

Quarterly Information (ITR)

Banco do Nordeste do Brasil S.A.

March 31, 2020
with Independent Auditor's Review Report

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Company Information / Capital Breakdown

Number of shares (thousand)	Current quarter 03/31/2020
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	Proceeds per share (reais / Share)
Annual General Meeting (AGM) 03/27/2020		Interest on Equity (IOE)	04/08/2020	Common shares		1.92210
Annual General Meeting (AGM) 03/27/2020		Dividend	04/08/2020	Common shares		0.76960

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

Account code	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
1	Total Assets	59,121,464	58,630,771
1.01	Current assets	13,103,824	13,326,453
1.01.01	Cash and cash equivalents	168,291	168,525
1.01.02	Interbank Investments	3,528,432	3,376,358
1.01.02.01	Open market funding	3,116,273	3,275,927
1.01.02.02	Interbank deposit investments	412,159	100,431
1.01.03	Securities	2,024,355	1,747,783
1.01.03.01	Own portfolio	1,619,023	1,362,688
1.01.03.02	Linked to repurchase agreements	255,901	242,819
1.01.03.03	Linked to guarantees given	149,431	142,276
1.01.04	Interbank accounts	562,018	526,650
1.01.04.01	Payments and receipts pending settlement	35,161	508
1.01.04.02	Central Bank deposits	526,144	525,291
1.01.04.03	Correspondents	713	851
1.01.06	Loans	5,034,836	5,082,117
1.01.06.01	Public Sector	72,916	75,318
1.01.06.02	Private sector	5,268,918	5,336,977
1.01.06.03	(Allowance for loan losses)	-306,998	-330,178
1.01.08	Other Credits	1,755,617	2,395,068
1.01.08.01	Exchange portfolio	1,102,039	855,128
1.01.08.02	Income receivable	20,993	18,319
1.01.08.03	Securities Trading	20	20
1.01.08.04	Sundry	725,976	1,611,362
1.01.08.05	(Allowance for Losses on Other Credits)	-93,411	-89,761
1.01.09	Other Assets	30,275	29,952
1.01.09.01	Other Assets	16,624	15,412
1.01.09.02	(Valuation Allowances)	-581	-581
1.01.09.03	Prepaid expenses	14,232	15,121
1.02	Long-term receivables	45,779,410	45,071,845
1.02.02	Securities	37,985,754	37,942,241
1.02.02.01	Own portfolio	35,972,208	36,056,160
1.02.02.02	Linked to repurchase agreements	1,425,877	1,304,444
1.02.02.03	Linked to guarantees given	581,661	575,692
1.02.02.04	Securities under Repurchase Agreements with Free Movement	6,008	5,945
1.02.03	Interbank accounts	75,831	74,903
1.02.03.01	National Treasury - Rural Credit Funds	0	152
1.02.03.02	National Housing System (SFH)	75,831	74,751
1.02.05	Loans	4,225,606	4,348,997
1.02.05.01	Public sector	468,852	370,603
1.02.05.02	Private sector	3,989,525	4,252,385
1.02.05.03	(Allowance for loan losses)	-232,771	-273,991
1.02.07	Other Credits	3,492,219	2,705,704
1.02.07.01	Sundry	3,519,667	2,733,058
1.02.07.02	(Allowance for Losses on Other Credits)	-27,448	-27,354

Individual Financial Statements / Balance Sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
1.03	Permanent assets	238,230	232,473
1.03.01	Investments	1,592	1,592
1.03.01.04	Other investments	6,878	6,878
1.03.01.05	Provision for losses	-5,286	-5,286
1.03.02	Property and equipment in use	235,917	230,318
1.03.02.01	Properties in use	281,360	174,027
1.03.02.02	Other property and equipment in use	321,166	314,731
1.03.02.03	(Accumulated depreciation)	-366,609	-365,572
1.03.02.04	Revaluation of property and equipment in use	0	107,132
1.03.04	Intangible assets	721	563
1.03.04.01	Intangible assets	721	563

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

Account code	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
2	Total liabilities	59,121,464	58,630,771
2.01	Current liabilities	15,319,712	13,619,087
2.01.01	Deposits	6,159,378	5,870,828
2.01.01.01	Demand Deposits	339,045	405,302
2.01.01.02	Savings Deposits	2,742,916	2,633,831
2.01.01.03	Interbank Deposits	1,310,899	1,165,021
2.01.01.04	Time Deposits	1,766,518	1,666,674
2.01.02	Open market funding	1,680,625	1,545,801
2.01.02.01	Own portfolio	1,680,625	1,545,801
2.01.03	Funds from Acceptance and Issue of Securities	11,500	46,107
2.01.03.01	Funds from Real Estate, Mortgage, Credit and Similar Notes	11,500	46,107
2.01.04	Interbank accounts	32,753	429
2.01.04.01	Receipts and payments pending settlement	32,753	429
2.01.05	Interbranch accounts	4,095	3,493
2.01.05.01	Third-party funds in transit	3,992	3,381
2.01.05.02	Internal transfers of funds	103	112
2.01.06	Borrowings	1,100,078	881,557
2.01.06.01	Foreign Borrowings	1,100,078	881,557
2.01.07	Domestic Onlending	139,707	102,555
2.01.07.01	National Treasury	285	168
2.01.07.02	BNDES	121,161	88,080
2.01.07.03	FINAME	18,261	14,307
2.01.08	Foreign onlending	70,087	57,504
2.01.09	Other Liabilities	6,121,489	5,110,813
2.01.09.01	Collection of taxes and other contributions	49,923	1,699
2.01.09.02	Exchange portfolio	2,993	1,354
2.01.09.03	Social and statutory	359,817	337,855
2.01.09.04	Tax and Social Security	313,595	951,086
2.01.09.05	Securities Trading	153	153
2.01.09.06	Financial and development funds	2,839,440	1,193,931
2.01.09.07	Debt instruments eligible to capital	0	250,000
2.01.09.08	Sundry	2,555,568	2,374,735
2.02	Long-Term Payables	38,184,703	39,584,279
2.02.01	Deposits	6,120,384	6,379,026
2.02.01.01	Time Deposits	6,120,384	6,379,026
2.02.02	Open market funding	5,984	5,924
2.02.02.01	Own portfolio	5,984	5,924
2.02.07	Domestic Onlending	1,020,413	1,065,182
2.02.07.01	National Treasury	229	337
2.02.07.02	BNDES	993,857	1,030,853
2.02.07.03	FINAME	26,327	33,992
2.02.08	Foreign onlending	447,909	374,358
2.02.09	Other Liabilities	30,590,013	31,759,789
2.02.09.01	Tax and Social Security	452,408	401,124
2.02.09.02	Financial and development funds	21,599,793	22,462,547

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

Account code	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
2.02.09.03	Subordinated Debts Eligible to Capital	2,582,973	2,545,199
2.02.09.04	Debt instruments eligible to capital	1,295,889	1,301,040
2.02.09.05	Sundry	4,658,950	5,049,879
2.05	Equity	5,617,049	5,427,405
2.05.01	Paid-in Capital	5,569,988	3,813,000
2.05.03	Revaluation Reserves	13,712	13,726
2.05.03.01	Own assets	13,712	13,726
2.05.04	Income reserves	894,457	2,651,514
2.05.04.01	Legal reserve	394,525	394,525
2.05.04.02	Statutory reserve	499,932	2,256,989
2.05.05	Equity adjustments	-1,110,708	-1,050,835
2.05.05.01	Adjustments to securities	-1,110,708	-1,050,835
2.05.06	Retained Earnings/Accumulated Losses	249,600	0

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

Account code	Account description	SCE - 01/01/2020 to 03/31/2020	SCE - 01/01/2019 to 03/31/2019
3.01	Revenues from financial intermediation	1,314,607	1,293,954
3.01.01	Loans	624,656	495,403
3.01.02	Gain (loss) on securities	421,108	692,008
3.01.03	Gain (loss) on derivative financial instruments	0	30,110
3.01.04	Foreign exchange gains (losses)	263,476	70,485
3.01.05	Compulsory investment gains (losses)	5,367	5,948
3.02	Expenses from financial intermediation	-878,985	-846,086
3.02.01	Open market funding	-133,370	-286,904
3.02.02	Borrowings and onlending	-657,532	-495,464
3.02.03	Allowance for loan losses	-88,083	-63,718
3.03	Gross profit from financial intermediation	435,622	447,868
3.04	Other operating income/expenses	62,656	-18,262
3.04.01	Service revenues	660,290	616,012
3.04.02	Personnel expenses	-529,019	-501,097
3.04.03	Other Administrative Expenses	-340,309	-308,155
3.04.04	Tax Expenses	-92,149	-80,048
3.04.05	Other operating income	700,505	587,901
3.04.06	Other operating expenses	-336,662	-332,875
3.05	Operating income	498,278	429,606
3.06	Non-operating income	2,439	15,654
3.06.01	Revenues	2,888	16,281
3.06.02	Expenses	-449	-627
3.07	Income before Taxes/Profit sharing	500,717	445,260
3.08	Provision for income tax and social contribution	-230,498	-29,707
3.09	Deferred income tax	76,968	-108,740
3.10	Statutory contributions/profit sharing	-19,534	-17,303
3.10.01	Profit sharing	-19,534	-17,303
3.13	Income/Loss for the period	327,653	289,510
3.99	Earnings per share (reais / share)	3.79355	3.35194

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

Account code	Account description	SCE - 01/01/2020 to 03/31/2020	SCE - 01/01/2019 to 03/31/2019
4.01	Net income for the period	327,653	289,510
4.02	Other Comprehensive Income	-59,859	100,884
4.02.01	Equity adjustment to available-for-sale securities	-559,851	166,285
4.02.02	Tax effect on Equity adjustment to available-for-sale securities	252,926	-67,374
4.02.03	Realization of Revaluation Reserve	25	3,953
4.02.04	Tax effect on revaluation reserve realized	-11	-1,581
4.02.05	Actuarial gains and losses, net of tax effects	247,052	-399
4.03	Comprehensive income for the period	267,794	390,394

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

Account code	Account description	SCE - 01/01/2020 to 03/31/2020	SCE - 01/01/2019 to 03/31/2019
6.01	Net cash from operating activities	727,033	1,665,621
6.01.01	Cash from operations	716,807	719,784
6.01.01.01	Net income	327,653	289,510
6.01.01.02	Depreciation and amortization expense	3,129	2,941
6.01.01.03	Allowance for Loan Losses, net	83,625	63,247
6.01.01.04	Allowance for Losses on Other Credits, net	4,458	471
6.01.01.05	Provision for Financial Guarantees Provided, net (FNE risks)	182,875	96,834
6.01.01.06	Provision for Financial Guarantees Provided, net (FDNE risks)	-12	23
6.01.01.07	Provision for contingencies, net	31,683	16,167
6.01.01.08	Provision for other contingencies, net	29,614	6,479
6.01.01.09	Actuarial liabilities - post-employment benefits	88,933	66,433
6.01.01.10	Provision for Debt Instrument Eligible to Capital	29,167	63,293
6.01.01.11	Reversal of Provision of Interest on Debt Instruments Eligible to Capital	-77	0
6.01.01.12	Monetary restatement of judicial deposits	3,213	4,355
6.01.01.13	Deferred Tax Assets	-76,968	108,740
6.01.01.14	Reversal of provision for losses on linked credits (National Housing System (SFH))	-25	-24
6.01.01.15	Restatement of Debt instruments eligible to capital	2,429	2,625
6.01.01.16	Provision for charges on issue of Financial Bills	9,413	0
6.01.01.17	Monetary restatement of Appeal Deposits	-3,988	-3,267
6.01.01.18	Reversal for Impairment of Other Receivables and Assets	0	-32
6.01.01.19	Monetary restatement of dividends and IOE	1,685	1,989
6.01.02	Changes in assets and liabilities	10,226	945,837
6.01.02.01	Interbank Investments	-311,728	1,213
6.01.02.02	Interbranch and interbank accounts	-3,345	17,841
6.01.02.03	Loans	87,047	176,172
6.01.02.04	Other Credits	186,131	300,952
6.01.02.05	Other Receivables and Assets	702	-1,173
6.01.02.06	Deposits	26,695	-462,339
6.01.02.07	Open market funding	134,884	79,112
6.01.02.08	Funds from acceptance and issue of securities	-34,606	34,038
6.01.02.09	Borrowings and Onlending	297,039	-43,579
6.01.02.10	Other Liabilities	-115,079	913,820
6.01.02.11	Income tax and social contribution paid	-257,514	-40,112
6.01.02.12	Financial instruments and Derivatives	0	-30,108
6.02	Net cash from investing activities	-636,920	-1,266,050
6.02.01	Investments in property and equipment in use	-8,990	-6,241
6.02.02	Investments in intangible assets	-158	0
6.02.03	Investments in assets not for own use	-1,024	-30
6.02.04	Disposal of property and equipment in use	262	224
6.02.05	Disposal of assets for own use	0	3,053
6.02.06	Securities available for sale	-627,010	-1,263,056
6.03	Net cash from financing activities	-250,000	0

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

Account code	Account description	SCE - 01/01/2020 to 03/31/2020	SCE - 01/01/2019 to 03/31/2019
6.03.02	Amortization of Debt instruments eligible to Principal Capital	-250,000	0
6.05	Increase (decrease) in cash and cash equivalents	-159,887	399,571
6.05.01	Cash and cash equivalents at beginning of period	3,444,451	7,615,109
6.05.02	Cash and cash equivalents at end of period	3,284,564	8,014,680

Individual Financial Statements / Statement of Changes in Equity - SCE - 01/01/2020 to 03/31/2020 (In thousands of reais)

Account code	Account description	Capital	Capital reserves	Revaluation Reserves	Income reserves	Retained Earnings/Ac cumulated Losses	Equity adjustments	Total Equity
5.01	Opening balance	3,813,000	0	13,726	2,651,514	0	-1,050,835	5,427,405
5.03	Adjusted balance	3,813,000	0	13,726	2,651,514	0	-1,050,835	5,427,405
5.04	Income/loss for the period	0	0	0	0	327,653	0	327,653
5.05	Allocations	0	0	0	-69	-78,067	0	-78,136
5.05.02	Interest on equity	0	0	0	0	-78,067	0	-78,067
5.05.03	Other allocations	0	0	0	-69	0	0	-69
5.05.03.01	Transfer for payment of complementary dividends of 2019 (AGM held on 03.27.2020)	0	0	0	-69	69	0	0
5.05.03.02	Provision for Complementary Dividends of 2019	0	0	0	0	-69	0	-69
5.07	Equity adjustments	0	0	-14	0	14	-59,873	-59,873
5.07.01	Adjustments to securities	0	0	0	0	0	-306,925	-306,925
5.07.04	Realization of reserve	0	0	-14	0	14	0	0
5.07.05	Actuarial gains and losses (net of tax effects)	0	0	0	0	0	247,052	247,052
5.08	Capital increase/reduction	1,756,988	0	0	-1,756,988	0	0	0
5.08.01	Transfer to increase capital (under approval)	1,756,988	0	0	-1,756,988	0	0	0
5.13	Closing Balance	5,569,988	0	13,712	894,457	249,600	-1,110,708	5,617,049

Individual Financial Statements / Statement of Changes in Equity - SCE - 01/01/2019 to 03/31/2019 (In thousands of reais)

Account code	Account description	Capital	Capital reserves	Revaluation Reserves	Income reserves	Retained Earnings/Ac cumulated Losses	Equity adjustments	Total Equity
5.01	Opening balance	2,844,000	0	11,592	2,277,391	28,471	-950,962	4,210,492
5.02	Prior years' adjustments	0	0	2,387	0	0	0	2,387
5.03	Adjusted balance	2,844,000	0	13,979	2,277,391	28,471	-950,962	4,212,879
5.04	Income/loss for the period	0	0	0	0	289,510	0	289,510
5.05	Allocations	0	0	0	0	-68,240	0	-68,240
5.05.02	Interest on equity	0	0	0	0	-68,240	0	-68,240
5.07	Equity adjustments	0	0	-15	0	15	98,512	98,512
5.07.01	Adjustments to securities	0	0	0	0	0	98,911	98,911
5.07.04	Actuarial gains and losses	0	0	0	0	0	-399	-399
5.07.05	Reversal of Realization of Revaluation Reserve - CMN Resolution No. 4535 (Net of tax effects)	0	0	-15	0	15	0	0
5.13	Closing Balance	2,844,000	0	13,964	2,277,391	249,756	-852,450	4,532,661

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

Account code	Account description	SCE - 01/01/2020 to 03/31/2020	SCE - 01/01/2019 to 03/31/2019
7.01	Revenues	2,253,095	2,116,928
7.01.01	Financial intermediation	1,314,607	1,293,954
7.01.02	Services Rendered	660,290	616,012
7.01.03	(Reversal of) Allowance for loan losses	-88,083	-63,718
7.01.04	Other	366,281	270,680
7.02	Expenses from financial intermediation	-790,902	-782,368
7.03	Inputs acquired from third parties	-326,735	-296,383
7.03.01	Materials, energy and other expenses	-22,016	-22,996
7.03.02	Third-party services	-195,392	-160,261
7.03.04	Other	-109,327	-113,126
7.04	Gross value added	1,135,458	1,038,177
7.05	Retentions	-3,129	-2,941
7.05.01	Depreciation, Amortization and Depletion	-3,129	-2,941
7.06	Net value added produced	1,132,329	1,035,236
7.08	Total value added to be distributed	1,132,329	1,035,236
7.09	Distribution of Value Added	1,132,329	1,035,236
7.09.01	Personnel	477,658	450,629
7.09.01.01	Direct compensation	318,282	312,989
7.09.01.02	Benefits	136,324	115,545
7.09.01.03	Unemployment compensation fund (FGTS)	23,052	22,095
7.09.02	Taxes, rates and contributions	316,573	286,266
7.09.02.01	Federal	306,405	276,713
7.09.02.02	State	6	20
7.09.02.03	Local	10,162	9,533
7.09.03	Third-Parties Capital Remuneration	10,445	8,831
7.09.03.01	Rents	10,445	8,831
7.09.04	Equity Remuneration	327,653	289,510
7.09.04.01	Interest on equity (IOE)	78,067	68,240
7.09.04.03	Retained profits / loss for the period	249,586	221,270

Commentson Performance

OPERATIONAL PERFORMANCE

BNB entered into 1,171,427 loan and financing transactions in the total amount of R\$ 7.4 billion in the first quarter of 2020, an increase of 2.8% in the number of such transactions and of 5.6% in the total amount taken out compared with the first quarter of 2019.

The funds used in long-term loan transactions mostly derived from Fundo Constitucional de Financiamento do Nordeste (FNE). In the first quarter of 2020, the amount of R\$ 4.6 billion was taken out through FNE funds, relating to 138,878 transactions, representing an 1.7% increase in the amount taken out and a 53.5% decrease in the number of transactions compared with the same period in 2019.

Through its urban production-oriented microloan program, denominated Crediamigo, BNB disbursed approximately R\$ 2.5 billion, 997,991 transactions took out in the first quarter of 2020 to provide support to micro-entrepreneurs within its jurisdiction. BNB presented a 13.5% increase in the amount taken out and a 0.5% decrease in the number of transactions compared with the first quarter of 2019.

In relation to the National Family Farming Strengthening Program (Pronaf), BNB entered into 128,510 financing transactions, totaling R\$ 717.4 million in 2020, which represents a 55.2% increase in the amount taken out and a 58.7% increase in the number of transactions, compared with the first quarter of 2019. Under the Pronaf program, BNB operates the rural production-oriented microloan program denominated Agroamigo. Under this type, 125,497 transactions were entered into, amounting to R\$ 632.3 million (a 60.3% increase in the amount taken out and 60.0% increase in the number of transactions entered into).

Under the urban production-oriented microloan program (Crediamigo) and the rural Agroamigo program, a total amount of R\$ 3.1 billion was disbursed in the first quarter of 2020, with a total of 1,123,488 transactions taken out, providing support to micro-entrepreneurs in the urban and rural areas within the BNB's entire area of operation. These results show increases of 20.6% in the amount taken out and of 3.8% in the number of transactions entered into.

In relation to support to micro and small enterprises, BNB entered into 8,947 transactions in the amount of R\$ 779.0 million in the first quarter of 2020, representing a 6.5% increase in the amount taken out and a 0.6% decrease in the number of transactions entered into.

Regarding the financial result, BNB recorded income of R\$ 327.8 million, a 14.5% increase compared with the result for the first quarter of 2019 (income of R\$ 286.4 million). Non-recurring income is also broken down, which is determined considering the deduction of extraordinary items occurred in the period:

	1Q19	1Q20	Var.R\$	Var. %
Net income	286.4	327.7	41.3	14.4%
(-) Extraordinary Income (Expenses) for the Period	(56.0)	-	56.0	-100.0%
Laws No. 13340 / 13606				
Impairment of Government Securities/Corporate Bonds	-	50.2	50.2	
Insurance operations desk	-	(200.0)	(200.0)	
Voluntary Dismissal Incentive Program (PID)	(5.0)	-	5.0	-100.0%
Tax effect (IR + CSLL)	24.4	67.4	43.0	176.3%
Recurring Net Income	249.8	245.3	(4.5)	-1.8%

Notes

**NOTES TO INTERIM FINANCIAL STATEMENTS OF BANCO DO
NORDESTE DO BRASIL S.A.**
Quarters ended March 31, 2020 and 2019
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 area of 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 of the Brazilian Corporation Law (Law No. 6404 of 12.15.1976, as amended), 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).

Notes

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 these **Interim** Financial Statements as follows:

- CPC 00 (R1) - Conceptual Framework for the Preparation and Presentation of Financial Statements (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 (CVM Rule 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 11.20.2011);
- 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 presentation currency is the Brazilian real. Assets and liabilities denominated in foreign currency are recognized at the average currency rate in force on the transaction date, while nonmonetary assets are stated at historical cost.

At the end of each period, monetary assets and liabilities denominated in foreign currency are restated by the average exchange rate, and 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 provision for losses, when applicable.

Notes

f) Securities

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

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

Held-to-maturity securities: securities that the Bank has the positive intent and ability to hold to maturity, stated at acquisition cost, plus income earned, matched 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, 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%.

Notes

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 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 Constitutional Amendment No. 103/2019 increased the CSLL rate to 20%, from 03.01.2020. 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 and liabilities is based on their estimated realization, according to technical studies performed by management every six months, considering the tax rates in force in the realization period of these assets. Under assets, these tax 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. In the case of Deferred Tax Liabilities, this legislation has not established limits for recognition and maintenance, since their realization does not require future profits.

Notes

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 “Other Comprehensive Income”, 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 and financial assets classified as available-for-sale and held-to-maturity 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.⁵

Notes

The assessment of the provision and contingent liability, risk level of new lawsuits, and reassessment of already existing lawsuits are made case by case and classified according to the likelihood of loss, as probable, possible and remote, except for the proceedings under procedural steps in the Special Civil Courts and Regional Labor Offices, whose provision are assessed based on the historical average of losses.

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 on minimum 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 (loss) per share

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

Notes

Restatement of corresponding figures

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 or Accumulated losses” and “Depreciation expenses” accounts.

According to CPC 23 - Accounting Policies, Change of Estimate and Errors, adopted by CMN Resolution No. 4007, these recalculations were recognized retrospectively and generated the following effects on the balances as of 03.31.2019, which are being restated:

INCOME STATEMENTS	03.31.2019		
	Originally stated	Adjustment	Restated
Other operating expenses	(23,397)	5,135	(18,262)
Other Administrative Expenses	(313,290)	5,135	(308,155)
Operating income (expenses)	424,471	5,135	429,606
Income before Taxes	440,125	5,135	445,260
Income Tax and Social Contribution	(136,383)	(2,064)	(138,447)
Provision for Income Tax	(16,802)	(1,290)	(18,092)
Provision for Social Contribution	(10,841)	(774)	(11,615)
Net income	286,439	3,071	289,510
Earnings per Share - (Basic/Diluted) - in R\$	3.316	0.036	3.352

STATEMENTS OF CHANGES IN EQUITY	03.31.2019		
	Originally stated	Adjustment	Restated
Equity	4,498,732	33,929	4,532,661
Revaluation Reserve	11,592	2,372	13,964
Retained Earnings (Accumulated Losses)	218,199	31,557	249,756

STATEMENTS OF CASH FLOWS	03.31.2019		
	Originally stated	Adjustment	Restated
Net cash from operating activities	1,667,611	(1,990)	1,665,621
Cash from operations	502,379	217,405	719,784
Net income	286,439	3,071	289,510
Depreciation, Amortization and Depletion	8,076	(5,135)	2,941
Deferred Tax Assets ⁽¹⁾	(108,740)	217,480	108,740
Changes in assets and liabilities	1,165,232	(219,395)	945,837
Other Credits ⁽¹⁾	518,432	(217,480)	300,952
Other Obligations	915,735	(1,915)	913,820

⁽¹⁾ Item restated due to reclassification between groups of the SCF.

STATEMENTS OF VALUE ADDED	03.31.2019		
	Originally stated	Adjustment	Restated
Retentions	(8,076)	5,135	(2,941)
Depreciation, Amortization and Depletion	(8,076)	5,135	(2,941)
TAXES, RATES AND CONTRIBUTIONS	284,202	2,064	286,266
Federal	274,646	2,064	276,713
EQUITY REMUNERATION	286,439	3,071	289,510
RETAINED PROFITS	218,199	3,071	221,270

STATEMENT OF COMPREHENSIVE INCOME	03.31.2019		
	Originally stated	Adjustment	Restated
Net income	286,439	3,071	289,510
Other Comprehensive Income	98,512	2,372	100,884
Realization of Revaluation Reserve	-	3,953	3,953
Tax Effect on Realization of Revaluation Reserve	-	(1,581)	(1,581)
Comprehensive Income	384,951	5,443	390,394

Notes

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 03.31.2020 and 03.31.2019, 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 03.31.2020			01.01 to 03.31.2019 (restated)		
	Own portfolio	FNE	Total	Own portfolio	FNE	Total
Revenues	1,319,224	698,327	2,017,551	1,118,878	778,631	1,897,509
Income from Loans	624,656	-	624,656	495,403	-	495,403
Gain (loss) on securities	169,867	251,241	421,108	292,131	399,877	692,008
Gains (losses) on derivative financial instruments	-	-	-	30,110	-	30,110
Foreign exchange gains (losses)	263,476	-	263,476	70,485	-	70,485
Compulsory investment gains (losses)	5,367	-	5,367	5,948	-	5,948
Other revenues	255,858	447,086	702,944	224,801	378,754	603,555
Expenses	(617,315)	(446,569)	(1,063,884)	(440,614)	(504,287)	(944,901)
Expenses with open market funding	(133,370)	-	(133,370)	(286,904)	-	(286,904)
Expenses on Borrowings and Onlending	(395,862)	(261,670)	(657,532)	(89,992)	(405,472)	(495,464)
Allowance for loan losses (Note 9)	(88,083)	(184,899)	(272,982)	(63,718)	(98,815)	(162,533)
Financial Margin	701,909	251,758	953,667	678,264	274,344	952,608
Service revenues	155,108	480,663	635,771	140,970	454,299	595,269
Income from fees, charges and commissions	24,519	-	24,519	20,743	-	20,743
PASEP and COFINS	(38,007)	(43,814)	(81,821)	(30,449)	(39,829)	(70,278)
Income after fees and commissions	843,529	688,607	1,532,136	809,528	688,814	1,498,342
Administrative expenses			(869,328)			(809,252)
Personnel expenses			(529,019)			(501,097)
Depreciation and Amortization			(3,129)			(8,076)
Other Administrative Expenses			(337,180)			(300,079)
Other expenses			(100,756)			(220,597)
Expenses with Provisions, Except Allowance for Loan Losses			(61,335)			(23,233)
Income Before Taxation and Profit Sharing			500,717			445,260
Income Tax and Social Contribution			(153,530)			(138,447)
Profit Sharing			(19,534)			(17,303)
Net income (loss)			327,653			289,510

Notes

NOTE 5 - Cash and Cash Equivalents

Specification	03.31.2020	12.31.2019
Cash and cash equivalents in local currency	166,275	166,586
Cash and cash equivalents in foreign currency	2,016	1,939
Total cash and cash equivalents	168,291	168,525
Interbank investments ⁽¹⁾	3,116,273	3,275,926
Total Cash and Cash Equivalents	3,284,564	3,444,451

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

NOTE 6 - Interbank Investments

a) Breakdown

Specification	03.31.2020	12.31.2019
a) Open market investments	3,116,273	3,275,926
Resale agreements pending settlement - Funded position	3,116,273	3,275,926
b) Interbank deposit investments	412,159	100,432
Investments in foreign currencies	22,276	24,441
Interbank deposit investments	389,883	75,991
Total	3,528,432	3,376,358
Short-term	3,528,432	3,376,358

b) Income from interbank investments

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
a) Income from open market investments (Note 7.b)	31,258	111,731
Self-funding position	31,258	109,672
Financed position	-	2,059
b) Income from interbank deposit investments (Note 7.b)	3,893	1,603
Total	35,151	113,334

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 Portfolio and Derivative Financial Instruments

Specification	03.31.2020	12.31.2019
Available-for-sale securities	39,743,180	39,423,052
Held-to-maturity securities	266,929	266,972
Total	40,010,109	39,690,024
Short-term	2,024,355	1,747,783
Long-term	37,985,754	37,942,241

Notas Explicativas

a.2) Securities portfolio

Available-for-sale securities	03.31.2020									12.31.2019	
	Market value					Final 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	-	1,588,264	238,675	37,137,164		39,146,429	38,977,103	(169,326)	38,650,858	371,940
Financial Treasury Bills (LFT)	-	-	1,487,000	105,751	33,115,204	From 2020 to 2025	34,707,873	34,707,955	82	34,367,391	9,960
National Treasury Notes (NTN)	-	-	-	-	2,874,608	From 2050 to 2055	2,545,886	2,874,608	328,722	3,255,427	878,789
Financial Bills	-	-	101,264	132,900	1,038,072	From 2020 to 2022	1,313,282	1,272,236	(41,046)	887,069	(33,827)
Debentures ⁽¹⁾	13,000	-	-	-	106,377	From 2026 to 2041	575,878	119,377	(456,501)	137,935	(444,237)
Federal Government Securities - FCVS	-	-	-	-	2,848	2027	3,425	2,848	(577)	2,959	(597)
Federal government securities - other ⁽¹⁾	-	-	-	-	-		-	-	-	-	(38,141)
Agrarian Debt Bonds (TDAs)	-	-	-	24	55	From 2020 to 2022	85	79	(6)	77	(7)
Investment Fund Shares	496	-	-	-	-		2,092	496	(1,596)	487	(1,602)
Social Development Funds (FDS)	-	-	-	-	-	No maturity	1,596	-	(1,596)	-	(1,602)
Investment Guarantee Fund (FGI)	452	-	-	-	-	No maturity	452	452	-	445	-
Operation Guarantee Fund (FGO)	44	-	-	-	-	No maturity	44	44	-	42	-
Variable Income Securities	34,489	-	-	-	-		23,241	34,489	11,248	53,739	30,498
Other Tax Incentives (FINOR)	132	-	-	-	-	No maturity	109	132	23	171	62
Shares Issued by Publicly-Held Companies	34,357	-	-	-	-	No maturity	23,132	34,357	11,225	53,568	30,436
Security Deposits⁽²⁾	-	-	149,431		581,661		730,526	731,092	566	717,968	(91)
Financial Treasury Bills (LFT)	-	-	143,436	-	581,661	From 2020 to 2025	724,458	725,097	639	717,968	875
Federal government securities - other ⁽¹⁾	-	-	-	-	-	1993	-	-	-	-	(966)
Financial Bills	-	-	5,995	-	-		6,068	5,995	(73)	-	-
Total of Category	47,985	-	1,737,695	238,675	37,718,825		39,902,288	39,743,180	(159,108)	39,423,052	400,745
Tax Credit (Note 10.d and Note 20.c)									226,934		231,429
Provision for Deferred Taxes and Contributions (Note 20.d)									(155,903)		(413,323)
Total Market Value Adjustment									(88,077)		218,851

⁽¹⁾ As provided for in article 6 of Bacen Circular Letter No. 3068 of 11.08.2001, in the quarter, the amount of R\$50,139 was recognized as permanent loss, of which:(a) R\$39,825 that was recorded in "Federal Government Securities - Other", referring to the write-off of government securities denominated by the National Treasury as NUCL910801, maturing on 08.31.1993, from information obtained by the Bank, before the closing of these interim financial statements, regarding difficulties for its recoverability; and (b) R\$10,314 of the Debentures portfolio (in 2019, a permanent loss of R\$126,781 was recognized, for the Debentures portfolio).

⁽²⁾ Breakdown:Guarantees on Stock Exchange Transactions R\$541,154 (R\$535,858 at 12.31.2019); Guarantees on Clearing House Association Transactions R\$3,298 (R\$3,265 at 12.31.2019); Guarantees on Legal Proceedings R\$156,792 (R\$149,288 at 12.31.2019); and Other Guarantees R\$29,848 (R\$29,557 at 12.31.2019).

Notas Explicativas

In view of the classification of assets under “Available-for-sale securities”, the amount of (R\$159,108) (R\$400,745 at 12.31.2019) is recorded in Equity under “Market value adjustments” account. Such adjustment, net of taxes, corresponds to (R\$88,077) ((R\$218,851) at 12.31.2019).

Held-to-maturity securities	03.31.2020						12.31.2019		
	Cost value				Final 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	-	-	-	266,929		266,930	235,605	266,972	251,995
National Treasury Notes (NTN) - P	-	-	-	190,542	2030	190,542	159,217	187,756	172,779
Investment Fund Shares - Criatec	-	-	-	21,405	2021	21,406	21,406	22,040	22,040
Investment Fund Shares - Criatec II	-	-	-	15,345	2023	15,346	15,346	14,963	14,963
Investment Fund Shares - Criatec III	-	-	-	4,356	2026	4,356	4,356	3,829	3,829
FIP Brasil Agronegócios	-	-	-	11,418	2022	11,418	11,418	12,419	12,419
Nordeste III FIP	-	-	-	23,863	2023	23,861	23,862	25,965	25,965
Total of Category	-	-	-	266,929		266,929	235,605	266,972	251,995

⁽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.

Notes

a.3) In the 1st quarter of 2020, 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 03.31.2020	01.01. to 03.31.2019
Open Market Investments (Note 6.b)	31,258	111,731
Interbank Deposit Investments (Note 6.b)	3,893	1,603
Fixed Income Securities	385,757	578,576
Variable Income Securities	200	98
Total	421,108	692,008

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 03.31.2020, the Bank has no swap transactions, since the contracts expired on 05.03.2019.

NOTE 8 - Linked Credits

a) Linked Credits

Specification	03.31.2020			12.31.2019		
	Gross amount	Allowance	Net amount	Gross amount	Allowance	Net amount
Mandatory Payments - Savings Deposits	520,210	-	520,210	518,222	-	518,222
Compulsory Reserves - Cash Funds	5,934	-	5,934	7,069	-	7,069
National Housing System (SFH)	84,231	(8,400)	75,831	83,126	(8,375)	74,751
National Treasury - Rural credit	-	-	-	152	-	152
Total	610,375	(8,400)	601,975	608,569	(8,375)	600,194
Short-term	526,144	-	526,144	525,291	-	525,291
Long-term	84,231	(8,400)	75,831	83,278	(8,375)	74,903

b) Compulsory investment gains (losses)

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Income from Linked Credits - Central Bank of Brazil	4,287	4,928
Income from Linked Credits - SFH	1,105	1,045
Appreciation (Devaluation) of Linked Credits	(25)	(25)
Total	5,367	5,948

NOTE 9 - Loan portfolio and Allowance for Loan Losses

a) Loan portfolio and allowance for loan losses

Specification	03.31.2020		12.31.2019	
	Gross amount	Allowance	Gross amount	Allowance
Loan Transactions	9,800,211	(539,769)	10,035,283	(604,169)
Short Term	5,341,834	(306,998)	5,412,295	(330,178)
Long Term	4,458,377	(232,771)	4,622,988	(273,991)
Other Accounts with Loan Features	916,568	(93,411)	903,400	(89,761)
Short Term	899,485	(93,411)	886,812	(89,761)
Long Term	17,083	-	16,588	-
Total	10,716,779	(633,180)	10,938,683	(693,930)

Notes

a.1) Breakdown of Loan Portfolio

Specification	03.31.2020	12.31.2019
Advances to Depositors	883	283
Loans	5,252,589	5,371,883
Discounted Credit Notes	6,346	7,311
Financing	1,619,852	1,583,077
Financing in foreign currency	11,267	24,525
Agribusiness financing	5,254	5,273
Rural financing	1,071,541	1,162,224
Infrastructure and Development Financing	1,832,479	1,880,707
Loans Subtotal	9,800,211	10,035,283
Income Receivable from Advances Granted	28,035	13,602
Debtors for Purchase of Assets	16,836	15,894
Notes and credits receivable	45,915	51,174
Advances on Exchange Contracts (ACC) ⁽¹⁾ (Note 11.a)	825,782	822,730
Other Accounts with Loan Features Subtotal	916,568	903,400
Total	10,716,779	10,938,683

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

a.2) Income from Loans

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Loans and Discounted Credit Notes	325,953	277,383
Financing	212,008	130,394
Agribusiness financing	247	257
Rural financing	43,188	57,428
Recovery of Loans Written off as Losses	43,260	29,941
Total	624,656	495,403

b) Operations broken down 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 03.31.2020	Total at 12.31.2019
Rural	6,384	1,796	9,701	50,172	60,349	919,597	1,047,999	1,140,390
Manufacturing	28,264	59,446	51,555	564,936	173,510	1,352,063	2,229,774	2,207,801
Government	29,726	3,103	3,103	36,738	247	468,852	541,769	445,918
Other Services	141,926	99,126	90,132	199,177	245,943	1,308,000	2,084,304	2,292,348
Trade	1,152,815	742,560	597,830	988,815	419,485	273,131	4,174,636	4,289,381
Financial Brokers	68	69	70	213	445	11,659	12,524	12,376
Individuals	22,920	9,511	6,416	11,519	8,629	7,949	66,944	75,437
Total at 03.31.2020	1,382,103	915,611	758,807	1,851,570	908,608	4,341,251	10,157,950	
Total at 12.31.2019	1,085,381	963,577	896,079	1,545,567	1,512,388	4,460,659		10,463,651

⁽¹⁾ Include loans overdue up to 14 days.

b.2) Past due loans

Type of Customer/Activity	Falling due installments						Total at 03.31.2020	Total at 12.31.2019
	01 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	Over 360 days		
Rural	9	1	46	12	1,045	254	1,367	628
Manufacturing	3,986	2,565	2,551	6,016	12,009	47,848	74,975	107,014
Other Services	15,239	3,882	3,786	11,130	31,676	62,033	127,746	67,656
Trade	89,343	2,844	2,708	7,743	14,057	25,754	142,449	117,487
Individuals	324	294	287	623	608	1,251	3,387	2,885
Total at 03.31.2020	108,901	9,586	9,378	25,524	59,395	137,140	349,924	
Total at 12.31.2019	57,127	6,354	6,068	18,062	29,146	178,913		295,670

Notes

Type of Customer/Activity	Past due installments							Total at 03.31.2020	Total at 12.31.2019
	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⁾		
Rural	-	1,893	32	549	794	107	24,055	27,430	26,480
Manufacturing	1,555	1,510	3,098	1,916	7,377	5,183	-	20,639	19,052
Other Services	7,507	5,350	5,363	4,601	6,091	6,796	196	35,904	26,578
Trade	49,102	5,248	8,063	7,944	22,175	25,156	74	117,762	100,427
Individuals	49	663	876	766	1,785	3,014	17	7,170	6,825
Total at 03.31.2020	58,213	14,664	17,432	15,776	38,222	40,256	24,342	208,905	
Total at 12.31.2019	101,658	5,417	8,487	6,809	17,576	13,950	25,465		179,362

⁽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 of Loans by Risk Levels

Risk level	03.31.2020				12.31.2019			
	Current loan ⁽¹⁾	Past due loans	Total portfolio	Amount of allowance	Current loan ⁽¹⁾	Past due loans	Total portfolio	Amount of allowance
AA	2,995,114	-	2,995,114	-	2,920,892	-	2,920,892	-
A	5,516,493	-	5,516,493	(27,582)	5,875,376	-	5,875,376	(29,377)
B	569,353	89,298	658,651	(6,587)	630,622	41,610	672,232	(6,722)
C	584,454	65,622	650,076	(19,502)	560,877	33,315	594,192	(17,826)
D	147,960	47,632	195,592	(19,559)	126,094	36,557	162,651	(16,265)
E	23,853	93,604	117,457	(35,237)	36,034	20,377	56,411	(16,923)
F	74,184	22,717	96,901	(48,450)	7,744	31,801	39,545	(19,772)
G	8,742	25,366	34,108	(23,876)	79,523	21,606	101,129	(70,790)
H	237,797	214,590	452,387	(452,387)	226,489	289,766	516,255	(516,255)
Total	10,157,950	558,829	10,716,779	(633,180)	10,463,651	475,032	10,938,683	(693,930)

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

d) Changes in the allowance for the period

Specification	03.31.2020	12.31.2019
Opening Balance of Allowance for Losses on Loan Portfolio	693,930	627,659
(+) Allowance Recognized/(Reversed) for the Period	87,989	398,121
(-) Loans Written off as Loss for the Period	(148,739)	(331,850)
(=) Net Allowance for Losses on Loan Portfolio	633,180	693,930
Opening Balance of Allowance for Losses on other Credits without Loan Features	27,354	27,848
(+) Allowance Recognized for the Period	94	153
(-) Reversal of Allowance for the Period	-	(647)
(=) Net Allowance for Losses on Other Credits without Loan Features (Note 10.e)	27,448	27,354
(=) Balance of Allowance for Loan Losses	660,628	721,284

e) Breakdown of the Allowance Expense Balance

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
(+) Expenses with Allowance for Loan Losses	83,624	63,247
(+) Expenses with Allowance for Losses on Other Credits	4,365	527
(=) Balance of Expenses with Allowance for Losses on Other Credits with Loan Features	87,989	63,774
(+) Allowance for Losses on other Credits without Loan Features	94	(56)
(=) Balance of Expenses with Allowance for Loan Losses (Note 4)	88,083	63,718

f) Financial guarantees provided

Specification	03.31.2020		12.31.2019	
	Balance	Provision	Balance	Provision
Public Sector	29,291,393	(2,789,475)	28,525,698	(2,748,825)
FDNE (Note 16.i and Note 21.f.2)	132,019	(1,222)	136,129	(1,234)
FNE (Note 16.i and Note 21.f.2)	29,159,102	(2,788,253)	28,387,515	(2,747,591)
Proagro (Note 16.i and Note 21.f.2)	272	-	2,054	-

g) Loan Concentration

Specification	03.31.2020		12.31.2019	
	Balance	% of portfolio	Balance	% of portfolio
10 Major debtors	2,005,825	18.72	1,983,570	18.13
50 Major debtors	3,979,901	37.14	4,003,785	36.60
100 Major debtors	4,464,724	41.66	4,576,639	41.84

h) In the first quarter of 2020, loans that had been written off as loss were recovered in the amount of R\$43,260 (R\$ 29,941 at 03.31.2019) and renegotiations amounted to R\$ 92,594 (R\$ 565,690 at 03.31.2019).

Notes

NOTE 10 - Other Credits

Specification	03.31.2020	12.31.2019
a) Foreign Exchange Portfolio (Note 11.a)	1,102,039	855,128
b) Income receivable	20,993	18,319
c) Securities Trading	20	20
s) Sundry	4,245,643	4,344,420
Tax Credits on ALL, Unearned Income, Extended Transactions and Provisions for Contingencies (Note 20.c)	1,352,534	1,292,188
Tax Credits on Actuarial Provisions (Note 20.c)	1,357,112	1,542,624
Tax Credits on Securities (Note 7.a.2 and Note 20.c)	226,934	231,429
Debtors for Escrow Deposits	540,668	513,595
Taxes and contributions to be offset	190,419	456,321
Tax incentive options	26,748	26,748
Notes and credits receivable	245,915	51,174
Advances and Early Salary Payments	39,637	2,981
Payments to be Refunded	3,157	3,587
Amounts receivable - bonus/rebates	59,616	62,396
Other Amounts	202,903	161,377
e) Allowance for Losses on Other Credits	(120,859)	(117,115)
Credits with Loan Features	(93,411)	(89,761)
Credits without Loan Features (Note 9.d)	(27,448)	(27,354)
Total	5,247,836	5,100,772
Short-term	1,755,617	2,395,068
Long-term	3,492,219	2,705,704

NOTE 11 - Foreign Exchange Portfolio

a) Breakdown

Specification	03.31.2020	12.31.2019
Assets - Other Credits (Note 10.a)	1,102,039	855,128
Exchange Purchased to be Settled	1,073,436	841,527
Rights on Exchange Sales	1,484	629
Advances Received in Local Currency	(916)	(629)
Income Receivable from Advances Granted	28,035	13,601
Current assets (Note 10.a)	1,102,039	855,128
Liabilities - Other obligations (Note 16.b)	2,993	1,354
Exchange Purchase Obligations	827,284	823,454
Exchange Sold to be Settled	1,489	629
(Advances on Exchange Contracts - ACC) (Note 9.a.1)	(825,782)	(822,730)
Other Amounts	2	1
Current Liabilities (Note 16.b)	2,993	1,354

b) Foreign Exchange Gains (Losses)

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Exchange Income	263,722	70,619
Exchange Expenses	(246)	(134)
Total	263,476	70,485

Notes

NOTE 12 - Permanent Assets

a) Investments

Specification	12.31.2019	01.01.2020 to 03.31.2020		03.31.2020	
	Accounting balance	Changes		Cost value	Accounting balance
		Additions	Write-offs		
Shares and Units of Interest	331	-	-	331	331
Artworks and Valuables	1,261	-	-	1,261	1,261
Total	1,592	-	-	1,592	1,592

b) Property and Equipment

Specification	12.31.2019	01.01.2020 to 03.31.2020			03.31.2020		
	Accounting balance restated	Changes			Cost value	Accumulated depreciation	Accounting balance
		Additions	Write-offs	Depreciation			
Buildings	83,057	201	-	(423)	264,392	(181,557)	82,835
Data processing system	83,185	7,968	(139)	(1,808)	188,891	(99,685)	89,206
Furniture and equipment in use	34,209	808	(112)	(786)	80,092	(45,973)	34,119
Land	16,969	-	-	-	16,969	-	16,969
Facilities	5,634	-	(7)	(25)	19,138	(13,536)	5,602
Communication system	100	-	-	(2)	302	(204)	98
Security system	7,143	13	(4)	(85)	18,391	(11,324)	7,067
Transportation system	21	-	-	-	14,351	(14,330)	21
Total	230,318	8,990	(262)	(3,129)	602,526	(366,609)	235,917

c) Intangible assets

Specification	12.31.2019	01.01.2020 to 03.31.2020			03.31.2020	
	Accounting balance	Changes			Cost value	Accounting balance
		Additions	Write-offs	Amortization		
Spending on Intangible Assets under Development	-	158	-	-	158	158
Intangible assets in use	563	-	-	-	563	563
Total	563	158	-	-	721	721

Notes

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 03.31.2020	Total at 12.31.2019
Demand deposits	339,045	-	-	-	-	-	339,045	405,302
Savings Deposits	2,742,916	-	-	-	-	-	2,742,916	2,633,831
Interbank Deposits	418,978	891,921	-	-	-	-	1,310,899	1,165,021
Time Deposits	1,070,500	696,018	3,680,145	1,581,405	738,489	120,345	7,886,902	8,045,700
Time Deposits	717,926	667,129	1,913,300	1,461,173	661,271	120,345	5,541,144	5,711,384
Interest-Yielding Judicial Deposits	346,791	-	-	-	-	-	346,791	329,858
Finor/Cash and cash Equivalents and Reinvestments - Law No. 8167	-	-	1,766,845	77,218	77,218	-	1,921,281	1,932,733
FAT - Funds Available	464	918	-	-	-	-	1,382	1,105
FAT - Funds Applied	5,319	10,503	-	-	-	-	15,822	17,718
Other	-	17,468	-	43,014	-	-	60,482	52,902
Funds from acceptance and issue of securities	-	11,500	-	-	-	-	11,500	46,107
Agribusiness Credit Bills (LCA)	-	-	-	-	-	-	-	44,074
Financial Bills - charges	-	11,500	-	-	-	-	11,500	2,033
Debt instruments eligible to capital	-	-	-	-	-	1,295,889	1,295,889	1,551,040
Subordinated Debts Eligible to Capital	-	-	-	-	-	2,582,973	2,582,973	2,545,199
Total at 03.31.2020	4,571,439	1,599,439	3,680,145	1,581,405	738,489	3,999,207	16,170,124	
Total at 12.31.2019	4,172,932	1,994,003	3,676,111	1,704,789	886,107	3,958,258		16,392,200

Notes

b) Deposits

Specification	03.31.2020	12.31.2019
Demand deposits	339,045	405,302
Government deposits	18,409	6,527
Linked Deposits	103,937	175,616
Legal entities	159,061	173,543
Individuals	54,147	48,152
Other Amounts	3,491	1,464
Savings Deposits	2,742,916	2,633,831
Free savings deposits - Individuals	1,725,518	1,741,528
Free savings deposits - Legal entities	1,016,455	891,360
From related parties and Financial System Institutions	943	943
Interbank Deposits	1,310,899	1,165,021
Time Deposits	7,886,902	8,045,700
Time Deposits	5,541,144	5,711,384
Interest-Yielding Judicial Deposits	346,791	329,858
Other time deposits	1,998,967	2,004,458
Interest-yielding special deposits/FAT (Note 25 and Note 27.a.1)	17,204	18,823
Funds Available (Note 25)	1,382	1,105
Protrabalho	1,382	346
PNMPO	-	759
Funds Applied (Note 25)	15,822	17,718
Protrabalho	15,822	17,718
Finor/Cash and cash equivalents and Reinvestments (Law No. 8167/91)	1,921,281	1,932,733
Other Amounts	60,482	52,902
Total	12,279,762	12,249,854
Short-term	6,159,378	5,870,828
Long-term	6,120,384	6,379,026

c) Open market funding

Specification	03.31.2020	12.31.2019
Own portfolio	1,686,609	1,551,725
Financial Treasury Bills (LFT)	1,686,609	1,551,725
Total	1,686,609	1,551,725
Short-term	1,680,625	1,545,801
Long-term	5,984	5,924

d) Expenses with Open Market Funding

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Funding expenses	(107,855)	(265,064)
Time Deposits	(57,677)	(89,155)
Savings Deposits	(17,679)	(21,073)
Judicial deposits	(3,213)	(4,355)
Interbank Deposits	(7,570)	(10,290)
Special deposits	(18,884)	(26,232)
Funds from acceptance and issue of securities	(139)	(111,277)
Other deposits	(2,693)	(2,682)
Expenses with open market funding	(25,515)	(21,840)
Third-party portfolio	-	(2,059)
Own portfolio	(16,103)	(19,781)
Financial Bills	(9,412)	-
Total	(133,370)	(286,904)

Notes

NOTE 14 - Borrowings and Onlending

a) Breakdown of 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 03.31.2020	Total at 12.31.2019
Foreign Borrowings	62,862	1,037,216	-	-	-	-	1,100,078	881,557
Domestic onlending	41,260	98,447	302,582	304,117	382,469	31,245	1,160,120	1,167,737
Foreign onlending	-	70,087	157,957	119,161	170,791	-	517,996	431,862
Total at 03.31.2020	104,122	1,205,750	460,539	423,278	553,260	31,245	2,778,194	
Total at 12.31.2019	194,151	847,465	491,331	451,005	459,362	37,842		2,481,156
Short-term							1,309,872	1,041,616
Long-term							1,468,322	1,439,540

b) Domestic onlending - Official Institutions

Specification	Annual restatement rate (%)	03.31.2020	12.31.2019
National Treasury	IGP - DI + 2.00	514	505
BNDES	Fixed rate 1.5 to 11.10 TJLP to 4.00 IPCA 9.41 Exc. var. 2.00 to 4.00	1,115,018	1,118,933
POC (credit facility granted by the BNDES agents to small and medium-sized companies to buy shares in capital increases)		722,391	729,216
Credit Facility for investment in agriculture sector		392,627	389,717
FINAME	Fixed rate 1.5 to 7.00 TJLP 0.00 to 4.00 Exc. var. 2.00 to 4.00	44,588	48,299
"Programa Automático" (program for purchase of new machinery and equipment by companies based in Brazil)		23,562	27,528
Agricultural Program		21,026	20,771
Total (Note 27.a.1)		1,160,120	1,167,737
Short-term		139,707	102,555
Long-term		1,020,413	1,065,182

c) Borrowings

Specification	Annual restatement rate (%)	03.31.2020	12.31.2019
Foreign borrowings/Foreign currency payables	USD	1,100,078	881,557
Total		1,100,078	881,557
Short-term		62,862	881,557
Long-term		1,037,216	

d) Foreign Onlending

Specification	Annual restatement rate (%)	03.31.2020	12.31.2019
BID-Prodetur II	USD + 2.75	512,579	427,022
BID - Other programs	USD + 2.75	5,417	4,840
Total		517,996	431,862
Short-term		70,087	57,504
Long-term		447,909	374,358

Notes

e) Expenses with borrowings and onlending

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Expenses with Onlending	(163,754)	(62,256)
Domestic onlending - Official institutions	(35,707)	(20,605)
National Treasury	(8)	(5)
BNDES	(34,769)	(20,015)
FINAME	(930)	(585)
Foreign onlending expenses	(128,047)	(41,651)
Expenses on Onlending with Foreign Banks	(250,932)	(63,656)
Expenses with Financial and Development Funds	(242,846)	(369,552)
Total	(657,532)	(495,464)

NOTE 15 - Funds from Acceptance and Issue of Securities

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

Specification	Remuneration	Nominal value	03.31.2020	12.31.2019
Agribusiness Credit Bills (LCA) ⁽¹⁾	81.19% of CDI	97,523	-	44,074
Financial Bills - contractual charges			11,500	2,033
Total			11,500	46,107
Short-term			11,500	46,107

⁽¹⁾ These matured on 03.23.2020.

Notes

NOTE 16 - Other Liabilities

Specification	03.31.2020	12.31.2019
a) Collection of taxes and other contributions	49,923	1,699
Funds from Proagro	1,384	76
Federal taxes received	46,773	-
Tax on Financial Transactions (IOF) payable	661	832
Other taxes and levies	1,105	791
b) Foreign exchange portfolio (Note 11.a)	2,993	1,354
c) Social and statutory	359,817	337,855
Return on Capital Payable	234,721	232,293
Profit Sharing	125,096	105,562
d) Tax and Social Security	766,003	1,352,210
Provision for Deferred Taxes and Contributions	452,408	695,011
Securities (Note 20.d)	155,903	413,323
Revaluation of buildings and Land	1,734	1,745
from recovered credits, hedged items and deferred depreciation (Note 20.d)	294,771	279,943
Provision for Income Tax and Social Contribution (Note 20.a.2)	228,651	543,083
Income Tax	135,688	331,949
Social Contribution Tax on Net Profit (CSLL)	92,963	211,134
Taxes and Contributions Payable	84,944	114,116
e) Securities Trading	153	153
f) Financial and Development Funds	24,439,233	23,656,478
FNE (Note 27.a.1)	23,423,438	22,702,557
Other Amounts	1,015,795	953,921
g) Debt instruments eligible to capital	1,295,889	1,551,040
Authorized Principal Capital (Note 17 and Note 27.a.1)	500,000	750,000
Authorized Complementary Capital (Note 17)	795,889	801,040
h) Subordinated Debts Eligible to Capital (Note 17 and Note 27.a.1)	2,582,973	2,545,199
i) Other	7,214,518	7,424,614
Provision for Contingencies	687,384	562,438
Labor claims (Note 21.f.1.ii)	355,930	334,025
Civil proceedings (Note 21.f.1.iii)	200,613	176,738
Other Tax Proceedings (Note 21.a.1.ii)	17,953	17,815
Other contingencies	112,888	33,860
Accrued Interest on Equity (IOE)	78,068	-
Other (Note 21.f.1.iv)	34,820	33,860
Provision for Financial Guarantees Provided (Note 21.f.2)	2,789,475	2,748,825
FNE (Note 9.f and Note 21.f.2.i)	2,788,253	2,747,591
Onlending	544	628
Full risk - BNB	24,097	22,630
Shared risk	2,763,612	2,724,333
FDNE (Note 9.f and Note 21.f.2.ii)	1,222	1,234
Actuarial liabilities	3,015,803	3,430,173
Retirement and DB Pension Plan (Note 23 and Note 27.a.2)	994,865	931,871
Health Care Plan (Note 23 and Note 27.a.2)	1,725,920	2,134,473
Life insurance - Post-Employment Benefit (Note 23 and Note 27.a.2)	295,018	363,829
Accrued Payments	567,465	519,213
Personnel expenses	214,112	189,823
Other Amounts	81,768	89,402
Interest and charges on debt instruments eligible to principal capital	271,585	239,988
Other Amounts	154,391	163,965
Total	36,711,502	36,870,602
Short-term	6,121,489	5,110,813
Long-term	30,590,013	31,759,789

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 balances of retained earnings, of income reserves, including legal reserve and capital reserves of the Bank, are 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, being considered duly settled, for all purposes, the debt to which the agreement refers up to the amount offset.

Notes

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 upon prior authorization by BACEN.

Specification	Amount issued	Remuneration	Funding date	03.31.2020	12.31.2019
Debt instruments eligible to principal capital (Notes 16.g and 27.a.1)	1,000,000	Profitability on Equity	01.19.2016	500,000	750,000
Short-term				-	250,000
Long-term				500,000	500,000

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	03.31.2020 ⁽²⁾	12.31.2019
Financial Bills ⁽¹⁾ (Note 16.g)	801,040	117% of Selic	June 2019	795,889	801,040
Long-term				795,889	801,040

⁽¹⁾ Interest paid every six months.

⁽²⁾ In the 1st quarter, Financial Bills amounting to R\$5,151 were repurchased.

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	03.31.2020	12.31.2019
Fundo Constitucional de Financiamento do Nordeste (FNE)	2,582,973	2,545,199
Funds available	1,817,925	1,629,532
Funds Applied	765,048	915,667
Total (Notes 16.h and 27.a.1)	2,582,973	2,545,199

NOTE 18 - Equity

a) Capital

The Bank's capital in the amount of R\$5,569,988 (R\$3,813,000 at 12.31.2019) is represented by 86,371,464 common, book-entry, paid-in shares, with no par value, held as follows:

Specification	03.31.2020		12.31.2019	
	Number of shares	% of Capital	Number of shares	% of Capital
Federal Government	47,896,415	55.45	47,896,415	55.45
FI CAIXA FGEDUC MULTIMERCADO	30,205,568	34.97	30,205,568	34.97
BB FGO Investment Fund Shares	6,206,000	7.19	6,206,000	7.19
National Development Fund (FND) ⁽¹⁾	0	0.00	0	0.00
Other	2,063,481	2.39	2,063,481	2.39
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.

Notes

At the Extraordinary General Meeting held on 03.27.2020, shareholders approved the capital increase by R\$1,756,988, arising from the incorporation of Statutory Reserves - Reserve for Operational Margin amounting to R\$1,472,588 and Reserve for Complementary Dividend Equalization amounting to R\$284,400, without issuing new shares. Capital was changed from R\$3,813,000 to R\$5,569,988, represented by 86,371,464 common, book-entry, paid-in shares, with no par value. Capital increase was submitted to the approval by the Central Bank.

b) Revaluation Reserve

The amount of R\$13,712 (R\$13,726 at 12.31.2019) refers to the revaluation reserve balance of property and equipment in use, set up 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\$14 (R\$253 at 12.31.2019) was transferred to Retained Earnings (Accumulated Losses).

c) Payment of dividends and IOE for year 2019

Through the Annual General Meeting held on 03.27.2020, the payment of complementary Interest on Equity (IOE) and Dividends for the year ended 12.31.2019 was approved in the amount of de R\$232,486. This payment was made on 04.08.2020.

d) Other Comprehensive Income

Statement of Changes	03.31.2020	12.31.2019
Available-for-Sale Securities ⁽¹⁾	(306,925)	479,801
Actuarial Gains and Losses (Post-Employment Benefits) ⁽¹⁾	247,052	(579,674)
Other comprehensive income⁽¹⁾	(59,873)	(99,873)

⁽¹⁾ Net of tax effects.

Notes

NOTE 19 - Other Operating Income/Expenses

Specification	01.01 to 03.31.2020	01.01 to 03.31.2019 Restated
a) Service revenue	635,771	595,269
Investment fund management	15,896	12,556
Fund and program management	486,618	460,126
Service rendered	133,257	122,587
b) Income from bank fees	24,519	20,743
c) Personnel expenses	(529,019)	(501,097)
Salaries	(295,287)	(291,979)
Social charges	(103,870)	(99,558)
Retirement and Pension Plan - DB and VC I Capef Plans	(33,916)	(28,563)
Health care plan - Camed Natural Plan	(48,454)	(35,044)
Life insurance - Post-employment benefit	(6,884)	(3,145)
Benefits, training sessions, fees and compensation of interns	(40,608)	(42,808)
d) Other administrative expenses	(340,309)	(308,155)
Data processing	(58,497)	(63,431)
Advertising and publicity	(1,255)	(1,123)
Third-party services ⁽¹⁾	(174,987)	(143,336)
Rents, material and public utilities	(20,095)	(19,415)
Travel	(3,187)	(3,698)
Communications	(4,401)	(5,823)
Depreciation and Amortization	(3,129)	(2,941)
Asset maintenance and upkeep	(12,366)	(12,412)
Surveillance, security and transportation	(23,087)	(22,365)
Promotions, public relations and publications	(3,290)	(3,774)
Financial system services	(11,753)	(8,293)
Specialized technical services	(8,652)	(8,632)
Insurance	(1,804)	(1,107)
Court, notary and attorney's fees	(8,829)	(7,463)
Worker' union dues and Associations	(982)	(867)
Condominium fees, catering, kitchen and meals	(1,702)	(1,614)
Other Amounts	(2,293)	(1,861)
e) Tax expenses (Note 20.e)	(92,149)	(80,048)
COFINS and PIS/PASEP	(81,821)	(70,298)
ISS and IPTU/Improvement tax	(9,525)	(8,820)
Other Amounts	(803)	(930)
f) Other operating income	700,505	587,901
Del credere commission on fund management	447,184	378,822
Exchange Losses on Borrowings	4	85,160
Exchange losses on funding expenses	-	66,870
Exchange loss on reclassification of Development Financial Fund obligation expenses	-	3,019
Reversal of Operating Provisions/Risks on FNE transactions	2,024	1,980
Recovery of charges and expenses	1,266	1,148
Reversal of operating provisions	2,875	13,603
Interest and commissions	1,060	807
Monetary restatement	897	196
Exchange gains (losses)	164	-
FNE - Recovery of amounts settled by the Bank	36,837	29,669
Other Amounts ⁽²⁾	208,194	6,627
g) Other operating expenses	(336,662)	(332,875)
Exchange losses on exchange area	(3,626)	(663)
Exchange loss on loans granted	(4)	(85,236)
Negative monetary restatement of loans	(11)	(1,050)
Discounts granted in Renegotiations	(8,680)	(6,438)
Loan Charges	(4,491)	(3,060)
Tax Contingencies	(178)	(332)
Risks on FNE Loans	(184,899)	(98,815)
Risks on FDNE Loans	-	(24)
Labor Claims	(31,543)	(15,835)
Civil Proceedings	(28,591)	(6,227)
Other proceedings	(1,023)	(839)
Debt Instruments Eligible to Principal Capital (IECP)	(29,167)	(63,294)
Monetary restatement of IECP	(2,429)	(2,625)
FNE Remuneration - Available Funds - article 9-A of Law No. 7827	(16,035)	(20,157)
FNE Remuneration - Funds Applied - article 9-A, Law No. 7827	(21,738)	(23,594)
Other Amounts	(4,247)	(4,686)
Total	62,656	(18,262)

(1) These comprise expenses for 1Q20 amounting to R\$148,001 (R\$121,916 at 03.31.2019) on behalf of Instituto Nordeste Cidadania (INEC); this refers to a Civil Society Organization of Public Interest ("Oscip") that renders services 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.

(2) At 03.31.2020, this amount includes income earned from the closing, on 02.20.2020, of the commercial partnership agreement with Icatu Seguros for the sale of insurance services in the life, credit life and social security insurance lines, for a of 20-years.

Notes

Notes

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 03.31.2020	01.01 to 03.31.2019	01.01 to 03.31.2020	01.01 to 03.31.2019
Income Before Income Taxes and Profit Sharing	500,717	445,260	500,717	445,260
Statutory profit sharing	(19,533)	(17,303)	(19,533)	(17,303)
Income before taxes, less statutory profit sharing Statutory / Interest on Equity	481,184	427,957	481,184	427,957
Permanent additions/exclusions	(88,072)	(79,025)	(88,180)	(79,123)
Temporary additions/exclusions	134,761	(261,706)	134,761	(261,706)
Taxable income	527,873	87,226	527,765	87,128
Expenses with provision for IRPJ and CSLL - before tax incentives and revaluation reserve	(131,962)	(21,807)	(87,048)	(13,073)
Deductions (tax incentives)	3,886	1,285	0	0
Provision for IRPJ/CSLL on revaluation reserve realized	6	6	4	4
Current IRPJ/CSLL expenses - after tax incentives, revaluation reserve and adjustments to Retained Earnings (Accumulated Losses) ⁽¹⁾	(128,070)	(20,516)	(87,044)	(13,069)
Provision for deferred taxes and contributions - arising from tax credits recovered and Depreciation	(7,841)	2,424	(6,988)	1,454
Provision for Income Tax and Social Contribution	(135,911)	(18,092)	(94,032)	(11,615)
IRPJ/CSLL tax credits - Provisions	41,493	(67,956)	35,475	(40,784)
Total IRPJ/CSLL	(94,418)	(86,048)	(58,557)	(52,399)
Effective Rate (%)	19.62	20.11	12.17	12.24
a.2) Specification of the provision for IRPJ and CSLL	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Provision for Income Tax and Social Contribution	128,070	321,272	87,044	202,732
Provision for Taxes on Revaluation Reserve Realized	6	24	4	15
Provision for Income Tax and Social Contribution (Note 16.d)⁽²⁾	128,076	321,296	87,048	202,747
Taxes and Contributions Recoverable on Prepayments, Including Withholding Taxes	(51,604)	(229,544)	(24,122)	(113,492)
Taxes Payable (Recoverable) for the Period	76,472	91,752	62,926	89,255

⁽¹⁾ The balance of current IRPJ expense includes R\$555 from the accounting carried out in 2020 relating to the 2019 Annual Adjustment amount, due to the use of tax incentives in 2019 greater than those received.

⁽²⁾ The balance of the provision for IRPJ and CSLL includes the amount of reversal of Pasep/Cofins expenses and of interest on the amount payable to the Brazilian Internal Revenue Service (RFB), accounted for in 2019, of R\$19,040, referring to the period from 2014 to 2018, whose remaining balance, after initial payments in 2020, amounts to R\$13,527 on 03.31.2020.

b) Reconciliation of IRPJ and CSLL Charges

Specification	03.31.2020	03.31.2019
Income before taxes and profit sharing	500,717	445,260
Charge of 45% - IRPJ (25%) and CSLL (20%)	(225,323)	(178,174)
Statement of tax levy:		
Income Tax and Social Contribution for the Period	(152,975)	(137,587)
Increase/Decrease in Income Tax and Social Contribution arising from:	(72,348)	(40,587)
Profit sharing/IOE	(43,921)	(34,217)
Other Income/FNE/Del Credere/Onlending Operations - Article 9-A of Law No. 7827	(5,784)	(5,872)
Temporary Differences - Other Provisions (Labor, Civil, Tax and Other Proceedings)	-	(33)
Temporary Differences - Transactions with Reimbursement Longer than 10 Years	140	(209)
Rate difference - CSLL ⁽¹⁾	(27,354)	(0)
Other (Tax Incentives, Permanent Additions/Exclusions)	4,571	(256)
Total Reconciled Tax Levy	(225,323)	(178,174)

⁽¹⁾ In 2019 and until February 2020, the 15% rate was in force and, from March 2020 onwards, the CSLL rate returned to 20%, as provided for in Constitutional Amendment No. 105 of 11.13.2019.

Notes

c) Deferred Tax Assets and Liabilities

Specification	03.31.2020		12.31.2019		03.31.2020	12.31.2019
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Allowances (ALL)						
Opening balance	576,129	459,764	711,030	426,632	1,035,893	1,137,662
Set up	94,215	61,883	261,288	270,845	156,098	532,133
Realization/Reversal	(73,220)	(43,944)	(396,189)	(237,713)	(117,164)	(633,902)
Closing Balance (Note 10.d)	597,124	477,703	576,129	459,764	1,074,827	1,035,893
b) Unearned Income - Operations not Related to Legal Proceedings						
Opening balance	2,115	1,661	2,101	1,261	3,776	3,362
Set up	239	192	1,059	1,027	431	2,086
Realization/Reversal	(152)	(91)	(1,044)	(627)	(243)	(1,671)
Closing Balance (Note 10.d)	2,202	1,762	2,115	1,661	3,964	3,776
c) Provisions - Extended Transactions						
Opening balance	1,004	798	-	-	1,802	-
Set up	-	-	1,004	798	-	1,802
Realization/Reversal	(15)	(7)	-	-	(22)	-
Closing Balance (Note 10.d)	988	791	1,004	798	1,779	1,802
d) Actuarial provisions						
Opening balance	280,414	223,378	269,396	161,638	503,792	431,034
Set up	18,247	14,269	51,657	86,124	32,516	137,781
Realization/Reversal	(9,543)	(6,352)	(40,639)	(24,384)	(15,895)	(65,023)
Closing Balance (Note 10.d)	289,118	231,295	280,414	223,378	520,413	503,792
e) Provision for the Voluntary Dismissal Program ("PID")						
Opening balance	-	-	14,667	8,800	-	23,467
Set up	-	-	99	60	-	159
Realization/Reversal	-	-	(14,766)	(8,860)	-	(23,626)
Closing Balance	-	-	-	-	-	-
f) Provision for contingencies						
Opening balance	139,368	111,349	98,781	59,268	250,717	158,049
Set up	17,067	12,731	76,646	73,716	29,798	150,362
Realization/Reversal	(5,344)	(3,207)	(36,059)	(21,635)	(8,551)	(57,694)
Closing Balance (Note 10.d)	151,091	120,873	139,368	111,349	271,964	250,717
g) Derivative financial instruments						
Opening balance	-	-	5,398	3,239	-	8,637
Set up	-	-	308	185	-	493
Realization/Reversal	-	-	(5,706)	(3,424)	-	(9,130)
Closing Balance	-	-	-	-	-	-
h) Hedged Item						
Opening balance	-	-	-	-	-	-
Set up	-	-	876	526	-	1,402
Realization/Reversal	-	-	(876)	(526)	-	(1,402)
Closing Balance	-	-	-	-	-	-
Effect on Equity						
i) Securities						
Opening balance	130,286	101,143	173,455	106,009	231,429	279,464
Set up	46,332	40,152	204,978	129,706	86,484	334,684
Realization/Reversal	(49,916)	(41,063)	(248,148)	(134,571)	(90,979)	(382,719)
Closing Balance (Note 7.a.2)	126,702	100,232	130,285	101,144	226,934	231,429
j) Actuarial valuation adjustments						
Opening balance	577,129	461,703	287,504	172,502	1,038,832	460,006
Set up	115	93	289,625	289,201	208	578,826
Realization/Reversal	(112,411)	(89,930)	-	-	(202,341)	-
Closing Balance (Note 10.d)	464,833	371,866	577,129	461,703	836,699	1,038,832

Notes

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

Specification	Income Tax		Social Contribution	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
1. Total Temporary Differences	6,693,831	6,991,153	6,693,831	6,991,153
2. Tax Credits on Temporary Differences	1,673,458	1,747,788	1,338,767	1,392,996
3. Tax Credits Recognized in Assets on Provisions	1,505,356	1,576,160	1,204,290	1,258,652
4. Tax credits recognized in assets due to mark-to-market of securities	126,702	130,285	100,232	101,144
5. Total Tax Credits Recognized in Assets (item 3 + item 4) ⁽¹⁾	1,632,058	1,706,445	1,304,522	1,359,796
6. Tax credits not Recognized in Assets (item 2 - item 5) ⁽²⁾	41,400	41,343	34,245	33,200

⁽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 every six months.

Total estimated realization of tax credits at 03.31.2020 is as follows:

Period	IRPJ		CSLL		Total	
	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾
2020	162,768	161,744	129,084	128,266	291,852	290,010
2021	160,330	155,475	128,264	124,381	288,594	279,856
2022	92,348	87,411	73,879	69,928	166,227	157,339
2023	96,697	88,269	77,358	70,615	174,055	158,884
2024	171,187	144,597	136,950	115,677	308,137	260,274
2025	115,144	95,607	92,115	76,486	207,259	172,093
2026	60,026	52,850	48,021	42,279	108,047	95,129
2027	65,840	58,380	52,672	46,704	118,512	105,084
2028	51,190	43,959	40,952	35,168	92,142	79,127
2029	72,252	65,036	57,801	52,029	130,053	117,065
From 2029 onwards	584,276	582,501	467,426	466,003	1,051,702	1,048,504
Total	1,632,058	1,535,829	1,304,522	1,227,536	2,936,580	2,763,365

⁽¹⁾ For present value calculation purposes, the goal for average Over - Selic rates was considered, projected by Bacen at 03.31.2020.

Notes

d) Provisions for Deferred Taxes and Contributions

Specification	03.31.2020		12.31.2019		03.31.2020	12.31.2019
	IRPJ	CSLL	IRPJ	CSLL	Total	
Effect on P&L						
a) Derivative Financial Instruments						
Opening balance	-	-	-	-	-	-
Set up	-	-	876	526	-	1,402
Realization/Reversal	-	-	(876)	(526)	-	(1,402)
Closing Balance (Note 7.c and Note 16.d)	-	-	-	-	-	-
b) From Recovered Credits⁽¹⁾						
Opening balance	139,742	111,099	103,935	62,359	250,841	166,294
Set up	6,932	6,053	35,930	48,813	12,985	84,743
Realization/Reversal	(232)	-	(123)	(73)	(232)	(196)
Closing Balance (Note 16.d)	146,441	117,153	139,742	111,099	263,594	250,841
c) Hedged Item						
Opening balance	-	-	5,615	3,369	-	8,984
Set up	-	-	308	185	-	493
Realization/Reversal	-	-	(5,923)	(3,554)	-	(9,477)
Closing Balance	-	-	-	-	-	-
d) Deferred Depreciation						
Opening balance	16,179	12,923	11,200	6,720	29,102	17,920
Set up	1,266	1,009	5,301	6,395	2,275	11,696
Realization/Reversal	(125)	(75)	(322)	(192)	(200)	(514)
Closing Balance (Note 16.d)	17,320	13,857	16,179	12,923	31,177	29,102
Effect on Equity						
d) Revaluation Reserve						
Opening balance	971	774	994	597	1,745	1,591
Set up	-	-	-	193	-	193
Realization/Reversal	(6)	(5)	(25)	(15)	(11)	(40)
Closing Balance (Note 16.d)	965	769	971	774	1,734	1,745
e) Securities						
Opening balance	230,471	182,852	64,156	39,065	413,323	103,221
Set up	207,579	165,959	888,277	578,499	373,538	1,466,776
Realization/Reversal	(351,125)	(279,833)	(721,962)	(434,712)	(630,958)	(1,156,674)
Closing Balance (Note 7.a.2 and Note 16.d)	86,925	68,978	230,471	182,852	155,903	413,323

⁽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 03.31.2020, are as follows:

Period	Realization of IRPJ credit		Realization of CSLL CSLL		Total	
	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾	Book value	Present value ⁽¹⁾
2020	21,453	21,297	16,600	16,475	38,053	37,772
2021	22,099	20,884	17,679	16,707	39,778	37,591
2022	22,953	20,471	18,362	16,377	41,315	36,848
2023	28,078	23,892	22,463	19,114	50,541	43,006
2024	22,028	17,439	17,622	13,951	39,650	31,390
2025	15,263	11,385	12,210	9,108	27,473	20,493
2026	11,127	7,821	8,902	6,257	20,029	14,078
2027	9,404	6,228	7,523	4,982	16,927	11,210
2028	3,562	2,223	2,850	1,778	6,412	4,001
2029	2,032	1,195	1,625	956	3,657	2,151
From 2029 onwards	93,652	88,536	74,921	70,829	168,573	159,365
Total	251,651	221,371	200,757	176,534	452,408	397,905

⁽¹⁾ For present value calculation purposes, the goal for average over - Selic rates was considered, projected by BACEN at 03.31.2020.

e) Tax Expenses

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Cofins and Pis/Pasep ⁽¹⁾	(81,821)	(70,298)
ISS and IPTU/Improvement tax	(9,525)	(8,820)
Other Amounts	(803)	(930)
Total (Note 19.e)	(92,149)	(80,048)

Notes

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	03.31.2020		12.31.2019	
	Base value	Provision	Base value	Provision
a) Provision for contingencies				
a.1) Tax Proceedings (Note 21 f.1.i)	3,243,415	17,953	3,762,943	17,815
i) Legal Obligation	11,187	11,187	11,062	11,062
ii) Other Obligations - Sundry	3,232,228	6,766	3,751,881	6,753
Probable	6,766	6,766	6,753	6,753
Possible	3,187,113	-	3,577,567	-
Remote ⁽¹⁾	38,349	-	167,561	-
a.2) Labor Claims	633,213	355,930	602,533	334,025
Probable (Note 21 f.1.ii)	355,930	355,930	334,025	334,025
Possible	131,602	-	123,996	-
Remote	145,681	-	144,512	-
a.3) Civil Proceedings	8,038,141	200,613	7,716,331	176,738
Probable (Note 21 f.1.iii)	200,613	200,613	176,738	176,738
Possible	1,898,449	-	1,865,136	-
Remote ⁽²⁾	5,939,079	-	5,674,457	-
a.4) Other Contingencies (Note 21 f.1.iv)	1,121,707	34,820	1,088,651	33,860
i) Securitized Transactions	3,953	3,953	4,015	4,015
ii) Other Proceedings	1,117,754	30,867	1,084,636	29,845
Probable	30,867	30,867	29,845	29,845
Possible	2,955	-	2,537	-
Remote	1,083,932	-	1,052,254	-

⁽¹⁾ The contingent liability relating to tax proceedings assessed as remote loss refers to one (1) proceeding, with balance of R\$130,762 at 12.31.2019, whose contingency was fully reversed at 03.31.2020.

⁽²⁾ Contingent liabilities relating to civil proceedings assessed as remote loss are concentrated in four (4) proceedings, with balance of R\$3,392,126 at 03.31.2020. These proceedings refer to the following matters: i) extraordinary contribution of post-employment benefit and payment of attorney's fees - R\$2,447,157 at 03.31.2020 (R\$2,338,498 at 12.31.2019); ii) loss of profit and payment of administrative fee - R\$418,910 at 03.31.2020 (R\$400,309 at 12.31.2019); iii) reassessment (solutio indebiti), loss of profits and compensation for pain and suffering - R\$ 289,360 at 03.31.2020 (R\$276,512 at 12.31.2019); iv) compensation for pain and suffering and loss of profits - R\$236,699 at 03.31.2020 (R\$226,189 at 12.31.2019).

⁽³⁾ The contingent liability relating to other proceedings assessed as remote loss refers to one (1) proceeding, with balance of R\$1,036,086 at 03.31.2020 (R\$1,005,615 at 12.31.2019).

- 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

Five tax proceedings challenging the tax deficiency notice. At 03.31.2020, estimated financial losses amount to R\$2,829,478 (R\$3,266,787 at 12.31.2019).

Civil

Civil proceeding claiming compensation for pain and suffering. At 03.31.2020, estimated losses amount to R\$528,692, of which R\$528,534 are assessed as possible risk of loss and R\$158 are assessed as probable risk of loss (R\$505,217, of which R\$505,067 are assessed as possible risk of loss and R\$150 are assessed as probable risk of loss, at 12.31.2019).

Notes

Civil proceeding challenging compensation for pain and suffering and payment of fees. At 03.31.2020, estimated loss amounts to R\$ 173,110 (R\$ 165,424 at 12.31.2019).

Civil proceeding claiming payment of fine and compensation for pain and suffering. At 03.31.2020, estimated loss amounts to R\$ 102,229 (R\$ 97,690 at 12.31.2019).

Civil proceeding claiming compensation for pain and suffering and consequential damages. At 03.31.2020, estimated loss amounts to R\$ 83,477 (R\$ 79,770 at 12.31.2019).

Civil proceeding challenging payment of attorney's fees. At 03.31.2020, estimated loss amounts to R\$ 82,595 (R\$ 78,928 at 12.31.2019).

Civil proceeding filed in 2014 related to post-employment benefits. At 03.31.2020, estimated loss amounts to R\$ 55,238 (R\$ 55,238 at 12.31.2019).

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

Specification	03.31.2020	12.31.2019
Labor Claims	217,052	205,621
Tax Proceedings	146,259	145,530
Civil Proceedings	134,297	127,544
Other claims	46	46
Counter-guarantees - IDB Onlending	43,014	34,854
Total	540,668	513,595

Changes in Provisions

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

Specification	03.31.2020					12.31.2019				
	Opening balance	Recognition	Reversal	Payment	Closing balance	Opening balance	Recognition	Reversal	Payment	Closing balance
i) Tax Proceedings (Notes 16.i and 21.a.1)	17,815	395	(255)	(2)	17,953	15,769	2,763	(655)	(62)	17,815
ii) Labor Claims (Notes 16.i and 21.a.2)	334,025	33,184	(1,641)	(9,638)	355,930	206,531	172,883	(20,160)	(25,229)	334,025
iii) Civil proceedings (Notes 16.i and 21.a.3)	176,738	32,447	(3,836)	(4,736)	200,613	146,964	92,294	(34,395)	(28,125)	176,738
iv) Other (Notes 16.i and 21.a.4)	33,860	1,150	(190)	-	34,820	32,466	44,557	(43,163)	-	33,860
Total	562,438	67,176	(5,922)	(14,376)	609,316	401,730	312,497	(98,373)	(53,416)	562,438

f.2) Provisions for Financial Guarantees Provided

Specification	03.31.2020				12.31.2019			
	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)	2,747,591	318,595	(277,933)	2,788,253	2,989,707	1,360,240	(1,602,356)	2,747,591
ii) FDNE (Notes 9.f and 16.i)	1,234	12	(24)	1,222	1,222	64	(52)	1,234
iii) Proagro (Notes 9.f and 16.i)	-	-	-	-	7	-	(7)	-
Total	2,748,825	317,149	(276,499)	2,789,475	2,990,936	1,360,304	(1,602,415)	2,748,825

Notes

NOTE 22 - Employee and officer compensation (in Brazilian reais)

a) Monthly Employee Compensation

Gross Compensation ⁽¹⁾	03.31.2020	12.31.2019
Maximum	44,349.57	44,349.57
Minimum	1,864.51	1,864.51
Average	11,813.52	11,690.10

⁽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 03.31.2020	01.01. to 12.31.2019	01.01. to 03.31.2020	01.01. to 12.31.2019	01.01. to 03.31.2020	01.01. to 12.31.2019
Gross Compensation ⁽¹⁾	Executive Board		Board of Directors		Supervisory Board	
Highest individual compensation ⁽²⁾	235,120.51	1,107,062.84	17,708.76	70,835.04	16,623.18	66,492.72
Lowest individual compensation ⁽³⁾	192,021.90	734,481.75	13,569.96	54,279.84	13,569.96	54,279.84
Average individual compensation ⁽⁴⁾	221,188.76	927,343.84	15,409.43	60,346.98	14,791.25	57,219.53
Number of members ⁽⁵⁾	7.33	6.25	6.00	5.33	5.00	5.17

⁽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 during 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 03.31.2020, the Bank had 6,814 employees (6,802 at 12.31.2019), a headcount increase of 0.18%.

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) DB Plan

The DB plan, which is closed to new participants since 11.26.1999, offers to its participants supplementary retirement benefits based on the contribution period, age and disability, as well as supplementary 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) VC 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 supplementary 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.

Notes

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 complementary 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.

Notes

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 03.31.2020, 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 03.31.2020, 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 03.31.2019).

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	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	1,248	5,358	6,290	4,771
Vested participants (retirees)	3,841	266	3,958	3,657
Vested participants (pensioners)	1,243	38	1,241	-
TOTAL	6,332	5,662	11,489	8,428

f) Net obligation

Specification	03.31.2020	12.31.2019
DB Plan (Notes 16.i and 27.a.2)	994,865	931,871
Natural Plan (Notes 16.i and 27.a.2)	1,725,920	2,134,473
Life Insurance (Notes 16.i and 27.a.2)	295,018	363,829

Notes

g) Amounts recognized in P&L

Specification	01.01 to 03.31.2020				01.01 to 03.31.2019			
	DB Plan	VC I Plan	Natura I Plan	Life insurance	DB Plan	VC I Plan	Natura I Plan	Life insurance
1. Current Service Cost, net	(2,980)	321	(10,622)	(354)	(710)	319	(4,813)	142
2. Net interest	(14,653)	-	(37,848)	(6,531)	(12,574)	-	(30,253)	(3,289)
3. Total (item 1 + item 2)	(17,633)	321⁽¹⁾	(48,470)⁽²⁾	(6,885)⁽²⁾	(13,284)	319⁽¹⁾	(35,066)⁽²⁾	(3,147)⁽²⁾

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

⁽²⁾ Including transferred employees' contribution: Natural Plan 01.01 to 03.31.2020: R\$16; and 01.01 to 03.31.2019: R\$22 and Group life insurance – 01.01 to 03.31.2020: R\$1; and 01.01 to 03.31.2019: R\$2.

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 03.31.2020	01.01 to 03.31.2019
1. Contributions (DC portion) ⁽¹⁾	(14,851)	(13,768)

⁽¹⁾ Including transferred employees' contribution: VC I Plan - 01.01 to 03.31.2020: R\$30 and 01.01 to 03.31.2019: R\$57.

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

Specification	01.01 to 03.31.2020	01.01 to 03.31.2019
1. Administrative expenses	(1,462)	(1,568)

h) Amounts recognized in equity

At 03.31.2020, gains (losses) arising from changes in interest rates were recorded in Equity, which changed from 2.87% (12.31.2019) to 3.70% (03.31.2020) in the DB plan; and from 3.46% (12.31.2019) to 4.56% (03.31.2020) in the VC I, Natural and Life Insurance plans, based on the sensitivity analyses made available in the actuarial valuations at 12.31.2019.

Specification	03.31.2020				12.31.2019			
	DB Plan	VC I Plan	Natura I Plan	Life insurance	DB Plan	VC I Plan	Natura I Plan	Life insurance
Actuarial gains (losses)	(63,839)	(695)	439,060	74,660	(351,822)	(2,932)	(595,180)	(208,564) ⁽¹⁾

⁽¹⁾ Including estimated contribution difference in the Group Life Insurance actuarial calculation: 01.01 to 12.31.2019: (R\$1).

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

- a) The total Equity of FNE, amounting to R\$ 91,663,716 (R\$ 89,289,553 at 12.31.2019) 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\$ 23,416,599 (R\$ 22,691,198 at 12.31.2019), 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\$ 223,896 (R\$ 361,721 at 03.31.2019).
- c) The provision to cover the risk on FNE loans is recognized pursuant to the following criteria:
 - c.1) Loans contracted until 11.30.1998 are risk-free;
 - c.2) Loans 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

Notes

- 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	Balance s at 03.31.2020	Provision at 03.31.2020 ⁽²⁾	Balance s at 12.31.2019	Provision at 12.31.2019 ⁽²⁾
AA	24,540,718	-	23,744,405	-
A	18,461,984	46,199	18,297,029	45,788
B	6,083,578	30,662	5,699,923	28,786
C	1,872,694	28,029	1,714,095	25,646
D	885,893	44,312	886,581	44,349
E	871,640	131,315	938,294	141,085
F	477,586	119,553	370,768	92,668
G	301,517	105,666	357,882	125,306
H	4,581,161	2,282,517	4,506,150	2,243,963
Total	58,076,771	2,788,253⁽¹⁾	56,515,127	2,747,591⁽¹⁾

⁽¹⁾ At 03.31.2020, this balance includes provision to cover the Bank risk on loan transactions with indication of irregularities in the amount of R\$40,752 (R\$44,715 at 12.31.2019).

⁽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 loans contracted entered into up to 12.31.2011, with FNE funds and mixed funds from FNE and other sources.

- d) For loan 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\$445,062 (R\$376,774 at 03.31.2019).
- e) In the period, the administration fee was R\$ 353,155 (R\$ 335,037 at 03.31.2019), calculated at 2.4% 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 Equity 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 the Bank 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/Funding);
 - 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.

Notes

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⁾	03.31.2020	12.31.2019
Proger-Urbano - Investment	017/2006	-	-
Protrabalho - Investment	004/2007	102,144	105,039
National Program for Production-Oriented Microcredit (PNMPO)	001/2010	-	-
Total		102,144	105,039

Obligations derived from the Workers' Assistance Fund (FAT), recorded under 'Interest-yielding special deposits', totaling R\$ 17,204 (R\$ 18,823 at 12.31.2019), 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 rate totaled R\$ 1,382 (R\$ 1,105 at 12.31.2019).

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			03.31.2020		
		Form ⁽²⁾	RA	SELIC remuneration	Available TMS ⁽³⁾	TJPL or TLP ⁽⁴⁾ applied	Total
Proger – Urbano- Investimento	17/2006	RA	-	-	-	-	-
FAT - Infrastructure ⁽⁵⁾	18/2006	RA	-	-	-	-	-
Protrabalho-Investment	04/2007	RA	1,073	7	1,382	15,822	17,204
PNMPO	01/2010	RA	765	6	-	-	-
Total (Note 13.b and Note 27.a.1)			1,838	13	1,382	15,822	17,204

Specification	Tade ⁽¹⁾	Return of FAT funds			12.31.2019		
		Form ⁽²⁾	RA	SELIC remuneration	Available TMS ⁽³⁾	TJPL or TLP ⁽⁴⁾ applied	Total
Proger – Urbano- Investimento	17/2006	RA	9,575	68	-	-	-
FAT - Infrastructure ⁽⁵⁾	18/2006	RA	1,288	11	-	-	-
Protrabalho-Investment	04/2007	RA	7,157	119	346	17,718	18,064
PNMPO	01/2010	RA	31,138	407	759	-	759
Total (Note 13.b and Note 27.a.1)			49,158	605	1,105	17,718	18,823

⁽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 entered into up to 12.31.2017 and Long-term Rate (TLP) for transactions entered into from 01.01.2018 onwards.

⁽⁵⁾ Regarding FAT - Infrastructure, 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.

Notes

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 the Bank includes, as an essential principle, sustaining a structured risk management system that is integrated to its 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 2020 to 2024, which was also approved by the Board of Directors on 12.02.2019. 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 Referential Equity 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.

Notes

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	
	03.31.2020	12.31.2019
Loans, co-payments and guarantees given	45,901,864	45,232,910
Public sector	1,169,039	1,080,003
Private sector	44,732,825	44,152,907
Trade	4,277,195	4,170,917
Foreign trade	777,950	776,651
Manufacturing	7,442,759	7,427,931
Infrastructure	14,145,130	13,628,564
Urban micro-financing	4,272,779	4,327,132
Individuals	121,071	128,248
Rural	8,741,293	8,758,702
Other Services	4,954,648	4,934,762
Market transactions	47,339,336	46,250,525
Federal Government securities	43,305,109	43,360,635
Repurchase agreements	6,491,845	6,382,342
Other	36,813,264	36,978,293
Interbank Deposits	389,883	75,991
Other securities	1,397,685	1,025,081
Other transactions	2,246,659	1,788,818
Other assets	5,288,604	4,892,986
Total	98,529,804	96,376,421

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.

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 Executive Board 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\$ 3,230,050 (R\$ 3,283,834 at 12.31.2019). These transactions are backed by collaterals totaling R\$ 4,552,435 (R\$ 4,703,071 at 12.31.2019).

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.

Notes

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		03.31.2020(%)	12.31.2019(%)
Liquidity ratio	At reporting date	689.38	931.37
	Average for the last 12 months	871.50	854.15
	Maximum for the last 12 months	2,834.55	1,114.25
	Minimum for the last 12 months	493.14	493.14

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 will issue a warning to the Executive Board, the Risk Management Corporate Committee and to managing areas of the products/processes responsible for the exposure;</p> <p>If the exposure level exceeds the established limit, the Risk Management Area will issue a formal communication (warning) to the Risk Management Committee, the Executive Board, the Risk and Capital Committee and the Board of Directors for assessment and decision-making process, aiming at correcting directions and adequacy to the tolerance parameter established in the Bank's Risk Appetite Statement (RAS).</p>

Notes

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	1,424,029	1,423,547	(482)	1,423,060	(969)
Banking portfolio						
Dollar coupon	Reduction in coupon	87,448	86,388	(1,060)	85,356	(2,092)
Euro coupon	Increase in coupon	3,966	3,965	(1)	3,964	(2)
IGP coupon	Increase in coupon	160,437	156,572	(3,865)	153,070	(7,367)
IPCA coupon	Increase in coupon	130,878	135,187	4,309	188,350	57,472
TJLP coupon	Increase in coupon	81,609	80,139	(1,470)	78,768	(2,841)
TR coupon	Increase in coupon	(2,003,468)	(2,059,896)	(56,428)	(2,098,942)	(95,474)
Fixed interest rate	Increase in interest rate	4,112,179	4,043,544	(68,635)	3,984,930	(127,249)

⁽¹⁾ There were no loss estimates for this portfolio in Scenario 3.

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 board.

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

Notes

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\$30,709 (R\$47,271 at 12.31.2019 - short position), as follows:

Specification	03.31.2020	12.31.2019	Specification	03.31.2020	12.31.2019
Cash and cash equivalents	2,016	1,939	Deposits	-	-
Interbank Investments	22,276	24,441	Interdepartmental accounts	3,992	3,381
Loans	528,944	423,461	Borrowings and onlending - domestic	73,126	59,338
Other Credits	1,112,738	879,654	Borrowings and onlending - foreign	517,996	431,861
			Other Liabilities	1,101,569	882,186
Total assets in foreign currencies, excluding derivatives	1,665,974	1,329,495	Total liabilities in foreign currencies	1,696,683	1,376,766
Swap transactions	-	-			
Total long position in foreign currencies	1,665,974	1,329,495	Total short position in foreign currencies	1,696,683	1,376,766

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 03.31.2020, the Bank had a wide Basel rate (including capital to cover IRRBB) of 13.55% (14.35% at 12.31.2019). Tier I rate was 10.19% (10.44% at 12.31.2019) while Principal Capital rate was 8.84% (9.04% at 12.31.2019). RE computed was R\$ 8,057,608 (R\$ 8,265,588 at 12.31.2019), Tier I was R\$ 6,003,264 (R\$ 5,982,984 at 12.31.2019) and Principal Capital was R\$ 5,207,375 (R\$ 5,181,944 at 12.31.2019), while risk weighted assets (RWA amount) totaled R\$ 58,914,057 (R\$ 57,311,851 at 12.31.2019).

i. Minimum Required Capital - MRC (Basel III)

Specification	03.31.2020	12.31.2019
Referential Equity (RE)	8,057,608	8,265,588
. Tier I	6,003,264	5,982,984
. Principal Capital	5,207,375	5,181,944
. Complementary Capital	795,889	801,040
. Tier II	2,054,344	2,282,604
Risk-Weighted Assets (RWA)	58,914,057	57,311,851
. RWACPAD	47,683,500	46,532,628
. RWACAM	48,755	59,350
. RWAJUR	20,325	42,050
. RWACOM	4,475	4,375
. RWAOPAD	11,157,002	10,673,448
Margin on Required Referential Equity	3,344,483	3,680,640
Capital to Interest Rate Risk for instruments classified in the Banking Book (IRRBB)	43,772	21,535
Margin on Required Referential Equity considering IRRBB	3,300,711	3,659,105
Margin on Tier I Required Referential Equity	2,468,420	2,544,273
Margin on Required Principal Capital	2,556,242	2,602,911
Required Additional Capital - ACP (2.5%)	1,472,851	1,432,796
Margin on Required Additional Capital	995,569	1,111,477
Basel Indexes:		
. Principal Capital Index (minimum requirement of 4.5%)	8.84%	9.04%
. Tier I index (minimum requirement of 6.0%)	10.19%	10.44%
. Referential Equity index (minimum requirement of 8.0%)	13.68%	14.42%
. Referential Equity index including IRRBB	13.55%	14.35%

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.

Notes

. 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	03.31.2020	12.31.2019
Referential Equity (RE)	8,057,608	8,265,588
TIER I REFERENTIAL EQUITY	6,003,264	5,982,984
Principal Capital	5,207,375	5,181,944
Capital	5,569,988	3,813,000
Income reserves	894,457	2,651,514
Capital and revaluation reserve	13,712	13,726
Credit P&L accounts	2,735,318	-
Debt P&L accounts	(2,407,664)	-
Other Comprehensive Income	(1,110,708)	(1,050,835)
Retained earnings (accumulated losses)	(78,053)	-
Debt instruments eligible to Principal Capital	500,000	500,000
Prudential Adjustments	(909,675)	(745,461)
Prudential Adjustments - intangible assets	(721)	(563)
Prudential adjustment - Tax credits from temporary differences	(806,207)	(741,219)
Prudential adjustment - Difference to less - Adjustments of CMN Resolution No. 4277	(102,747)	(3,679)
Complementary Capital	795,889	801,040
Instruments Eligible to Complementary Capital (Note 16.g)	795,889	801,040
TIER II REFERENTIAL EQUITY	2,054,344	2,282,604
Instruments Eligible to Tier II	2,054,344	2,282,604

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. As provided for in CMN Resolution No. 4192/2013, this instrument has a repurchase clause that was used by the Bank to amortization the total amount of R\$ 500,000, into two installments of R\$ 250,000, duly 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. These bills comply with the provisions of article 10 of CMN Resolution No. 4733/2019, which allows the repurchase of up to 3% of its book value. In the period, Financial Bills amounting to R\$ 5,151 were repurchased.

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	03.31.2020	12.31.2019
Tier I Referential Equity	6,003,264	5,982,984
Total exposure	97,453,545	96,438,083
Leverage Ratio (%)	6.16	6.20

Notes

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	03.31.2020	12.31.2019
Referential Equity - fixed asset to equity limit	8,057,608	8,265,588
Fixed asset to equity limit (50% of adjusted RE)	4,028,804	4,132,794
Situation	237,509	231,910
Margin	3,791,295	3,900,884
Fixed asset to equity ratio	2.95%	2.81%

NOTE 27 - Related parties

a) Transactions with related parties

The Bank's policy on transactions with related parties was updated by the Board of Directors at a meeting held on 08.08.2019 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	03.31.2020	12.31.2019
Liabilities		
Time deposits - FAT (Notes 13.b. and 25)	17,204	18,823
Domestic onlending - Official institutions (Note 14.b.)	1,160,120	1,167,737
National Treasury	514	505
BNDES	1,115,018	1,118,933
FINAME	44,588	48,299
Other Liabilities	27,279,300	26,756,657
FNE (Note 16.f)	23,423,438	22,702,557
FDNE	665,214	662,590
Merchant Marine Fund (FMM)	107,675	96,311
Debt Instruments Eligible to Principal Capital (Notes 16.g and 17)	500,000	750,000
Subordinated Debts Eligible to Capital (Notes 16.h Note 17)	2,582,973	2,545,199
Total	28,456,624	27,943,217

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

Specification	03.31.2020	12.31.2019
Retirement and DB Pension Plan (Notes 16.i and 23)	994,865	931,871
Health Care Plan (Notes 16.i and 23)	1,725,920	2,134,473
Life insurance - Post-Employment Benefit (Notes 16.i and 23)	295,018	363,829
Total	3,015,803	3,430,173

Notes

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

Specification	01.01. to 03.31.2020	01.01. to 03.31.2019
Time deposits - FAT	(18,884)	(26,232)
National Treasury	(8)	(5)
BNDES	(34,769)	(20,015)
FINAME	(930)	(585)
FMM	(14,559)	(4,156)
FNE	236,430	70,537
FDNE	6,430	6,469
Debt Instruments Eligible to Principal Capital	(29,166)	(63,293)
Subordinated Debts Eligible to Capital	(37,773)	(43,751)
Retirement and DB pension plan	(19,095)	(14,852)
Retirement and VC I pension plan	(14,500)	(13,392)
Health insurance plan	(48,453)	(35,043)
Life insurance - Post-employment benefit	(6,883)	(3,144)

b) Management officer's compensation

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

Specification	01.01 to 03.31.2020	01.01 to 03.31.2019
Fees	1,154	1,075
Executive Board	1,018	926
Board of Directors	68	81
Supervisory Board	68	68
Other	623	323
Total short-term benefits	1,777	1,398
Post-employment benefits	1	63
Total	1,778	1,461

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 - Other Information

a) Preventive actions aimed at minimizing the effects of the COVID-19 pandemic

In the notice to the market on 03.31.2020, the Bank informs about the adoption of preventive actions aimed at minimizing the effects of the COVID-19 pandemic, in line with the measures recommended by the Federal Government, continuing the mission of operating as the Development Bank for the Brazilian Northeast Region.

The measures consist of: extension of terms, renegotiation, extension of grace periods, reduction of tariffs and increase of limits, on the types of loans and financing, including Microcredit, Working Capital and Direct Consumer Credit.

The effects of these measures had no material impact on the Interim Financial Statements.

b) Statement of compliance

The Bank confirms 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 at an Executive Board meeting held on May 21, 2020.

Fortaleza (CE), May 21, 2020.

Notes

The Executive Board

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

A free translation from Portuguese into English of Independent Auditor's Review Report on quarterly information prepared in Brazilian currency, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

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 individual interim financial information of Banco do Nordeste do Brasil S.A. ("Bank"), contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2020, which comprises the balance sheet as at March 31, 2020 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the quarter then ended, including explanatory information.

Management is responsible for the preparation of the individual interim financial information in accordance with NBC TG 21 - Interim Financial Reporting and 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 individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with the accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil, and with NBC TG 21 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).



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 information has been changed in relation to the previously disclosed interim financial statements for the period ended March 31, 2019, 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

Statement of value added

The quarterly information referred to above includes the individual statement of value added (SVA) for the three-month period ended March 31, 2020, prepared under the responsibility of Bank management and presented as supplementary information under the accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil. This statement was submitted to review procedures performed together with the review of quarterly information, in order to determine whether it is reconciled with the interim financial information and accounting records, as applicable, and whether its form and content are in accordance with the criteria provided for in NBC TG 9 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that this statement of value added was not prepared, in all material respects, in accordance with the criteria defined in referred to Standard and consistently with the individual interim financial information taken as a whole.

São Paulo, May 29, 2020.

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

Renata Zanotta Calçada
Accountant CRC-1RS062793/O-8

Reports and Representations /Officers' Representation on the Interim 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 March 31, 2020.

Fortaleza, May 29, 2020.

EXECUTIVE BOARD: Romildo Carneiro Rolim (President) - Antônio Jorge Pontes Guimarães Júnior (Director Financial and Credit) - Claudio Luiz Freire Lima (Director of Management) - Cornélio Farias Pimentel (Director of Control and Risk) - Perpétuo Socorro Cajazeiras (Director of Planning) - Wanger Antônio de Alencar Rocha (Director of Business).

Reports and Representations / Officers' Representation on Independent Auditor's Review Report

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, discussed and agreed to the full contents of the Report, dated May 29, 2020, by Ernst & Young Auditors Independentes S.S. on the financial statements of Banco do Nordeste do Brasil S.A., as of March 31, 2020.

Fortaleza, May 29, 2020.

EXECUTIVE BOARD: Romildo Carneiro Rolim (President) - Antônio Jorge Pontes Guimarães Júnior (Director Financial and Credit) - Claudio Luiz Freire Lima (Director of Management) - Cornélio Farias Pimentel (Director of Control and Risk) - Perpétuo Socorro Cajazeiras (Director of Planning) - Wanger Antônio de Alencar Rocha (Director of Business).