184	-	13,184
National Housing System (SFH)	82,037	(8,350)	73,687	78,858	(8,277)	70,581
Total	575,468	(8,350)	567,118	578,877	(8,277)	570,600
Short-term	493,431	-	493,431	500,019	-	500,019
Long-term	82,037	(8,350)	73,687	78,858	(8,277)	70,581

b) Compulsory investment gain/loss

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Income from Linked Credits - Central Bank of Brazil	16,061	15,782
Income from Linked Credits - SFH	3,178	3,006
Appreciation (Depreciation) of Linked Credits	(74)	(71)
Total	19,165	18,717

NOTE 9 - Loan portfolio and Allowance for Loan Losses

a) Loan portfolio and allowance for loan losses

Specification	09.30.2019		12.31.2018	
	Gross amount	Allowance	Gross amount	Allowance
Loans	9,579,621	(663,341)	9,659,746	(616,930)
Short-term	4,740,223	(381,053)	4,614,935	(346,763)
Long-term	4,839,398	(282,288)	5,044,811	(270,167)
Other Accounts with Loan Features	921,724	(52,216)	883,584	(10,729)
Short-term	904,792	(52,216)	880,453	(10,729)
Long-term	16,932	-	3,131	-
Total	10,501,345	(715,557)	10,543,330	(627,659)

a.1) Breakdown of loan portfolio

Specification	09.30.2019	12.31.2018
Advances to Depositors	863	160
Loans	4,743,892	4,460,331
Discounted Credit Notes	6,924	12,704
Financing	1,543,191	1,540,865
Financing in foreign currency	26,719	10,616
Agribusiness Financing	5,249	5,965
Rural Financing	1,179,278	1,366,030
Infrastructure and Development Financing	2,073,505	2,263,075
Loans subtotal	9,579,621	9,659,746
Income Receivable from Advances Granted	20,444	11,787
Debtors for Purchase of Assets	16,013	662
Notes and credits receivable (Note 10.d)	47,012	51,269
Advances on Exchange Contracts (ACC) ⁽¹⁾ (Note 11.a)	838,255	819,866
Other Accounts with Loan Features Subtotal	921,724	883,584
Total	10,501,345	10,543,330

⁽¹⁾Accounts classified as "Other Obligations/ Foreign Exchange Portfolio".

a.2) Income from Loans

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Loans and Discounted Credit Notes	827,742	630,025
Financing	354,462	462,982
Agribusiness Financing	671	972
Rural Financing	416,217	190,946
Recovery of Loans Written off as Losses	391,871	87,170
Total	1,990,963	1,372,095

b) Breakdown by Maturity
b.1) Current Loans⁽¹⁾

Type of Customer/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 09.30.2019	Total at 12.31.2018
Rural	15,240	2,221	7,722	25,631	60,032	1,043,299	1,154,145	1,293,076
Manufacturing	49,199	64,338	43,420	102,722	560,153	1,445,994	2,265,826	2,381,250
Government	11,802	11,802	12,092	36,947	12,558	409,968	495,169	615,268
Other Services	104,498	163,393	90,831	155,773	203,636	1,456,260	2,174,391	2,308,207
Trade	838,918	728,980	595,613	970,582	317,085	199,652	3,650,830	3,395,694
Financial Brokers	62	63	64	194	406	11,727	12,516	632
Housing	-	-	-	-	-	-	-	157
Individuals	24,272	10,646	7,305	11,056	11,881	9,297	74,457	83,739
Total at 09.30.2019	1,043,991	981,443	757,047	1,302,905	1,165,751	4,576,197	9,827,334	
Total at 12.31.2018	953,785	874,408	711,446	1,281,809	1,384,987	4,871,588		10,078,023

⁽¹⁾ Include loans overdue up to 14 days.

b.2) Past due loans

Falling due installments								
Type of Customer/Activity	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total at 09.30.2019	Total at 12.31.2018
Rural	198	30	46	150	50	21	495	39,791
Manufacturing	3,213	3,077	2,994	8,934	15,599	135,395	169,212	36,626
Other Services	5,955	4,770	4,237	10,794	18,006	83,930	127,692	87,010
Trade	19,102	10,679	7,993	13,193	13,331	60,370	124,668	131,358
Financial Brokers	2	2	2	5	10	17	38	45
Individuals	271	224	233	498	781	1,094	3,101	2,851
Total at 09.30.2019	28,741	18,782	15,505	33,574	47,777	280,827	425,206	
Total at 12.31.2018	21,114	15,545	12,691	28,392	43,188	176,751		297,681

Past due installments									
Type of Customer/Activity	01 to 14 days	15 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days ⁽¹⁾	Total at 09.30.2019	Total at 12.31.2018
Rural	-	6	-	-	53	336	29,492	29,887	39,126
Manufacturing	1,293	7,644	24,131	9,388	44,072	1,658	8	88,194	7,169
Other Services	2,796	3,706	5,279	2,586	6,923	6,190	70	27,550	28,819
Trade	11,482	12,463	14,575	9,494	23,743	24,360	2	96,119	84,726
Financial Brokers	1	-	1	1	2	5	-	10	27
Individuals	29	633	821	658	1,883	3,018	3	7,045	7,759
Total at 09.30.2019	15,601	24,452	44,807	22,127	76,676	35,567	29,575	248,805	
Total at 12.31.2018	14,772	13,229	17,966	13,816	31,026	39,277	37,540		167,626

⁽¹⁾ These include amounts referring to loans taken out based on CMN Resolution No. 2471 of 02.26.1998 and classified under Current Assets in the Balance Sheet.

c) Breakdown by Risk Level

Risk level	09.30.2019				12.31.2018			
	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance	Current loan ⁽¹⁾	Past due loan	Total portfolio	Allowance
AA	3,153,882	-	3,153,882	-	3,722,942	-	3,722,942	-
A	5,084,370	-	5,084,370	(25,422)	4,696,442	-	4,696,442	(23,482)
B	651,813	40,315	692,128	(6,921)	714,345	29,577	743,922	(7,439)
C	557,134	37,919	595,053	(17,852)	529,726	30,253	559,979	(16,799)
D	79,023	92,815	171,838	(17,184)	158,894	24,218	183,112	(18,311)
E	38,262	28,803	67,065	(20,120)	32,733	28,424	61,157	(18,347)
F	21,610	119,051	140,661	(70,330)	13,275	24,010	37,285	(18,642)
G	73,482	55,252	128,734	(90,114)	16,302	29,876	46,178	(32,326)
H	167,758	299,856	467,614	(467,614)	193,364	298,949	492,313	(492,313)
Total	9,827,334	674,011	10,501,345	(715,557)	10,078,023	465,307	10,543,330	(627,659)

⁽¹⁾ These include loans overdue up to 14 days.

d) Changes in the Allowance for the period

Specification	09.30.2019	12.31.2018
Opening Balance of Allowance for Losses on Loan Portfolio	627,659	950,848
(+) Allowance Recognized/(Reversed) for the Period	310,774	460,408
(-) Loans Written off as Loss for the Period	(222,876)	(783,597)
(=) Net Allowance for Losses on Loan Portfolio	715,557	627,659
Opening Balance of Allowance for Losses on other Credits without Loan Features	27,848	27,238
(+) Allowance Recognized for the Period	154	834
(-) Reversal of Allowance for the Period	(591)	(224)
(=) Net Allowance for Losses on Other Credits without Loan Features (Note 10.e)	27,411	27,848
(=) Balance of Allowance for Loan Losses	742,968	655,507

e) Breakdown of the Allowance Expense Balance

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
(+) Expenses with Allowance for Loan Losses	268,772	288,322
(+) Expenses with Allowance for Losses on Other Credits	43,166	6,640
(-) Reversal of Operating Provisions	(1,164)	-
(=) Balance of Expenses with Allowance for Losses on Other Credits with Loan Features	310,774	294,962
(+) Allowance for Losses on Other Credits without Loan Features	112	798
(-) Reversals of Allowances for Other Credits without Loan Features	(56)	(150)
(=) Balance of Expenses with Allowance for Loan Losses (Note 4)	310,830	295,610

f) Financial Guarantees Provided

Specification	09.30.2019		12.31.2018	
	Balance	Provision	Balance	Provision
Other Bank Guarantees	-	-	450	-
Public Sector	26,876,503	(2,754,767)	24,029,174	(2,990,936)
FDNE (Note 16.i and Note 21.f.2)	134,880	(1,261)	131,323	(1,222)
FNE (Note 16.i and Note 21.f.2)	26,736,903	(2,753,499)	23,887,363	(2,989,707)
Proagro (Note 16.i and Note 21.f.2)	4,720	(7)	10,488	(7)

g) Loan Concentration

Specification	09.30.2019		12.31.2018	
	Balance	% of portfolio	Balance	% of portfolio
10 Major debtors	2,025,541	19.29	2,079,899	19.73
50 Major debtors	4,229,039	40.27	4,340,102	41.16
100 Major debtors	4,822,021	45.92	4,942,422	46.88

h) By the 3rd quarter of 2019, credits that had been written off as loss were recovered in the amount of R\$391,871 (R\$ 87,171 at 09.30.2018) and renegotiations amounted to R\$922,116 (R\$287,315 at 09.30.2018).

NOTE 10 - Other Credits

Specification	09.30.2019	12.31.2018 Restated
a) Foreign Exchange Portfolio (Note 11.a)	920,079	868,658
b) Income receivable	17,223	15,938
c) Securities Trading	20	12
d) Sundry	3,792,478	3,660,718
Tax Credits on ALL, RAP, Provisions for Contingencies and PID (Note 20.c)	1,216,373	1,322,540
Tax Credits on Actuarial Provisions (Note 20.c)	1,151,750	891,040
Tax Credits on Securities, Derivative Financial Instruments and Hedged Item (Note 7.a.2 and Note 20.c)	258,984	288,101
Debtors for Escrow Deposits	520,785	410,721
Taxes and contributions to be offset	308,162	356,473
Tax incentive options	26,748	26,748
Notes and credits receivable (Note 9.a.1)	47,012	51,269
Advances and Early Salary Payments	36,586	1,986
Payments to be Refunded	2,523	2,409
Amounts receivable - bonus/rebates	59,802	85,167
Other Amounts	163,753	224,264
e) Allowance for Losses on Other Receivables	(79,627)	(38,577)
Credits with Loan Features	(52,216)	(10,729)
Credits without Loan Features (Note 9.d)	(27,411)	(27,848)
Total	4,650,173	4,506,749
Short-term	2,384,345	2,402,198
Long-term	2,265,828	2,104,551

NOTE 11 - Foreign Exchange Portfolio

a) Breakdown

Specification	09.30.2019	12.31.2018
Assets - Other Credits (Note 10.a)	920,079	868,658
Exchange Purchased to be Settled	898,729	856,751
Rights on Exchange Sales	2,040	5,354
Advances Received in Local Currency	(1,134)	(5,233)
Income Receivable from Advances Granted	20,444	11,786
Current assets (Note 10.a)	920,079	868,658
Liabilities - Other obligations (Note 16.b)	3,570	5,319
Exchange Purchase Obligations	839,785	819,866
Exchange Sold to be Settled	2,039	5,318
(Advances on Exchange Contracts - ACC) (Note 9.a.1)	(838,255)	(819,866)
Other Amounts	1	1
Current Liabilities (Note 16.b)	3,570	5,319

b) Foreign Exchange Gains (Losses)

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Exchange Income	181,204	305,831
Exchange Expenses	(491)	(660)
Total	180,713	305,171

NOTE 12 - Permanent Assets

a) Investments

Specification	12.31.2018	01.01.2019. to 09.30.2019		09.30.2019	
	Accounting Balance	Changes		Cost value	Accounting Balance
		Additions	Write-offs		
Shares and Units of Interest	331	-	-	331	331
Artworks and Valuables	1,260	1	-	1,261	1,261
Total	1,591	1	1,592	1,592	1,592

b) Property and Equipment

Specification	12.31.2018	01.01.2019. to 09.30.2019			09.30.2019		
	Restated accounting balance	Changes			Cost value	Accumulated Depreciation	Accounting Balance
		Additions	Write-offs	Depreciation			
Buildings	79,826	3,983	(113)	(1,243)	263,167	(180,714)	82,453
Data processing system	76,477	11,953	(268)	(4,912)	181,628	(98,378)	83,250
Furniture and equipment in use	33,378	2,522	(310)	(1,873)	80,106	(46,389)	33,717
Land	17,576	-	(606)	-	16,970	-	16,970
Facilities	5,350	400	(8)	(79)	19,232	(13,569)	5,663
Communication system	50	62	(2)	(7)	307	(204)	103
Security system	7,348	71	(19)	(250)	18,142	(10,992)	7,150
Transportation system	236	19	-	(234)	14,351	(14,330)	21
Total	220,241	19,010	(1,326)	(8,598)	593,903	(364,576)	229,327

c) Intangible assets

Specification	12.31.2018	01.01.2019. to 09.30.2019			09.30.2019	
	Accounting Balance	Changes			Cost value	Accounting Balance
		Additions	Write-offs ⁽¹⁾	Amortization		
Spending on Intangible Assets under Development	19,948	-	(19,385)	-	563	563
Total	19,948	-	(19,385)	-	563	563

(1) This refers to the write-off, due to impairment, of the Asset that allocated the license acquisition costs for the use of ERP software, measured adopted by the Bank management in view of the result of a study conducted over the 1st half, through which the conclusion was that there is no expected generation of future economic benefits with its use or disposal.

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

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

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total at 09.30.2019	Total at 12.31.2018
Demand deposits	359,322	-	-	-	-	-	359,322	328,683
Savings deposits	2,442,596	-	-	-	-	-	2,442,596	2,433,765
Interbank Deposits	933,895	426,905	-	-	-	-	1,360,800	1,559,993
Time deposits	733,118	1,191,728	3,994,504	1,790,570	933,700	29,959	8,673,579	8,491,820
Time deposits	375,227	1,174,610	2,214,375	1,701,847	808,367	29,959	6,304,385	6,268,746
Interest-Yielding Judicial Deposits	353,098	-	-	-	-	-	353,098	338,746
Finor/Cash and cash Equivalents and Reinvestments - Law No. 8167	-	-	1,776,360	88,723	88,723	-	1,953,806	1,774,562
FAT - Funds Available	802	1,338	171	-	-	-	2,311	29,249
FAT - Funds Applied	3,991	11,199	3,598	-	-	-	18,788	36,905
Other	-	4,581	-	-	36,610	-	41,191	43,612
Funds from acceptance and issue of securities	55,840	62,111	-	-	-	-	117,951	1,311,459
Eurobonds - Senior Unsecured Notes	-	-	-	-	-	-	-	1,149,183
Agribusiness Credit Bills (LCA)	55,840	45,504	-	-	-	-	101,344	162,276
Financial Bills - charges	-	16,607	-	-	-	-	16,607	-
Debt instruments eligible to capital	-	-	-	-	-	1,801,040	1,801,040	1,000,000
Subordinated Debts Eligible to Capital	-	-	-	-	-	2,503,628	2,503,628	2,369,446
Total at 09.30.2019	4,524,771	1,680,744	3,994,504	1,790,570	933,700	4,334,627	17,258,916	
Total at 12.31.2018	4,005,491	4,056,596	3,938,740	1,061,156	1,036,782	3,396,401		17,495,166

b) Deposits

Specification	09.30.2019	12.31.2018
Demand deposits	359,322	328,683
Government deposits	5,330	6,039
Linked Deposits	152,563	136,476
Legal entities	158,744	153,133
Individuals	42,030	32,647
Other Amounts	655	388
Savings deposits	2,442,596	2,433,765
Free savings deposits - Individuals	1,632,565	1,580,066
Free savings deposits - Legal entities	809,158	852,933
From related parties and Financial System Institutions	873	766
Interbank Deposits	1,360,800	1,559,993
Time deposits	8,673,579	8,491,820
Time deposits	6,304,385	6,268,746
Interest-Yielding Judicial Deposits	353,098	338,746
Other time deposits	2,016,096	1,884,328
Interest-yielding special deposits/FAT (Note 25 and Note 27.a.1)	21,099	66,154
Funds Available (Note 25)	2,311	29,249
Proger Urbano	-	9,360
Protrabalho	865	1,778
Infrastructure	-	1,286
PNMPO	1,446	16,825
Funds Applied (Note 25)	18,788	36,905
Proger Urbano	-	190
Protrabalho	18,074	22,196
PNMPO	714	14,519
Finor/cash and cash equivalents and reinvestments (Law No. 8167/91)	1,953,806	1,774,562
Other Amounts	41,191	43,612
Total	12,836,297	12,814,261
Short-term	6,087,564	6,750,628
Long-term	6,748,733	6,063,633

c) Open Market Funding

Specification	09.30.2019	12.31.2018
Own portfolio	1,362,687	1,236,716
Financial Treasury Bills (LFT)	1,362,687	1,236,716
Third-party portfolio	-	144,765
National Treasury Notes (NTN)	-	144,765
Total	1,362,687	1,381,481
Short-term	1,353,462	1,372,662
Long-term	9,225	8,819

d) Expenses with Open Market Funding

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Funding expenses	(606,444)	(788,472)
Time deposits	(273,849)	(251,727)
Savings deposits	(62,742)	(60,566)
Judicial deposits	(13,399)	(22,177)
Interbank Deposits	(28,826)	(31,298)
Special deposits	(83,191)	(83,806)
Funds from acceptance and issue of securities	(136,492)	(330,605)
Other deposits	(7,945)	(8,293)
Expenses with open market funding	(86,772)	(49,934)
Third-party portfolio	(5,084)	(5,287)
Own portfolio	(65,081)	(44,647)
Financial Bills	(16,607)	-
Total	(693,216)	(838,406)

NOTE 14 - Borrowings and Onlending

a) Borrowings and onlending by maturity

Specification	0 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total at 09.30.2019	Total at 12.31.2018
Foreign Borrowings	713,142	232,908	-	-	-	-	946,050	900,437
Domestic onlending	34,335	83,856	305,485	321,053	403,768	38,465	1,186,962	1,222,018
Foreign onlending	61,116	56,141	156,521	157,738	72,516	-	504,032	580,602
Total at 09.30.2019	808,593	372,905	462,006	478,791	476,284	38,465	2,637,044	
Total at 12.31.2018	190,074	1,010,927	472,715	492,940	498,921	37,480		2,703,057
Short-term							1,181,498	1,201,001
Long-term							1,455,546	1,502,056

b) Domestic Onlending - Official Institutions

Specification	Annual restatement rate (%)	09.30.2019	12.31.2018
National Treasury	IGP - DI + 2.00	497	482
BNDES		1,133,426	1,155,450
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)	Fixed rate 1.5 to 11.10 TJLP 0.00 to 4.00 IPCA 9.41 Exchange variation 2.00% to 4.00%	741,216	767,975
Credit Facility for investment in agriculture		392,210	387,475
Finame		53,039	66,086
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)	Fixed rate 1.5 to 7.00 TJLP 0.00 to 4.00 IPCA 9.41 Exchange variation 2.00% to 4.00%	31,797	44,393
Agricultural Program		21,242	21,693
Total (Note 27.a.1)		1,186,962	1,222,018
Short-term		118,191	131,908
Long-term		1,068,771	1,090,110

c) Borrowings

Specification	Annual restatement rate (%)	09.30.2019	12.31.2018
Foreign borrowings/Foreign currency payables	USD	946,050	900,437
Total		946,050	900,437
Short-term		946,050	900,437

d) Foreign onlending

Specification	Annual restatement rate (%)	09.30.2019	12.31.2018
BID-Prodetur I (Tourism Development Program with funds provided by the IDB)	USD + 4.51	61,116	112,392
BID-Prodetur II	USD + 3.52	437,953	462,387
BID - Other programs	USD + 3.52	4,963	5,823
Total		504,032	580,602
Short-term		117,257	168,656
Long-term		386,775	411,946

e) Expenses with borrowings and onlending

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Expenses with Onlending	(169,037)	(289,981)
Domestic onlending - Official institutions in Brazil	(75,002)	(101,694)
National Treasury	(15)	(30)
BNDES	(72,770)	(98,354)
Finame	(2,217)	(3,310)
Foreign onlending expenses	(94,035)	(188,287)

Expenses on Onlending with Foreign Banks	(163,749)	(286,253)
Expenses with Financial and Development Funds	(1,124,573)	(1,165,407)
Total	(1,457,359)	(1,741,641)

NOTE 15 - Funds from Acceptance and Issue of Securities

a) Liabilities for Foreign Securities

Specification	Funding date	Maturity	Annual interest (%)	Contractual amount in thousands of US dollars	Contractual amount at 09.30.2019	Market value at 09.30.2019	Market value at 12.31.2018 ⁽²⁾
Eurobonds - Senior Unsecured Notes ⁽¹⁾	05.03.2012	05.03.2019	4.375	300,000	-	-	1,149,183
Total				-	-	-	1,149,183
Short-term						-	1,149,183

⁽¹⁾ This obligation was settled on 05.03.2019.

⁽²⁾ Considering tax effects.

b) Funds from Real Estate, Mortgage, Credit and Similar Notes

Specification	Remuneration	Nominal value	09.30.2019	12.31.2018
Agribusiness Credit Bills (LCA) ⁽¹⁾	81.27% of CDI	97,523	101,344	162,276
Financial Bills - contractual charges			16,607	-
Total			117,951	162,276
Short-term			117,951	162,276

⁽¹⁾ Note with average maturity term of 86 days.

NOTE 16 - Other Liabilities

Specification	09.30.2019	12.31.2018 Restated
a) Collection and transfer of taxes and levies	110,132	1,477
Funds from Proagro	52	227
Federal taxes received	107,228	35
Tax on Financial Transactions (IOF) payable	855	783
Other taxes and levies	1,997	432
b) Foreign exchange portfolio (Note 11.a)	3,570	5,319
c) Social and statutory	67,830	179,662
Return on Capital Payable	482	131,418
Profit Sharing	67,348	48,244
d) Tax and Social Security	1,064,419	712,182
Provision for Deferred Taxes and Contributions	593,414	298,010
Securities and Derivative Financial Instruments (Note 20.d)	348,876	103,221
Revaluation of buildings and Land	1,561	1,591
From recovered credits, hedged items and deferred depreciation (Note 20.d)	242,977	193,198
Provision for Income Tax and Social Contribution (Note 20.a.2)	383,425	310,412
Income Tax	236,487	166,581
Social Contribution	146,938	143,831
Taxes and Contributions Payable	87,580	103,760
e) Securities Trading	153	153
f) Financial and Development Funds	25,199,971	25,472,735
FNE (Note 27.a.1)	24,331,731	24,585,592
Other Amounts	868,240	887,143
g) Debt instruments eligible to capital	1,801,040	1,000,000
Authorized Principal Capital (Note 17 and Note 27.a.1)	1,000,000	1,000,000
Authorized Complementary Capital (Note 17)	801,040	-
h) Subordinated Debts Eligible to Capital (Note 17 and Note 27.a.1)	2,503,628	2,369,446
i) Other	7,124,130	6,485,206
Provision for Contingencies	644,426	401,730
Labor claims (Note 21.f.1.ii)	324,324	206,531
Civil proceedings (Note 21.f.1.iii)	185,841	146,964
Tax	10,976	-
Other Tax Proceedings (Note 21.a.1.ii)	6,503	15,769
Other contingencies	116,782	32,466
Dividends and Interest on Equity (IOE)	81,864	-
Other (Note 21.f.1.iv)	34,918	32,466
Provision for Financial Guarantees Provided (Note 21.f.2)	2,754,767	2,990,936
FNE (Note 9.f and Note 21.f.2.i)	2,753,499	2,989,707
Onlending	985	1,017
Full risk - BNB	24,718	59,135
Shared risk	2,727,796	2,929,555
FDNE (Note 9.f and Note 21.f.2.ii)	1,261	1,222
Proagro (Note 9.f and Note 21.f.2.iii)	7	7
Actuarial liabilities	2,879,374	2,227,601
Retirement and DB Pension Plan (Note 23 and Note 27.a.2)	684,004	606,070
Health Care Plan (Note 23 and Note 27.a.2)	2,011,494	1,474,370
Life insurance - Post-Employment Benefit (Note 23 and Note 27.a.2)	183,876	147,161
Accrued Payments	602,642	505,807
Personnel expenses	274,539	249,489
Other Amounts	112,535	82,836
Interest and charges on debt instruments eligible to principal capital	215,568	173,482
Other Amounts	242,921	359,132
Total	37,874,873	36,226,180
Short-term	5,024,930	5,622,712
Long-term	32,849,943	30,603,468

NOTE 17 - Debt Instruments Eligible to Capital (Note 26.g.ii)**a) Tier I Referential Equity - Principal Capital:**

On 01.19.2016, the Bank and Federal Government entered into a loan agreement in the amount of R\$1,000,000 for purposes of classification as instrument eligible to principal capital, as provided for in article 16 of CMN Resolution No. 4192 of 03.01.2013, amended by CMN Resolution No. 4278 of 12.31.2013 and CMN Resolution No. 4311 of 02.20.2014.

Interest will be settled in an annual lump-sum payment, restated by the Selic rate up to the effective payment date, within 30 days from the payment of dividends referring to P&L determined in the closing balance sheet of the fiscal year.

In case the retained earnings balance, of income reserves, including legal reserve and capital reserves of the Bank, is not sufficient to absorb its losses calculated upon closing of the balance sheet of the fiscal year, the Bank will be relieved from the remuneration and will use the amounts due as interest

overdue and the principal balance, in that order, up to the amount required to offset losses, the debt to which the agreement refers being duly settled for all purposes.

Any unpaid charges will not accrue. In the event the payment or dividend credit is not performed (including as interest on equity) until December 31 of the subsequent fiscal year, the financial charges unpaid will no longer be enforceable definitely.

The obligation has no maturity date and it may only be redeemed or repurchased by the issuer, subject to prior authorization by BACEN.

Specification	Amount issued	Remuneration	Funding date	09.30.2019	12.31.2018
Debt Instruments Eligible to Capital (Note 16.g and Note 27.a.1)	1,000,000	Profitability on Equity	01.19.2016	1,000,000	1,000,000
Long-term				1,000,000	1,000,000

b) Tier I Referential Equity - Complementary Capital:

In June 2019, the Bank issued 2,667 (two thousand six hundred sixty seven) Subordinated Financial Bills, without maturity date. Bacen authorized to compose the Tier I Referential Equity, as Complementary Capital, by the funding amount (R\$801,040).

Specification	Amount issued	Remuneration	Funding date	09.30.2019	12.31.2018
Financial Bills ⁽¹⁾ - Nota 16.g	801,040	117% of Selic	06.2019	801,040	-
Long-term				801,040	-

(1) Interest paid on a half-yearly basis.

c) Tier II Referential Equity

Subordinated Debts comprise two funding operations with FNE in the original amounts of R\$600,000 and R\$400,000, maturing on 07.20.2009 and 03.01.2010, respectively.

Specification	09.30.2019	12.31.2018
Fundo Constitucional de Financiamento do Nordeste (FNE)	2,503,628	2,369,446
Funds available	1,563,583	1,379,634
Funds applied	940,045	989,812
Total (Note 16.h and Note 27.a.1)	2,503,628	2,369,446

Note 18 - Equity

a) Capital

The Bank's capital in the amount of R\$3,813,000 (R\$2,844,000 at 12.31.2018) is represented by 86,371,464 common, book-entry, paid-in shares with no par value, held as follows:

Specification	09.30.2019		12.31.2018	
	Number of shares	% of Capital	Number of shares	% of Capital
Federal Government	47,896,415	55.45	44,049,447	51.00
FI CAIXA FGEDUC MULTIMERCADO	30,205,568	34.97	30,205,568	34.97
BB FGO Investment Fund Shares	6,206,000	7.19	6,217,900	7.20
National Development Fund (FND) ⁽¹⁾	-	-	3,846,968	4.45
Other	2,063,481	2.39	2,051,581	2.38
Total	86,371,464	100.00	86,371,464	100.00

(1) Balance of shares transferred to the Federal Government in the process of extinction of FND.

At the Extraordinary General Meeting held on 04.25.2019, shareholders approved the capital increase by R\$969,000, arising from the incorporation of Statutory Reserves - Reserve for Operational Margin, without issue of new shares. Capital was changed from R\$2,844,000 to R\$3,813,000, represented by 86,371,464 common, book-entry, paid-in shares with no par value, duly approved by the Central Bank.

b) Revaluation Reserve

The amount of R\$13,934 (R\$13,994 at 09.30.2018) refers to revaluation of property and equipment in use, recognized on 02.26.1993. This reserve will be maintained through its effective realization date either as a result of depreciation, write-off or disposal, pursuant to CMN Resolution No. 3565 of 05.29.2008. In the period, the amount of R\$1,546 (R\$40 at 09.30.2018) was transferred to Retained Earnings (Accumulated Losses).

c) Dividends/Interest on Equity (IOE)

Through the Board of Director's Meeting held on 08.09.2019, Prepayment of Dividends for the year was approved, being R\$17,507 as Dividends and R\$166,842 as IOE attributed to dividends, totaling R\$184,349, net of R\$183,832 corresponding to a benefit, net of income tax, of 25.00% on adjusted net income for the six-month period (R\$53,372 at 06.30.2018). Such benefit was paid in 08.28.2019. Total IOE for the six-month period provided a reduction in expenses on tax charges in the amount of R\$66,737 (R\$23,770 at 06.30.2018).

d) Payment of IOE for 2018

Through the Annual General Meeting held on 04.25.2019, the payment of supplementary Interest on Equity (IOE) for the year ended 12.31.2018 was approved in the amount of de R\$131,078. This payment was made on 05.08.2019.

e) Statement of calculation of Dividends/IOE:

Specification	09.30.2019	09.30.2018
1. Net income for the period	1,094,014	426,742
2. Legal reserve calculated	(54,700)	(21,337)
3. Debt adjustments to Retained Earnings (Accumulated Losses)	(18,840)	(13,922)
4. Revaluation reserve transferred to retained earnings (accumulated losses)	(3,927)	177
5. Credit adjustments to Retained Earnings (Accumulated Losses)	48,778	5,865
6. Dividend and IOE calculation basis	1,065,325	397,525
7. Dividends	17,596	-
8. Interest on equity attributable to dividends	249,560	99,689
9. Withholding Income Tax on IOE	(773)	(308)
10. Net IOE (item 8 - item 9)	248,787	99,381

f) Legal reserve

The legal reserve corresponds to 5% on net income calculated in the closing date of every six-month. In the 1st half of 2019, this reserve totaled R\$37,239 (R\$11,591 at 06.30.2018).

g) Statutory reserve

The statutory reserve represents the remaining balance of net income calculated in the closing of every six-month period, after establishment of the legal reserve and the amount distributed as IOE/dividends. In the 1st half of 2019 this reserve totaled R\$550,771 (R\$159,994 at 06.30.2018).

h) Equity Adjustment

Specification	09.30.2019	09.30.2018 Restated
Securities Available for Sale ⁽¹⁾	400,788	(111,464)
Actuarial Gains and Losses (Post-Employment Benefits) ⁽¹⁾	(363,411)	111,524
Equity adjustment⁽¹⁾	37,377	60

⁽¹⁾Net of tax effects.

NOTE 19 - Other Operating Income/Expenses

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018 Restated
a) Service revenue	1,901,542	1,789,904
Investment fund management	41,013	30,925
Fund and program management	1,439,693	1,398,403
Service Rendered	420,836	360,576
b) Income from bank fees	70,854	56,143
c) Personnel expenses	(1,497,799)	(1,433,689)
Salaries	(870,847)	(821,047)
Social charges	(300,457)	(301,847)
Retirement and Pension Plan - DB and VC I Capef Plans	(85,848)	(76,411)
Health care plan - Camed Natural Plan	(113,237)	(109,654)
Life insurance - Post-employment benefit	(9,184)	(8,353)
Benefits, training sessions, fees and compensation of interns	(118,226)	(116,377)
d) Other administrative expenses	(952,718)	(922,520)
Data processing	(181,784)	(188,194)
Advertising and publicity	(6,629)	(14,449)
Third-party services ⁽¹⁾	(454,407)	(415,400)
Rentals, material and public utilities	(59,425)	(55,018)
Travel	(11,946)	(13,018)
Communications	(18,387)	(19,612)
Depreciation and Amortization	(8,597)	(7,440)
Asset maintenance and upkeep	(36,650)	(36,553)
Surveillance, security and transportation	(68,524)	(67,987)
Promotions, public relations and publications	(7,329)	(8,097)
Financial system services	(28,620)	(23,240)
Specialized technical services	(29,711)	(25,641)
Insurance	(2,884)	(1,119)
Court, notary and attorney fees	(24,797)	(29,852)
Worker' union dues and Associations	(1,771)	(1,403)
Condominium fees, catering, kitchen and meals	(4,266)	(4,305)
FUNDECI (Science and Technology Development Fund)	-	(4,000)
Other Amounts	(6,991)	(7,192)
e) Tax expenses (Note 20.e)	(269,462)	(229,582)
COFINS and PIS/PASEP	(237,470)	(201,780)
ISS and IPTU/Improvement tax	(29,587)	(25,522)
Other Amounts	(2,405)	(2,280)
f) Other operating income	1,513,049	1,413,003
Del credere commission on fund management	1,182,732	1,005,140
Exchange Losses on Borrowings	109,637	115,408
Exchange losses on funding expenses	66,870	73,950
Exchange loss on reclassification of Development Financial Fund obligation expenses	3,883	3,633
Reversal of operating provisions for risks on FNE transactions	6,951	1,555
Recovery of charges and expenses	4,242	4,730
Reversal of operating provisions	15,548	9,954
Interest and commissions	2,492	1,275
Monetary restatement	611	1,070
FNE - Recovery of amounts settled by the Bank	102,920	180,247
Other Amounts	17,163	16,041
g) Other operating expenses	(948,063)	(970,999)
Exchange losses on exchange area	(2,983)	(1,667)
Exchange loss on loans granted	(109,349)	(115,787)
Negative monetary restatement of loans	(3,364)	(16)
Discounts granted in renegotiations	(50,746)	(22,975)
Loan Charges	(6,925)	(2,583)
Tax Contingencies	(1,779)	(3,149)
Risks on FNE Transactions	(214,018)	(485,997)
Risks on FDNE Transactions	(41)	(2,790)
Labor Claims	(128,937)	(38,423)
Civil Proceedings	(55,116)	(47,251)
Other proceedings	(2,598)	(2,827)
Debt Instruments Eligible to Principal Capital (IECP)	(215,568)	(110,121)
FNE Remuneration - Available Funds - article 9-A of Law No. 7827	(63,856)	(71,688)
FNE Remuneration - Funds Applied - article 9-A, Law No. 7827	(70,327)	(48,182)
Monetary Restatement of IECP	(4,674)	(4,365)
Other Amounts	(17,782)	(13,178)
Total	(182,597)	(297,740)

⁽¹⁾ These comprise expenses for the 3rd half of 2019 amounting to R\$383,998 (R\$354,908 at 09.30.2018) on behalf of Instituto Nordeste Cidadania (INEC); this refers to a Civil Society Organization of Public Interest ("Oscip") substantially to the Bank, through the Partnership Terms for the operation of the urban and rural production-oriented microloan programs, in accordance with the provisions of Law No. 9790 of 03.23.1999.

NOTE 20 - Taxes and contributions

a) Income Tax and Social Contribution

The Bank is subject to the taxable profit regime whereby taxes are computed based on the Bank's accounting records, and income tax and social contribution are paid monthly on an estimated basis. Income tax and social contribution expenses are as follows:

a.1) Specification of the Provision for Income Tax and Social Contribution Expense	Income Tax		Social Contribution	
	01.01 to 09.30.2019	01.01 to 09.30.2018 (restated)	01.01 to 09.30.2019	01.01 to 09.30.2018 (restated)
Income Before Income Taxes and Profit Sharing	1,690,588	802,020	1,690,588	802,020
Statutory profit sharing	(67,032)	(25,597)	(67,032)	(25,597)
Interest on Equity (IOE)	-	(99,689)	-	(99,689)
Income before taxes, less statutory profit sharing and interest on equity	1,623,556	676,734	1,623,556	676,734
Permanent additions/exclusions	(281,451)	(21,305)	(281,787)	(22,268)
Temporary additions/exclusions	(362,181)	26,452	(362,182)	26,452
Taxable income	979,924	681,881	979,587	680,918
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(244,963)	(170,452)	(146,938)	(136,184)
Deductions (tax incentives)	8,477	8,301	-	-
Provision for IRPJ/CSLL on revaluation reserve realized	18	19	11	15
Current IRPJ/CSLL expenses - after tax incentives, revaluation reserve and adjustments of Retained Earnings (Accumulated Losses)	(236,468)	(162,132)	(146,927)	(136,169)
Provision for Deferred Taxes and Contributions - Arising from Tax Recovered Credits, Depreciation, Derivative Financial Instruments and Hedged Items	(31,113)	(7,665)	(18,667)	(3,318)
Provision for Income Tax and Social Contribution	(267,581)	(169,797)	(165,594)	(139,487)
IRPJ/CSLL Tax Credits - Provisions, Derivative Financial Instruments and Hedged Item	(60,227)	4,722	(36,140)	(28,127)
Total IRPJ/CSLL	(327,808)	(165,075)	(201,734)	(167,613)
Effective Rate (%)	20.19	24.39	12.43	24.77
a.2) Specification of the provision for IRPJ and CSLL	09.30.2019	12.31.2018 (restated)	09.30.2019	12.31.2018 (restated)
Provision for Income Tax and Social Contribution	236,468	166,557	146,927	143,811
Provision for Taxes on Revaluation Reserve Realized	19	24	11	20
Provision for Income Tax and Social Contribution (Note 16.d)	236,487	166,581	146,938	143,831
Taxes and Contributions Recoverable on Prepayments, Including Withholding Taxes	(163,591)	(212,423)	(82,524)	(134,040)
Taxes Payable (Recoverable) for the Period	72,896	(45,842)	64,414	9,791

b) Reconciliation of IRPJ and CSLL Charges

Specification	09.30.2019	12.31.2018 (restated)
Income before taxes and profit sharing	1,690,588	802,020
Total charge of 40% - IRPJ (25%) and CSLL (15%)	(676,235)	(360,909)
Statement of tax levy:		
Income Tax and Social Contribution for the Period	(529,542)	(332,689)
Increase/Decrease in Income Tax and Social Contribution arising from:	(146,693)	(28,220)
Profit sharing/IOE	(126,636)	(56,379)
Other Income/FNE/Del Credere/Onlending Operations - Article 9-A of Law No. 7827	(17,312)	(13,942)
Temporary Differences - Other Provisions (Labor, Civil, Tax and Other Proceedings)	1,106	3,758
Temporary Differences - Transactions with Reimbursement Longer than 10 Years	1,271	17,065
Difference of CSLL rate (from 20% to 15%) ⁽¹⁾	-	26,194
Other (Tax Incentives, Permanent Additions/Exclusions)	(5,122)	(4,916)
Total Reconciled Tax Levy	(676,235)	(360,909)

⁽¹⁾ In 2018 the CSLL rate was 20%, with a total charge of 45%

c) Deferred Tax Assets and Liabilities

The IRPJ and CSLL tax credits arising from temporary differences of Allowances for Loan Losses, Provisions for Post-Employment Benefits, Unearned Income ("RAP"), Provision for the Voluntary Dismissal Program ("PID") and Provisions for Contingencies (labor, civil tax and other) are recorded in conformity with the following major standards: CMN Resolution No. 3059 of 12.20.2002 and Bacen Circular Letter No. 3171 of 12.30.2002 are based on technical studies conducted every six months on recognition of Deferred Tax Assets and Liabilities.

In accordance with Bacen Circular Letters No. 3068 of 11.08.2001, tax credits on market value adjustments of securities were accrued, regarding securities classified as Available-for-Sale, and on Derivative Financial Instruments.

Specification	09.30.2019		12.31.2018		09.30.2019	12.31.2018
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Allowances (ALL)						
Opening Balance	711,030	426,632	802,220	526,293	1,137,662	1,328,513
Recognition	196,021	117,612	247,077	148,260	313,633	395,337
Realization/Reversal	(288,727)	(173,239)	(338,267)	(247,921)	(461,966)	(586,188)
Closing Balance (Note 10.d)	618,324	371,005	711,030	426,632	989,329	1,137,662
b) Unearned Income - Operations not Related to Legal Proceedings						
Opening Balance	2,101	1,261	-	-	3,362	-
Recognition	1,059	635	2,708	1,753	1,694	4,461
Realization/Reversal	(243)	(146)	(607)	(492)	(389)	(1,099)
Closing Balance (Note 10.d)	2,916	1,750	2,101	1,261	4,666	3,362
c) Actuarial provisions						
Opening Balance	269,396	161,638	257,640	154,584	431,034	412,224
Recognition	40,573	24,343	14,480	8,689	64,916	23,169
Realization/Reversal	(29,050)	(17,430)	(2,724)	(1,635)	(46,480)	(4,359)
Closing Balance (Note 3 and Note 10.d)	280,919	168,551	269,396	161,638	449,470	431,034
d) Provision for the Voluntary Dismissal Program ("PID")						
Opening Balance	14,667	8,800	-	-	23,467	-
Recognition	99	60	14,667	8,800	159	23,467
Realization/Reversal	(14,766)	(8,860)	-	-	(23,626)	-
Closing Balance (Note 10.d)	-	-	14,667	8,800	-	23,467
e) Provision for contingencies						
Opening Balance	98,781	59,268	81,083	48,650	158,049	129,733
Recognition	64,329	38,599	44,261	26,556	102,928	70,817
Realization/Reversal	(24,124)	(14,475)	(26,563)	(15,938)	(38,599)	(42,501)
Closing Balance (Note 10.d)	138,986	83,392	98,781	59,268	222,378	158,049
f) Derivative financial instruments						
Opening Balance	5,398	3,239	-	-	8,637	-
Recognition	308	185	16,906	10,143	493	27,049
Realization/Reversal	(5,706)	(3,424)	(11,508)	(6,904)	(9,130)	(18,412)
Closing Balance (Note 7.c)	-	-	5,398	3,239	-	8,637
g) Hedged Item						
Opening Balance	-	-	3,128	1,877	-	5,005
Recognition	876	526	7,141	4,284	1,402	11,425
Realization/Reversal	(876)	(526)	(10,269)	(6,161)	(1,402)	(16,430)
Closing Balance (Note 7.c.1 and Note 10.d)	-	-	-	-	-	-
Effect on Equity						
h) Securities						
Opening Balance	173,455	106,009	164,744	105,550	279,464	270,294
Recognition	111,774	68,018	115,601	69,017	179,792	184,618
Realization/Reversal	(124,613)	(75,659)	(106,890)	(68,558)	(200,272)	(175,448)
Closing Balance (Note 7.a.2)	160,616	98,368	173,455	106,009	258,984	279,464
i) Actuarial valuation adjustments						
Opening Balance	287,503	172,503	217,365	130,420	460,006	347,785
Recognition	151,421	90,853	117,019	70,212	242,274	187,231
Realization/Reversal	-	-	(46,881)	(28,129)	-	(75,010)
Closing Balance (Note 10.d)	438,925	263,355	287,503	172,503	702,280	460,006

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

Specification	Income Tax		Social Contribution	
	09.30.2019	12.31.2018	09.30.2019	12.31.2018
1. Total Temporary Differences	6,747,681	6,860,096	6,747,681	6,680,096
2. Tax Credits on Temporary Differences	1,686,921	1,670,024	1,014,151	1,003,950
3. Tax Credits Recognized in Assets on Provisions	1,480,070	1,383,478	888,053	830,102
4. Tax Credits Recognized in Assets due to Mark-to-Market of Securities, Derivative Financial Instruments and Hedged Item	160,616	178,853	98,368	109,248
5. Total Tax Credits Recognized in Assets (item 3 + item 4) ⁽¹⁾	1,640,686	1,562,331	986,421	939,350
6. Tax credits not Recognized in Assets (item 2 - item 5) ⁽²⁾	46,235	107,693	27,730	64,600

⁽¹⁾ Tax Credits are Recognized in Assets under "Other Credits - Sundry".

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

Total estimated realization of tax credits at 09.30.2019 is as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2019	133,170	130,046	81,901	80,026	215,071	210,072
2020	166,019	155,379	99,612	93,227	265,631	248,606
2021	138,877	129,306	83,326	77,584	222,203	206,890
2022	88,716	79,807	53,230	47,884	141,946	127,691
2023	107,803	92,601	64,682	55,561	172,485	148,162
2024	166,711	131,032	100,027	78,619	266,738	209,651
2025	61,580	52,838	36,947	31,703	98,527	84,541
2026	59,704	51,442	35,823	30,865	95,527	82,307
2027	61,076	53,062	36,645	31,837	97,721	84,899
2028	48,210	40,612	28,925	24,367	77,135	64,979
2028 onwards	608,820	603,310	365,303	361,992	974,123	965,302
Total	1,640,686	1,519,435	986,421	913,665	2,627,107	2,433,100

⁽¹⁾ For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by BACEN at 09.30.2019.

d) Provision for Deferred Taxes and Contributions

Specification	09.30.2019		12.31.2018 (restated)		09.30.2019	12.31.2018 (restated)
	IRPJ	CSLL	IRPJ	CSLL		
Effect on P&L						
a) Derivative Financial Instruments						
Opening Balance	-	-	3,155	1,893	-	5,048
Recognition	876	526	7,217	4,330	1,402	11,547
Realization/Reversal	(876)	(526)	(10,372)	(6,223)	(1,402)	(16,595)
Closing Balance (Note 7.c and Note 16.d)	-	-	-	-	-	-
b) From Recovered Credits⁽¹⁾						
Opening Balance	103,935	62,359	73,219	46,460	166,294	119,679
Recognition	33,156	19,894	31,288	17,649	53,050	48,937
Realization/Reversal	(123)	(73)	(572)	(1,750)	(196)	(2,322)
Closing Balance (Note 16.d)	136,968	82,180	103,935	62,359	219,148	166,294
c) Hedged Item						
Opening Balance	5,615	3,369	-	-	8,984	-
Recognition	308	185	17,197	10,318	493	27,515
Realization/Reversal	(5,923)	(3,554)	(11,582)	(6,949)	(9,477)	(18,531)
Closing Balance (Note 7.c.1 and Note 16.d)	-	-	5,615	3,369	-	8,984
d) Deferred Depreciation						
Opening Balance	11,200	6,720	6,495	3,897	17,920	10,392
Recognition	4,041	2,425	4,879	2,928	6,466	7,807
Realization/Reversal	(347)	(210)	(174)	(105)	(557)	(279)
Closing Balance (Note 16.d)	14,894	8,935	11,200	6,720	23,829	17,920
Effect on Equity						
d) Revaluation Reserve						
Opening Balance	994	597	1,019	628	1,591	1,647
Recognition	-	-	68	41	-	109
Realization/Reversal	(19)	(11)	(93)	(72)	(30)	(165)
Closing Balance (Note 16.d)	975	586	994	597	1,561	1,591
e) Securities						
Opening Balance	64,156	39,065	24,848	15,139	103,221	39,987
Recognition	531,848	320,072	218,603	132,348	851,920	350,951
Realization/Reversal	(377,956)	(228,309)	(179,295)	(108,422)	(606,265)	(287,717)
Closing Balance (Note 7.a.2 and Note 16.d)	218,048	130,828	64,156	39,065	348,876	103,221

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

Total amounts of provisions for Tax Liabilities, expected to be written off, at 09.30.2019, are as follows:

Period	Realization of IRPJ credit		Realization of CSLL credit		Total	
	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾
2019	16,096	15,832	9,655	9,500	25,751	25,332
2020	19,693	18,108	11,816	10,865	31,509	28,973
2021	21,159	18,270	12,695	10,962	33,854	29,232
2022	21,093	17,116	12,656	10,270	33,749	27,386
2023	21,959	17,306	13,176	10,383	35,135	27,689
2024	17,819	12,746	10,691	7,648	28,510	20,394
2025	13,703	9,161	8,222	5,496	21,925	14,657
2026	8,555	5,333	5,133	3,200	13,688	8,533
2027	5,790	3,382	3,474	2,029	9,264	5,411
2028	4,975	2,722	2,985	1,633	7,960	4,355
2028 onwards	220,043	213,290	132,026	127,974	352,069	341,264
Total	370,885	333,266	222,529	199,960	593,414	533,226

⁽¹⁾ For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by BACEN at 09.30.2019.

e) Tax Expenses

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Cofins and Pis/Pasep	(237,470)	(201,780)
ISS and IPTU/Improvement tax	(29,587)	(25,522)
Other Amounts	(2,405)	(2,280)
Total (Note 19.e)	(269,462)	(229,582)

NOTE 21 - Provisions, Contingent Assets, Contingent Liabilities and Legal Obligations - Tax and Social Security

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

Specification	09.30.2019		12.31.2018	
	Base value	Provision	Base value	Provision
a) Provision for Contingencies				
a.1) Tax Proceedings (Note 21 f.1.i)	3,614,564	17,479	3,211,433	15,769
i) Legal Obligation	10,976	10,976	2,022	2,022
ii) Other Obligations - Sundry	3,603,588	6,503	3,209,411	13,747
Probable	6,503	6,503	13,747	13,747
Possible	3,432,620	-	3,048,220	-
Remote ⁽¹⁾	164,465	-	147,444	-
a.2) Labor Claims	598,082	324,324	482,297	206,531
Probable (Note 21 f.1.ii)	324,324	324,324	206,531	206,531
Possible	133,839	-	153,255	-
Remote	139,919	-	122,511	-
a.3) Civil Proceedings	7,526,348	185,841	6,593,396	146,964
Probable (Note 21 f.1.iii)	185,841	185,841	146,964	146,964
Possible	1,733,446	-	938,909	-
Remote ⁽²⁾	5,607,061	-	5,507,523	-
a.4) Other Contingencies (Note 21 f.1.iv)	1,050,858	34,918	946,799	32,466
i) Securitized Transactions	5,474	5,474	5,620	5,620
ii) Other Proceedings	1,045,384	29,444	941,179	26,846
Probable	29,444	29,444	26,846	26,846
Possible	1,886	-	16,964	-
Remote	1,014,054	-	897,370	-

⁽¹⁾ The contingent liability relating to tax proceedings assessed as remote loss refers to one (1) proceeding, with balance of R\$129,078 at 09.30.2019 (R\$123,534 at 12.31.2018).

⁽²⁾ Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in four (4) proceedings, with balance of R\$3,129,756 at 09.30.2019 (R\$3,023,399 at 12.31.2018). These proceedings refer to the following matters: i) extraordinary contribution of post-employment benefit and payment of attorney fees - R\$2,257,877 at 09.30.2019 (R\$2,008,363 at 12.31.2018); ii) loss of profit and payment of administrative fee - R\$386,508 at 09.30.2019 (R\$343,796 at 12.31.2018); iii) reassessment (solutio indebiti) and loss of profits - R\$266,979 at 09.30.2019 (R\$237,476 at 12.31.2018); iv) compensation for pain and suffering and loss of profits - R\$218,391 at 09.30.2019 (R\$194,256 at 12.31.2018).

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

- c) Tax proceedings classified as Legal Obligation pursuant to the terms of Bacen Circular Letter No. 3429 of 02.11.2010, whose amounts were presented in the table above, challenge federal and municipal taxes.
- d) Below is a brief description of proceedings to which the Bank is party, involving significant contingent liabilities assessed as possible risk of loss:

Tax Proceedings

Five tax proceedings challenging the tax deficiency notice. At 09.30.2019, estimated losses amount to R\$3,131,618 (R\$2,793,275 at 12.31.2018).

Civil Proceedings

Civil proceeding claiming compensation for pain and suffering. At 09.30.2019, estimated losses amount to R\$487,799, of which R\$487,654 are assessed as possible risk of loss and R\$145 are assessed as probable risk of loss (R\$433,893, of which R\$433,764 are assessed as remote risk of loss and R\$129 are assessed as probable risk of loss, at 12.31.2018).

Civil proceeding challenging compensation for pain and suffering and payment of fees. At 09.30.2019, estimated loss amounts to R\$159,720 (R\$142,070 at 12.31.2018).

Civil proceeding claiming compensation for pain and suffering and emerging damages. At 09.30.2019, estimated loss amounts to R\$77,020 (R\$68,509 at 12.31.2018).

Civil proceeding challenging payment of attorney's fees. At 09.30.2019, estimated loss amounts to R\$76,207 (there was no contingency for this proceeding at 12.31.2018).

Civil proceeding challenging reassessment (solutio indebiti), payment of fine, funds pending drawdown and attorney fees. At 09.30.2019, estimated losses amount to R\$53,293, of which R\$51,504 are assessed as possible risk of loss and R\$1,789 is assessed as remote risk of loss (R\$45,336 assessed as possible risk of loss at 12.31.2018).

Civil proceeding challenging compensation for pain and suffering and property damage. At 09.30.2019, estimated loss amounts to R\$50,199 (R\$44,652 at 12.31.2018).

Civil proceeding filed in 2014 related to post-employment benefits. At 09.30.2019, estimated loss amounts to R\$53,643 (R\$55,438 at 12.31.2018).

- e) Legal and appeal deposits made to guarantee legal and administrative proceedings are as follows:

Specification	09.30.2019	12.31.2018
Labor Claims	208,384	108,634
Tax Proceedings	143,465	140,337
Civil Proceedings	132,281	127,699
Other claims	45	-
Total	484,175	376,670

Changes in Provisions

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

Specification	09.30.2019					12.31.2018				
	Opening Balance	Recognition	Reversal	Payment	Closing Balance	Opening Balance	Recognition	Reversal	Payment	Closing Balance
i) Tax Proceedings (Notes 16.i and 21.a.1)	15,769	2,135	(363)	(62)	17,479	13,328	4,967	(922)	(1,604)	15,769
ii) Labor Claims (Notes 16.i and 21.a.2)	206,531	143,417	(14,480)	(11,144)	324,324	169,253	62,968	(15,118)	(10,571)	206,531
iii) Civil Proceedings (Notes 16.i and 21.a.3)	146,964	74,112	(18,972)	(16,263)	185,841	116,349	104,816	(26,183)	(48,017)	146,964
iv) Other Proceedings (Notes 16.i and 21.a.4)	32,466	43,446	(40,994)	-	34,918	33,154	4,970	(2,904)	(2,754)	32,466

f.2) Provisions for Financial Guarantees Provided

Specification	09.30.2019				12.31.2018			
	Opening Balance	Recognition	Reversal/Use/Write-off	Closing Balance	Opening Balance	Recognition	Reversal/Use/Write-off	Closing Balance
i) FNE (Notes 9.f and 16.i)	2,989,707	1,004,816	(1,241,024)	2,753,499	3,083,952	1,710,768	(1,805,013)	2,989,707
ii) FDNE (Notes 9.f and 16.i)	1,222	53	(14)	1,261	636	586	-	1,222
iii) Proagro (Notes 9.f and 16.i)	7	-	-	7	-	7	-	7

NOTE 22 - Employee and Officer Compensation (in Brazilian reais)

a) Monthly Employee Compensation

Gross Compensation ⁽¹⁾	09.30.2019	12.31.2018
Maximum	44,349.57	42,780.80
Minimum	1,832.05	1,756.24
Average	11,660.68	11,237.39

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

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

Specification	01.01 to 09.30.2019		01.01 to 09.30.2018		01.01 to 09.30.2019		01.01 to 09.30.2018	
	Executive Board		Board of Directors		Supervisory Board		Supervisory Board	
Gross Compensation ⁽¹⁾	Executive Board		Board of Directors		Supervisory Board		Supervisory Board	
Highest individual compensation ⁽²⁾	869,399.33	903,632.97	53,126.28	56,940.43	49,869.54	54,558.05		
Lowest individual compensation ⁽³⁾	588,788.02	651,014.41	40,709.88	44,537.22	40,709.88	43,574.59		
Average individual compensation ⁽⁴⁾	727,015.79	806,467.62	45,132.72	43,310.48	42,503.59	44,811.37		
Number of members ⁽⁵⁾	5.89	6.56	5.44	6.11	5.22	5.56		

⁽¹⁾ Amounts approved at the General Meeting.

⁽²⁾ Amount computed without any exclusion, considering all compensation amounts recognized for the period.

⁽³⁾ Amount reached after excluding all those who have not served in their position over the entire period.

⁽⁴⁾ This corresponds to the total compensation for the period paid by each board divided by the number of members.

⁽⁵⁾ The number of members corresponds to the annual average number of members of each board calculated on a monthly basis.

At 09.30.2019, the Bank had 6,795 employees (7,005 at 12.31.2018), a headcount decrease of 3.0%.

NOTE 23 - Post-Employment Benefits

Pursuant to CMN Resolution No. 4424, which approved Accounting Pronouncement CPC 33 (R1) - Employee Benefits, the accounting practices and procedures adopted by the Bank regarding post-employment benefit are presented below.

a) Description of the Plan Benefits

a.1) Private Pension Plans

The Bank sponsors two complementary pension plans, a Defined Benefit (DB) plan and a Variable Contribution (DB + VC) plan both managed by Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (Capef), a closed-ended private pension plan entity that provides complementary retirement benefits.

a.1.1) Defined Benefit Plan

The DB plan, which is closed to new participants since 11.26.1999, offers to its participants complementary retirement benefits based on the contribution period, age and disability, as well as complementary pension and savings plans to their dependents. In general terms, to the current participants, the DB plan benefits are calculated based on the difference between the employees' contribution salary and the INSS retirement benefit, weighted by the number of contributions paid to the plan, limited to 360, including any working hours extension, weighted by the number of contributions paid thereon, all effective since July 1997 and projected in accordance with the plan regulation up to the date of the participant's retirement.

a.1.2) Variable Contribution I Plan

The VC I plan, classified as a variable contribution, combines the characteristics of the Defined Contribution (DC) plan and of the Defined Benefit (DB) plan. This plan offers to its participants complementary retirement benefits based on the contribution period, age and disability, as well as supplementary pension and savings plans to their dependents.

The scheduled retirement benefits of the VC I plan are calculated based on the balance of the individual account for each participant on the date of retirement and are paid in two phases, as follows: the first phase as annuity within the deadline established under the Defined Contribution (DC) plan and the second phase as life annuity under the Defined Benefit (DB) plan.

The VC I Plan may only present actuarial deficit or surplus after the beginning of the concession of unplanned benefits, disability and death, or planned benefits in the life annuity phase. The VC I plan is supported by the Actuarial Solvency Fund that will be used to cover any future actuarial insufficiency of mutual pension plan portfolios, as well as supported by the Mutual Fund for Risk Benefits, in order to supply the payment of supplementary capital in case of disability or death of the participant, referring to the insurance coverage of the benefits resulting from these events.

a.2) Health Care Plan

The Bank is the sponsor of a health care plan managed by Caixa de Assistência dos Funcionários do Banco do Nordeste do Brasil (Camed), whose primary purpose is to provide health care to its associate participants and their dependents, through granting of subsidies to cover or reimburse expenses incurred in connection with health promotion, protection and recovery.

The Natural Plan is funded primarily by contributions made by the associate participants, contributions related to the enrollment of natural dependents, financial protection and emergency service fees, financial co-payment made by each associate participant for services utilized and matched contributions from the Bank.

a.3) Group Life Insurance

The Bank's benefits policy to its employees comprises collective policy agreement of group life insurance intended for its employees and retired former employees. Such policy provides basic coverage for death by natural and accidental causes and additional coverage for disability caused by accident and disease. Insurance premiums are determined by applying rates by age groups. The employees contribute with 50% of this premium amount and the Bank with the remaining 50%, in the form of the Collective Bargaining Agreement (2018/2020). Retirees are responsible for full payment of the premium. Every six-month period, the Bank actuarially assesses the benefit that consists of indirect subsidy to current retirees.

a.4) Governance

The following statutory boards are responsible for the management and oversight of Capef: Decision-Making Board, Executive Board and Supervisory Board. The Decision-Making Board is a board for top-tier decision and guidance and shall primarily define the Capef's management policy and benefit plans. The Executive Board is the Capef's management board responsible for the execution, by itself or other, of the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, in Capef's charter, benefit plan regulations, covenants and adhesion terms. The Supervisory Board is the internal control board and shall mainly monitor and oversee CAPEF activities.

Camed statutory boards are: Social Board, Decision-Making Board, Executive Board and Supervisory Board. The Social Board composed of associate participants is the supreme decision-making board empowered to resolve all matters and business related to the full operation and development of Camed. The Camed's Decision-Making Board is a board for monitoring and top-tier administrative decision. The Executive Board is responsible for the execution, by itself or other, of the general guidelines and standards set by the Decision-Making Board and other provisions contained in the relevant legislation, in Camed's charter and internal regulations. The Supervisory Board is the supervisory board of Camed's management acts and shall essentially monitor and direct the company's activities.

The members of the statutory boards of the two Entities are chosen in order to confer representativeness to the Participants, Vested Beneficiaries and to the Sponsors, based on the criteria established in their Charters.

a.5) Strategies for Crosschecking Assets and Liabilities

Capef counts on specific areas for investment management in addition to management advisory services that strengthens the monitoring of investment risks. Investments are monitored in order to check issues focused on classification, returns on assets and follow-up of the evolution of the plan's actuarial goal. Studies are conducted aiming to assist the plan's administrators in choosing the most suitable portfolio to their goals, taking into consideration the characteristics and peculiarities of the assets and the plan's financial position, allowing long-term investments, without compromising the obligations or the achievement of the actuarial goal.

Camed has financial instruments to fund its activities or invest its funds available. The risks associated with these instruments are managed through conservative strategies, intended to ensure liquidity, profitability and safety. Risk management monitors the changes in exposure scenarios to which CAMED is subject.

b) Past due Obligations and Contributions Due

At 09.30.2019, the Bank has no past due obligations or contributions due referring to the pension plans, BD and VCI, health care plan, Natural plan, and the group life insurance, neither informal practices that originate constructive obligations that may give rise to constructive obligations to be included in the measurement of the defined benefit obligation.

c) Contribution Ratio (Participants/Sponsor)

At 09.30.2019, the ratio of participants' contributions to Bank contributions meets the parity set by Resolution No. 9 of 10.08.1996 of the Department for Coordination and Control of State-Owned Entities (CCE), with a contribution ratio of 1:1 (1:1 at 09.30.2018).

d) Risk exposure

The Bank's Actuarial Liability, which records the obligations on Defined Benefit, Variable Contribution I, Natural and Group Life Insurance plans is mainly exposed to the following risks:

Plan	Type of Risk	Risk Description
DB/VC I/Natural/Group Life Insurance	Actuarial Risk	This is the risk of the final cost of the benefits acquired to be greater than the expected benefits. The Bank has no alternative but to increase its contributions or persuade participants to accept a reduction in benefits.
DB/ VC I/ Natural	Investment risk	This is related to changes in interest rates and asset prices that impact the economic and financial performance of the benefit plan. If the plans' actual investment earnings are lower than the expected return, this may lead to an increase in the actuarial liability.
DB/VC I/Natural/Group Life Insurance	Actuarial assumptions risks	This is related to the adoption of actuarial assumptions inappropriate to the plans, upon calculating the present value of the defined benefit obligation, resulting in a material impact on the actuarial liability.
DB/VC I/Natural/Group Life Insurance	Discount rate	The actuarial liability is calculated by adopting a discount rate defined based on government securities earnings (NTN-B), according to item 83 of CPC 33 (R1). Decrease in these securities earnings results in an increase in the actuarial liability.
DB/VC I/Natural/Group Life Insurance	Life expectation risks	Post-employment benefit plans offer life annuity benefits, therefore, an increase in life expectancy results in an increase in actuarial liabilities.

e) Number of Participants of the Post-Employment Benefit Plan

Specification	DB	VC I	CAMED	INSURANCE
Participants	1,307	5,227	6,339	4,737
Vested participants (able retirees)	3,674	246	3,964	3,668
Vested participants (disabled retirees)	165	3	-	-
Vested participants (pensioners)	1,217	38	1,220	-
TOTAL	6,363	5,514	11,523	8,405

f) Net obligation

Specification	09.30.2019	12.31.2018
DB Plan (Notes 16.i and 27.a.2)	684,004	606,070
Natural Plan (Notes 16.i and 27.a.2)	2,011,494	1,474,370
Life Insurance (Notes 16.i and 27.a.2)	183,876	147.161

g) Amounts recognized in P&L

Specification	01.01 to 09.30.2019				01.01 to 09.30.2018			
	DB Plan	CV I Plan	Natural Plan	Life Insurance	DB Plan	CV I Plan	Natural Plan	Life Insurance
1. Current service cost, net	(2,086)	1,038	(14,266)	679	(6,256)	701	(13,518)	1,211
2. Net interest	(37,723)	-	(99,025)	(9,868)	(26,832)	-	(96,167)	(9,570)
3. Total (item 1 + item 2)	(39,809)	1,038⁽¹⁾	(113,291)⁽²⁾	(9,189)⁽²⁾	(33,088)	701⁽¹⁾	(109,685)⁽²⁾	(8,359)⁽²⁾

⁽¹⁾This amount was recorded under "Reversal of operating provisions".

⁽²⁾Including transferred employees' contribution: Natural Plan 01.01 to 09.30.2019: R\$54; and 01.01 to 09.30.2018: R\$31 and Group Life Insurance - 01.01 to 09.30.2019: R\$5; and 01.01 to 09.30.2018: R\$6.

The contributions referring to the DC portion of the VC I plan were accounted for under “Post-employment benefit expenses”, as follows:

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
1. Contributions (DC portion) (1)	(41,387)	(38,650)

(1) Including transferred employees' contribution: VCI Plan - 01.01 to 09.30.2019: R\$117; and 01.01 to 09.30.2018: R\$189.

The administrative expenses of the Defined Benefit (DB) plan are accounted for under “Post-employment benefit expenses”, as stated below:

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
1. Administrative expenses	(4,769)	(4,862)

h) Amounts recognized in equity

Specification	09.30.2019				09.30.2018			
	DB Plan	VC I Plan	Natural Plan	Life insurance	DB Plan	VC I Plan	Natural Plan	Life insurance
Actuarial gains (losses)	(92,964) (1)	(2,114) (2)	(480,005) (1)	(30,601) (1)	(28,286) (3)	(1,768) (3)	213,446 (3)	2,210

(1) There was no actuarial valuation in the period, therefore, for the DB plan there is no actuarial gains (losses) recorded in the period from 07.01 to 09.30.2019.

(2) The actuarial gains (losses) relating to the VC I plan in the period from 07.01 to 09.30.2019 refer to the asset ceiling effect.

(3) Including estimated contribution difference in the DB Plan actuarial calculation: 01.01 to 06.30.2019: R\$1; and 01.01 to 06.30.2018: R\$257; of the VC I plan: 01.01 to 06.30.2018: R\$61; and for Natural Plan: 01.01 to 06.30.2018: R\$15.

NOTE 24 - Fundo Constitucional de Financiamento do Nordeste (FNE)

- a) The total Equity of FNE, amounting to R\$87,550,548 (R\$82,046,352 at 12.31.2018) are recorded in the Bank's memorandum accounts named “Assets of Managed Public Funds/FNE”.
- b) Cash and cash equivalents and funds committed to loans, which represent cash and cash equivalents of FNE in the amount of R\$24,320,373 (R\$24,575,929 at 12.31.2018), recorded under “Other obligations/Financial and development funds” bear interest at the extra-market rate. In period, the interest expense on cash and cash equivalents totaled R\$1,103,757 (R\$1,133,567 at 09.30.2018).
- c) The provision to cover the risk on FNE transactions is recognized pursuant to the following criteria:
- c.1)** Transactions contracted until 11.30.1998 are risk-free;
- c.2)** For transactions contracted beginning 12.01.1998, excluding transactions under PRONAF (groups A, A/Microcredit, B, A/C, Forest, Semi-arid Region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012-Funding), the Bank's risk is 50% of the amount calculated pursuant to CMN Resolution No. 2682 of 12.21.1999; and

c.3) The Bank assumes all the risks on renegotiated and reclassified FNE loan transactions, as set forth by Law No. 11775 of 09.17.2008, and transactions recognized in “Onlending debtors”, as prescribed by Ministry of Integration Administrative Ruling No. 147 of 04.05.2018. Loans funded by FNE, under Law No. 12716 of 09.21.2012 and Law No. 12844 of 07.19.2013, for the purpose of settling BNB transactions with other sources of funds, will maintain the same risk position of the transaction to be settled. The financing balances and provisions recorded under “Provision for financial guarantees provided” of the Bank are broken down as follows:

Risk level	Balances 09.30.2019	Provision at 09.30.2019 ⁽²⁾	Balances 12.31.2018	Provision at 12.31.2018 ⁽²⁾
AA	20,221,642	-	15,264,524	-
A	17,633,042	44,303	16,111,654	40,472
B	6,345,499	32,029	6,597,508	33,423
C	1,716,570	25,746	1,865,307	27,960
D	1,210,165	60,399	1,038,784	51,886
E	901,337	135,350	997,889	149,863
F	314,154	78,767	305,047	76,574
G	415,187	145,357	306,642	107,328
H	4,481,694	2,231,548	4,992,689	2,502,201
Total	53,239,290	2,753,499	47,480,044	2,989,707⁽¹⁾

⁽¹⁾ At 09.30.2019, this balance includes provision to cover the Bank risk on loan transactions with indication of irregularities in the amount of R\$43,755 (R\$46,587 at 12.31.2018).

⁽²⁾ Includes effects of renegotiations of loans, based on Law No. 13340 of 09.28. 2016, which authorized granting of rebates and renegotiation of debts from rural credit operations contracted up to 12.31.2011, with FNE funds and mixed funds from FNE and other sources.

- d)** For transactions entered into after 11.30.1998, *del credere* commission is 3% p.a., when the risk is 50%, and 6% p.a. when the Bank is a direct party to the transaction backed by onlending based on article 9, item A of Law No. 7827 of 09.27.1989. In transactions reclassified for FNE based on Law No. 11775 of 09.17.2008, *del credere* commission is 3% p.a. or 6% p.a., as regulated by Interministerial Ruling No. 245 of 10.14.2008, of the Ministry of Finance and Ministry of National Integration. Income from *del credere* commission totaled R\$1,176,226 (R\$998,744 at 09.30.2018).
- e)** In the period, the administration fee was R\$1,041,751 (R\$1,064,331 at 09.30.2018), calculated at 2.7% p.a. on Equity and appropriated on a monthly basis.
- f)** The Provisional Executive Order No. 812, signed into Law No. 13682 of 06.19.2018, determined the following changes, from 2018 onwards:
- annual reduction in administration fee at 0.3%, from 3% in 2018 to 1.5% from 2023 onwards;
 - the calculation basis is the Net Assets of FNE, deducted from the balance of cash and cash equivalents referred to in article 4 of Law No. 9126 of 11.10.1995, of the amounts transferred to Banco do Nordeste based on article 9-A of Law No. 7827 of 09.27.1989 and of the balances of investments under Pronaf addressed by article 6 of Law No. 10177 of 01.12.2001, and the Program regulation (MCR-10) (groups A/Microcredit, Forest, Semi-arid region, Emergency, Flood, Drought/1998, Semi-arid Region-Drought 2012 and Drought-2012/Costing);
 - the Bank will be entitled to the percentage of 0.35% (thirty-five hundredths percent) p.a. on the balances of cash and cash equivalents addressed by article 4 of Law No. 9126 of 11.10.1995;
 - the amount to be received by the Bank as administration fee, after deducting the amount of the remuneration on cash and cash equivalents, may be increased up to 20% (twenty percent) based on the timely-payment factor for loans with operational risk fully assumed by FNE or with risk shared between the Bank and the Fund, calculated in accordance with the methodology for calculating the allowance for loan losses applicable to bank loan; and
 - the administration fee plus remuneration on cash and cash equivalents is limited, every month, to 20% (twenty percent) of the accumulated amount, up to the reference month, of transfers addressed by letter c of item I of the main section of article 159 of Federal Constitutions, carried out by Government.

NOTE 25 - Workers' Assistance Fund (Fundo de Amparo ao Trabalhador - FAT)

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

Specification	Tade ⁽¹⁾	09.30.2019	12.31.2018
Proger-Urbano - Investment	017/2006	-	373
Protrabalho - Investment	004/2007	104,831	107,606
National Program for Production-Oriented Microcredit (PNMPO)	001/2010	390	15,859
Total		105,221	123,838

Obligations derived from the Workers' Assistance Fund (FAT), recorded under 'Interest-yielding special deposits', totaling R\$21,099 (R\$66,154 at 12.31.2018), are subject to average SELIC rate while they are not used in loan transactions. Regarding the funds released, their remuneration is calculated based on the Long-term Interest Rate (TJLP) for transactions taken out up to December 31, 2017 and Long-term Rate (TLP) for funds referring to transactions taken out from January 1, 2018 onwards, after they are released to final borrowers and over the period of financing. Available funds yielding interest at average SELIC totaled R\$2,311 (R\$29,249 at 12.31.2018).

Remuneration of funds allocated in the Bank shall be paid to FAT on a monthly basis, as established in Codefat Resolutions No. 439/2005, 489/2006 and 801/2017, with a minimum amount equivalent to 2% calculated on the total balance of each Special Deposit Allocation Statement (TADE)), plus cash and cash equivalents that fall under the following conditions, in terms of remaining in the Bank's cash:

- after 2 months, with respect to the reimbursements of the final borrowers, not reused in new financing; and
- after 3 months, with respect to the new deposits made by FAT and not released to final borrowers.

Specification	Tade ⁽¹⁾	Return of FAT funds			09.30.2019		
		Form ⁽²⁾	RA	SELIC remuneration	Available TMS ⁽³⁾	TJLP or TLP ⁽⁴⁾ applied	Total
Proger - Urbano - Investment	17/2006	RA	9,575	69	-	-	-
FAT - Infraestructure ⁽⁵⁾	18/2006	RA	1,288	11	-	-	-
Protrabalho-Investment	04/2007	RA	6,029	109	865	18,074	18,939
PNMPO	01/2010	RA	29,723	390	1,446	714	2,160
Total (Note 13.b and Note 27.a.1)			46,615	579	2,311	18,788	21,099

Specification	Tade ⁽¹⁾	Return of FAT funds			12.31.2018		
		Form ⁽²⁾	RA	SELIC remuneration	Available TMS ⁽³⁾	TJLP or TLP ⁽⁴⁾ applied	Total
Proger - Urbano - Investment	17/2006	RA	2,684	128	9,360	190	9,550
FAT - Infraestructure ⁽⁵⁾	18/2006	RA	42,783	996	1,286	-	1,286
Protrabalho-Investment	04/2007	RA	25,312	378	1,778	22,196	23,974
PNMPO	01/2010	RA	51,478	859	16,825	14,519	31,344
Total (Note 13.b and Note 27.a.1)			122,257	2,361	29,249	36,905	66,154

⁽¹⁾ Tade: Special Deposit Allocation Statement;

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

⁽³⁾ Funds yielding by Average SELIC Rate (TMS);

⁽⁴⁾ Funds yielding by: Long-term Interest Rate (TJLP) for transactions taken out up to 12.31.2017 and Long-term Rate (TLP) for transactions taken out from 01.01.2018 onwards.

⁽⁵⁾ Regarding FAT - Infraestructure, RA is 1% on the balance and deductible reimbursements refer to the last 4 months.

NOTE 26 - Risk Management and Basel Index

a) Risk and Capital Management

The Bank's corporate governance instruments include an internal control structure so that the operational, credit, market, liquidity and social and environmental risks as well as Interest Rate Risk in the Banking Book (IRRBB) may be adequately monitored. The risk management methodology observes the guidance set forth by the Basel Committee, with priority to identification of possible risks existing in the different Bank processes, and implementation and monitoring of key indicators and of mechanisms to mitigate any risks.

Risk Management Structure

The risk management structure is unified at the strategic level and specific at its business and support units' levels, observing the principle of segregation of activities. The units and their basic responsibilities regarding risk management are defined, formally standardized and disclosed in the institution's policies and standards website.

The performance of this structure takes into consideration the Bank's financial balance and is based on the institution's integrity and ethics policy and on the principles of social and environmental responsibility, in relationships with its customers, partners, employees, shareholders, service providers and with the society.

In this context, the Integrated Risk Management of Banco do Nordeste includes, as an essential principle, sustaining a structured risk management system that is integrated to the Bank's management activities. It provides information that supports the Bank's various decision-making levels in assessing the risks involved and is designed to guide the management of risks that threaten the achievement of business objectives, establishing rules based on principles and good corporate governance practices, implemented under the guidance of the Bank's senior management and supervisory boards

Capital Management Structure

The Executive Board is responsible for approving the capital management structure of the Bank, including the Capital Plan for the period from 2019 to 2023, which was also approved by the Board of Directors on 12.31.2018. The Control and Risk Executive Board is responsible for Capital Management, and a specific administrative unit has been structured for this purpose, as required by CMN Resolution No. 4557 of 02.23.2017. The Capital Management Structure information is available at www.bnb.gov.br.

Corporate Risk Management Policy

The corporate risk management policy sets forth guidelines and standards that integrate the Bank's activities, for management of credit, operational, market and liquidity risks, Interest Rate Risk for instruments classified in the Banking Book (IRRBB), as well as concentration and social and environmental risks. The Risk Management Committee analyzes and forwards for approval by the Executive Board and Board of Directors proposals for creation of and adjustments in strategies, policies, models and procedures for risk management. The Control and Risk Executive Board coordinates the implementation thereof and the Bank's performance, through a specific unit that manages risks, in an integrated manner, at corporate level, defining management methodologies and models, as well as promoting the dissemination of the risk management culture.

Further information relating to risk management focused on matters related to Reference Equity (RE) and the amount of Risk-Weighted Assets (RWA), in accordance with BACEN Circular Letter No. 3678 of 10.31.2013, can be found at www.bnb.gov.br.

b) Credit risk

Credit risk is defined as the risk of incurring losses associated with default by the counterparty to its obligations under the terms agreed; depreciation and reduction of expected remunerations and gains on financial instruments deriving from deterioration of the creditworthiness of counterparty, intervening party or mitigating instrument; restructuring of financial instruments or costs of recovering exposures characterized as troubled assets.

Specification	Exposure	
	09.30.2019	12.31.2018
Loans, co-payments and guarantees given	42,455,785	37,950,059
Public sector	1,243,867	1,036,853
Private sector	41,211,918	36,913,206
Trade	3,941,771	3,923,129
Foreign trade	836,314	835,103
Manufacturing	7,133,874	7,223,793
Infrastructure	12,316,365	8,855,282
Urban micro-financing	3,651,992	3,288,408
Individuals	131,761	129,389
Rural	8,521,570	8,079,973
Other Services	4,678,271	4,578,129
Market transactions	48,470,223	46,080,208
Federal Government securities	45,475,642	42,777,700
Repurchase agreements	8,858,135	10,247,552
Other	36,617,507	32,530,148
Interbank Deposits	75,119	108,350
Other securities	1,023,667	1,923,825
Other transactions	1,895,795	1,270,333
Other assets	4,855,336	5,414,501
Total	95,781,344	89,444,768

The Bank uses the constant information flow to identify, measure, monitor, assess, report, control and mitigate risks, thus ensuring that credit risk exposure is in accordance with the parameters defined in the Risk Appetite Statement (RAS). Accordingly, various instruments are used, such as: credit policies, risk assessment models and methodologies, methodology for segregation of credit assets in troubled and non-troubled, managerial reports, and system for risk rating and for calculation of expenses related to allowance for loan losses, and monitoring of major risk exposures.

Furthermore, any approval in terms of risk limits is based on the level of authority by board. In accordance with their characteristics and amount, the limits may be automatically calculated or analyzed and defined by the branches' credit assessment committees, or by the Operational Supporting Centers' risk limit approval committees, or also be decided by the customer risk limit approval committee of the General Direction or Executive Board.

All loans with risk exposure to the Bank are subject to risk rating, based on the customer's risk rating and loan grade, in accordance with their value, term, nature and purpose characteristics and conditions of collaterals as to their sufficiency and liquidity.

Collaterals for loans above R\$5.000 with full risk for the Bank

The collaterals for loans are determined based on their quality, capacity to be removed and sufficiency. Balances exposed to risk of loans above R\$5,000 amount to R\$3,502,453 (R\$3,674,323 at 12.31.2018). These transactions are backed by collaterals totaling R\$4,905,595 (R\$4,518,315 at 12.31.2018).

c) Liquidity risk

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

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

The daily market and liquidity risk management report includes, among other, the Bank's liquidity ratio, represented by the ratio between available funds and commitments estimated for the next 90 days. Available funds comprising the liquidity ratio calculation base include banking reserves, highly liquid portion of interbank deposits, repurchase agreements and own securities portfolio.

Specification	09.30.2019(%)	12.31.2018 (%)	
Liquidity ratio	At reporting date	761.51	978.89
	Average for the last 12 months	880.85	965.33
	Maximum for the last 12 months	1,114.25	1,460.41
	Minimum for the last 12 months	493.14	720.43

d) Market risk

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

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

- VaR (value at risk) of asset and liability transactions in trading portfolio;
- change in the economic value of financial instruments (Δ EVE) of the banking portfolio;
- change in gain (loss) from financial intermediation (Δ NII) of the banking portfolio;
- mapping of Minimum Required Capital (MRC);
- foreign exchange exposure report;
- sensitivity analysis;
- stress testing;
- backtesting; and
- reports on monitoring of limits established for portions exposed to market risk.

The preparation of daily, quarterly and annual managerial reports for management and supervisory and control boards is critical to market risk management. Such reports include, among others, detailed information on and analysis of exposure levels of trading and banking portfolios, currency exposure levels and liquidity levels.

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

Risk exposure limits	Control procedure
<ul style="list-style-type: none"> 1% (one percent) of the Referential Equity (RE) as the possibility of maximum loss of the Trading Portfolio; 15% (fifteen percent) of the amount of Referential Equity (RE), Tier I, as the maximum limit for the result of the change in the economic value of financial instruments (ΔEVE) used to measure the interest rate risk in the book banking (IRRBB); 15% (fifteen percent) of the amount of Referential Equity (RE), Tier I, as the maximum limit for the result of the change in the result of financial intermediation (ΔNII) used to measure the interest rate risk in the book banking (IRRBB); 8% (eight percent) of the amount of Referential Equity (RE), as the maximum limit of exposures in foreign currency. 	<p>If the exposure level exceeds 80% of the limit, the risk management area issues a warning to the finance area.</p>

Sensitivity analysis

As set forth in CVM Ruling No. 475 of 12.17.2008, the sensitivity analysis was conducted in order to identify significant risks capable of generating losses to the Bank, considering alternative scenarios for the behavior of various risk factors in Trading and Banking portfolio transactions, and its results are as follows:

Portfolio/risk factor	Type of Risk	Scenario 1 (probable)	Scenario 2 (variation of 25%)		Scenario 3 (variation of 50%)	
		Balance	Balance	Loss	Balance	Loss
Trading portfolio						
Fixed interest rate	Increase in interest rate	4,774,859	4,770,216	(4,643)	4,765,635	(9,224)
Banking portfolio						
Dollar coupon	Reduction in coupon	(191,232)	(191,740)	(508)	(192,275)	(1,043)
Euro coupon	Increase in coupon	2,249	2,248	(1)	2,247	(2)
IGP coupon	Increase in coupon	121,643	118,227	(3,416)	115,044	(6,599)
IPCA coupon	Increase in coupon	(76,977)	(85,026)	(8,049)	(55,711)	-
TJLP coupon	Increase in coupon	203,875	202,838	(1,037)	201,832	(2,043)
TR coupon	Increase in coupon	(1,760,504)	(1,814,352)	(53,848)	(1,852,244)	(91,740)
Fixed interest rate	Increase in interest rate	3,245,009	3,179,970	(65,039)	3,123,333	(121,676)

For purposes of abovementioned calculations, scenario 1, which presents the most probable situation, considered the net balances of portfolios, at marked-to-market values - considering the rates used at B3 - Brasil, Bolsa, Balcão S.A. As regards scenarios 2 and 3, changes of 25% and 50% were applied, respectively, to the market risk factors considered, and new net balances were estimated for the portfolios. Losses correspond to the differences between the balances under scenario 1 and the balances under scenarios 2 and 3.

e) Operational risk

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

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

The corporate operating risk management system aims at ensuring compliance with the corporate policy in accordance with governance principles and the policies set by the National Monetary Council (CMN), based on the timetable defined by the banking supervisory.

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

f) Foreign exchange exposure

Transactions under agreements that provide for currency adjustment clause presented net balance of foreign exchange exposure sold, in the amount of R\$95,427 (R\$64,563 at 12.31.2018 - short position), as follows:

Specification	09.30.2019	12.31.2018	Specification	09.30.2019	12.31.2018
Cash and cash equivalents	4,335	3,879	Deposits	-	-
Interbank Investments	16,288	45,188	Interbranch accounts	8,793	7,996
Loans	462,916	569,098	Borrowings and onlending - domestic	63,942	66,964
Other Credits	945,892	879,154	Borrowings and onlending - foreign	504,032	1,729,785
			Other Liabilities	948,091	905,756
Total assets in foreign currencies, excluding derivatives	1,429,431	1,497,319	Total liabilities in foreign currencies	1,524,858	2,710,501
Swap transactions	-	1,148,619			
Total long position in foreign currencies	1,429,431	2,645,938	Total short position in foreign currencies	1,524,858	2,710,501

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

g) Operational limits - Basel Accord

At 09.30.2019, the Bank had a wide Basel rate (including capital to cover IRRB) of 15.61% (13.55% at 12.31.2018). Tier I rate was 11.68% (9.00% at 12.31.2018) while Principal Capital rate was 10.22% (9.00% at 12.31.2018). RE computed was R\$8,718,015 (R\$6,514,685 at 12.31.2018), Tier I was R\$6,435,411 (R\$4,279,871 at 12.31.2018) and Principal Capital was R\$5,634,371 (R\$4,279,871 at 12.31.2018), while risk weighted assets (RWA amount) totaled R\$55,143,414 (R\$47,553,157 at 12.31.2018).

i. Minimum Required Capital - MRC (Basel III)

Specification	09.30.2019	12.31.2018
Referential Equity (RE)	8,718,015	6,541,685
. Tier I	6,435,411	4,279,871
. Principal Capital	5,634,371	4,279,871
. Complementary Capital	801,040	-
. Tier II	2,282,604	2,261,814
Risk-Weighted Assets (RWA)	55,143,414	47,553,157
. RWACPAD	44,170,823	37,903,465
. RWACAM	208,605	75,752
. RWAJUR	86,413	106,481
. RWACOM	4,125	4,812
. RWAOPAD	10,673,448	9,462,647
Margin on Required Referential Equity	4,306,542	2,440,226
Capital to Interest Rate Risk for instruments classified in the Banking Book (IRRBB)	56,515	63,881
Margin on Required Referential Equity considering IRRBB	4,250,027	2,376,344
Margin on Tier I Required Referential Equity	3,126,805	1,426,681
Margin on Required Principal Capital	3,152,917	2,139,979
Required Additional Capital - ACP (2.5%) ⁽¹⁾	1,378,585	891,622
Margin on Required Additional Capital	1,748,220	535,060
Basel Indexes:		
. Principal capital index (minimum requirement of 4.5%)	10.22%	9.00%
. Tier I index (minimum requirement of 6.0%)	11.67%	9.00%
. Referential Equity index (minimum requirement of 8.0%) ⁽²⁾	15.81%	13.76%
. Referential Equity index including IRRBB	15.61%	13.55%

⁽¹⁾In December 2018 it was 1.875%.

⁽²⁾In December 2018 it was 8.625%.

Where:

- . RWACPAD: amount related to credit risk exposures.
- . RWACAM: amount related to exposure to gold, foreign currency and assets subject to foreign exchange variation.
- . RWAJUR: amount related to exposures subject to change in interest rates.
- . RWACOM: amount related to exposures subject to change in commodity prices.
- . RWAOPAD: amount related to operational risk.
- . RBAN: capital to cover risk in transactions subject to change in interest rates not classified in the trading portfolio.

ii. Breakdown of Referential Equity (Basel III)

Specification	09.30.2019	12.31.2018
REFERENTIAL EQUITY (RE)	8,718,015	6,541,685
TIER I REFERENTIAL EQUITY	6,435,411	4,279,871
Principal Capital	5,634,371	4,279,871
Capital	3,813,000	2,844,000
Income reserves	1,896,401	2,277,391
Capital and revaluation reserve	13,934	11,592
Credit P&L accounts	2,699,763	-
Debt P&L accounts	(2,350,525)	-
Equity Adjustments	(913,585)	(950,962)
Accumulated Losses or Losses	(83,953)	-
Debt Instruments Eligible to Principal Capital (Note 16.g)	1,000,000	1,000,000
Prudential Adjustments	(440,664)	(902,150)
Prudential Adjustments - intangible assets	(563)	(19,947)
Prudential adjustment - Tax credits from temporary differences	(437,206)	(850,937)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(2,895)	(31,266)
Complementary Capital	801,040	-
Instruments Eligible to Complementary Capital (Note 16.g)	801,040	-
TIER II REFERENTIAL EQUITY	2,282,604	2,261,814
Instruments Eligible to Tier II	2,282,604	2,282,604
Investment in other entities deducted of Tier II	-	(20,790)

The Debt Instrument Eligible to Principal Capital entered into with the Federal Government comprises Tier I RE, as Principal Capital of the Bank, as authorized by BACEN.

The Subordinated Financial Bills, taken out in June 2019 in the amount of R\$801,040, were authorized by Bacen to compose the Tier I Referential Equity, as the Bank's Complementary Capital.

The aforementioned debt instrument and subordinated financial bills have perpetuity character and no maturity, as required by CMN Resolution No. 4192/2013 so that they may be eligible for Tier I RE.

The Subordinated Debt Instruments entered into with FNE, authorized to comprise Tier II RE before the entry into force of CMN Resolution No. 4192 of 03.01.2013, according to paragraph 2 of its article 23, shall remain eligible up to their amortization. With the publication of CMN Resolution No. 4679 of 07.31.2018, the balances of these contracts were frozen at 06.30.2018 and will be excluded from Tier II Referential Equity at a rate of 10% p.a. from 2020 onwards. These two contracts, although not required by CMN Resolution No. 4192/2013, are also perpetual.

iii. Leverage Ratio (LR)

The Leverage Ratio (LR), according to the methodology approved by Bacen Circular Letter No. 3748 of 02.27.2015, corresponds to the division of Tier I RE by Total Exposure. The Bank's Leverage Ratio is as follows:

Specification	09.30.2019	12.31.2018
Tier I Referential Equity	6,435,411	4,279,871
Total exposure	95,875,995	90,347,459
Leverage Ratio (%)	6.71	4.74

iv. Fixed asset to equity ratio

The Bank's fixed asset to equity ratio, calculated in accordance with the provisions of CMN Resolution No. 2669 of 11.25.1999, is as follows:

Specification	09.30.2019	12.31.2018
Referential Equity - fixed asset to equity limit	8,718,014	6,541,685
Fixed asset to equity limit (50% of adjusted RE)	4,359,007	3,270,842
Situation	230,919	173,054
Margin	4,128,088	3,097,789
Fixed asset to equity ratio	2.65%	2.65%

Note 27 - Related Parties

a) Transactions with related parties

The Bank's policy on transactions with related parties was approved by the Board of Directors at a meeting held on 02.13.2019 and disclosed to the market. Among others, the policy provides that in carrying out transactions with related parties, the conditions and rates compatible with market practices are applied, in addition to establishing guidelines to be observed in potential conflicts of interest.

In the period, the Bank carried out banking transactions with related parties, such as current account deposits (non-interest bearing), financial investments and loans.

a.1) Significant transactions with state-owned companies, autonomous government agencies, programs and funds controlled by the Federal Government are broken down as follows:

Specification	09.30.2019	12.31.2018
Liabilities		
Time deposits - FAT (Notes 13.b. and 27)	21,099	66,154
Domestic onlending - Official institutions (Note 14.b.)	1,186,962	1,222,018
National Treasury	497	482
BNDES	1,133,426	1,155,450
Finame	53,039	66,086
Other Liabilities	28,618,948	28,755,883
FNE (Note 16.f)	24,331,731	24,585,592
FDNE	683,311	697,939
Merchant Marine Fund (FMM)	100,278	102,906
Debt Instruments Eligible to Principal Capital (Notes 16.g and 17)	1,000,000	1,000,000
Subordinated Debts Eligible to Capital (Notes 16.h and 17)	2,503,628	2,369,446
Total	29,827,009	30,044,055

a.2) The balances of obligations with Post-employment Benefit Plans are as follows:

Specification	09.30.2019	12.31.2018
Retirement and DB Pension Plan (Notes 16.i and 23)	684,004	606,070
Health Care Plan (Note 16.i and Note 23)	2,011,494	1,474,370
Life insurance - Post-Employment Benefit (Notes 16.i and 23)	183,876	147,161
Total	2,879,374	2,227,601

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

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Time deposits - FAT	(83,191)	(83,806)
National Treasury	(16)	(29)
BNDES	(72,770)	(98,354)
Finame	(2,217)	(3,311)
FMM	(9,956)	(16,282)
FNE	251,996	234,058
FDNE	19,719	19,608
Debt Instruments Eligible to Principal Capital	(215,568)	(110,121)
Subordinated Debts Eligible to Capital	(134,183)	(119,870)
Retirement and DB pension plan	(44,577)	(37,950)
Retirement and VC I pension plan	(40,233)	(37,760)
Health Care plan	(113,236)	(109,653)
Life insurance - Post-employment benefit	(9,183)	(8,352)

b) Management Compensation

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

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018
Fees	2,600	3,095
Executive Board	2,190	2,619
Board of Directors	207	247
Supervisory Board	203	229
Other	916	1,383
Variable compensation (RVA)⁽¹⁾	1,054	1,136
Total short-term benefits	4,570	5,614
Post-employment benefits	179	203
Total	4,749	5,817

⁽¹⁾ 50% of RVA corresponds to an equity-based instrument, and the parameter for provision and payment in cash is the quotation price of the Bank's shares on B3. The amounts in the table above correspond to the provision for payments in the six-month period, as well as deferred installments to be settled in the following three years, in accordance with CMN Resolution No. 3921 of 11.25.2010.

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

The Bank does not grant loans or advances to key management personnel, in accordance with current regulations.

NOTE 28 - Statement of Comprehensive Income

Specification	01.01 to 09.30.2019	01.01 to 09.30.2018 Restated
Net Income	1,094,014	443,734
Other Comprehensive Income	35,035	100
Equity adjustment to available-for-sale securities	666,922	(178,245)
Tax effect on Equity adjustment to available-for-sale securities	(266,134)	66,781
Realization of Revaluation Reserve	(3,903)	176
Tax effect on revaluation reserve realized	1,561	(136)
Actuarial gains (losses)	(605,685)	185,875
Tax Effect on Actuarial Gains or Losses	242,274	(74,351)
Comprehensive Income	1,129,049	443,834

NOTE 29 - Other Information

a) Explanatory Note 23 is condensed in the quarterly information, in relation to the presentation in the Financial Statements for the six-month period ended 06.30.2019, pursuant to Accounting Pronouncement CPC 21 (R1), due to the fact that, in the quarter, there was no remeasurement of actuarial calculations on post-employment benefits.

b) Statement of compliance

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

c) Approval of Interim Financial Statements

These Interim Financial Statements were approved by the Executive Board at a meeting held on October 29, 2019 and appreciated by the Board of Directors at a meeting held on November 12, 2019.

Fortaleza (CE), November 12, 2019.

The Executive Board

Note: These notes are an integral part of the Interim Financial Statements at 09.30.2019

Quarterly Information (ITR)

Banco do Nordeste do Brasil S.A.

September 30, 2019
with Independent Auditor's Review Report



A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR).

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

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

Introduction

We have reviewed the interim financial information of Banco do Nordeste do Brasil S.A. ("Bank"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, comprising the balance sheet as at September 30, 2019, and the related statements of income and of comprehensive income for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the interim financial information

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



Emphasis of matter

Restatement of corresponding figures

As mentioned in Note 3, the information relating to the statements of income, of changes in equity, of cash flows and of value added as well as explanatory notes has been changed in relation to the previously disclosed interim financial statements for the period ended September 30, 2018, for the reasons mentioned in referred to Note and, therefore, is being restated as provided for in CPC 23 - Accounting Policies, Change in Estimates and Errors. Our conclusion is not qualified in respect of this matter.

Other matters

Interim financial information of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2019, prepared under the responsibility of Bank management and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 9 - Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria defined in referred to Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 12, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Eduardo Wellichen
Accountant CRC- 1SP184050/O-6

Opinions and Statements / Statement of Directors on the Financial Statements

We, the Officers of Banco do Nordeste do Brasil SA, declare for purposes of complying with the provisions of Article 25, paragraph 1, Subsection VI, Instruction 480 of December 7, 2009, of the Brazilian Securities and Exchange Commission (CVM), which we have reviewed, reviewed, discussed and agreed to the full contents of Banco do Nordeste do Brasil SA financial statements, as of September 30, 2019.

Fortaleza, October 29, 2019

EXECUTIVE BOARD: Romildo Carneiro Rolim (President) – Antônio Jorge Pontes Guimarães Júnior (Director Financial and Credit) – Antônio Rosendo Neto Júnior (Director of Business) – Claudio Luiz Freire Lima (Director of Management) – Cornélio Farias Pimentel (Director of Control and Risk) – Perpétuo Socorro Cajazeiras (Director of Planning)

Opinions and Statements / Statement by the Directors on the Report of the Auditor
Independent

We, the Officers of Banco do Nordeste do Brasil SA, declare for purposes of compliance with the provisions of Article 25, paragraph 1, Subsection V, of Instruction 480 of December 7, 2009, of the Brazilian Securities and Exchange Commission (CVM), which we have reviewed, reviewed, discussed and agreed to the full contents of the Report, dated November 12, 2019, by Ernst & Young Auditors Independentes S.S. on the financial statements of Banco do Nordeste do Brasil S.A., as of September 30, 2019.

Fortaleza, November 12, 2019

EXECUTIVE BOARD: Romildo Carneiro Rolim (President) – Antônio Jorge Pontes Guimarães Júnior (Director Financial and Credit) – Antônio Rosendo Neto Júnior (Director of Business) – Claudio Luiz Freire Lima (Director of Management) – Cornélio Farias Pimentel (Director of Control and Risk) – Perpétuo Socorro Cajazeiras (Director of Planning)