

ACCOUNTING STATEMENTS

Banco do Nordeste and FNE

POSITION: 12.31.2009

**Banco do
Nordeste**



Accounting Statements

Banco do Nordeste

POSITION: 12.31.2009

(Convenience Translation into English from the Original Previously Issued in Portuguese)
BANCO DO NORDESTE DO BRASIL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

ASSETS	12/31/2009	12/31/2008
CURRENT ASSETS	11,095,395	10,225,718
Cash and cash equivalents (note 4)	72,983	73,148
INTERBANK INVESTMENTS (note 5)	3,248,634	2,750,285
Money market investments	2,937,128	1,396,472
Interbank deposits	311,506	1,353,813
SECURITIES AND DERIVATIVES (note 6)	2,227,338	4,080,744
Own portfolio	1,765,055	3,653,749
Held under repurchase commitments	350,792	236,956
Derivatives	-	14,324
Linked to guarantees	111,491	175,715
INTERBANK ACCOUNTS	178,392	158,776
Payments and receipts pending settlement	2,328	1,907
Restricted deposits:		
Deposits - Central Bank of Brazil	172,818	146,170
National Treasury - Rural loan	1,363	7,566
Interbank onlendings	777	1,139
Correspondents	1,106	1,994
INTERBRANCH ACCOUNTS	1	-
Internal transfers of funds	1	-
LENDING OPERATIONS	4,177,810	2,157,764
Lending operations (note 7a)	4,517,643	2,303,807
Public sector	92,410	137,654
Private sector	4,425,233	2,166,153
(Allowance for loan losses) (note 7a)	(339,833)	(146,043)
OTHER RECEIVABLES (note 8)	1,182,343	993,033
Receivables for guarantees honored	30	26
Foreign exchange portfolio	453,777	420,462
Income receivable	21,134	22,857
Other	745,672	566,387
(Allowance for losses on other receivables)	(38,270)	(16,699)
OTHER ASSETS	7,894	11,968
Other	6,390	7,971
(Allowance for devaluation)	(1,476)	(2,115)
Prepaid expenses	2,980	6,112
LONG-TERM ASSETS	7,862,666	5,766,627
SECURITIES AND DERIVATIVES (note 6)	3,011,201	1,740,383
Own portfolio	2,925,119	1,740,383
Derivatives	268	-
Linked to guarantees	85,814	-
INTERBANK ACCOUNTS	38,603	41,666
Restricted deposits:		
National Treasury - Rural loan	333	153
Financial Housing System (SFH)	32,808	32,974
Interbank onlendings	5,462	8,539
LENDING OPERATIONS	4,710,825	3,907,545
Lending operations (note 7a)	4,926,147	4,085,638
Public sector	1,101,962	1,358,301
Private sector	3,824,185	2,727,337
(Allowance for loan losses) (note 7a)	(215,322)	(178,093)
OTHER RECEIVABLES (note 8)	102,037	77,033
Receivables for guarantees honored	35	14
Other	156,888	108,765
(Allowance for losses on other receivables)	(54,886)	(31,746)
PERMANENT ASSETS (note 9)	196,405	184,890
INVESTMENTS	1,379	1,120
Other investments	6,682	6,023
(Allowance for losses)	(5,303)	(4,903)
PROPERTY AND EQUIPMENT IN USE	191,962	179,161
Real estate	127,000	118,492
Real estate revaluation	111,628	111,628
Other	142,320	119,373
(Accumulated depreciation)	(188,986)	(170,332)
DEFERRED CHARGES	3,064	4,609
Organization and expansion costs	8,059	10,436
(Accumulated amortization)	(4,995)	(5,827)
TOTAL ASSETS	19,154,466	16,177,235

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/2009	12/31/2008
CURRENT LIABILITIES	8,110,117	6,910,295
DEPOSITS (note 10)	3,197,499	2,339,354
Demand deposits	142,577	118,009
Savings deposits	1,381,500	879,323
Interbank deposits	364,753	349,550
Time deposits	1,301,556	981,797
Other deposits	7,113	10,675
OPEN MARKET FUNDING	445,678	300,567
Own portfolio	350,670	236,925
Third parties portfolio	95,008	63,642
INTERBRANCH ACCOUNTS	13,128	6,262
Third-party funds in transit	13,115	6,262
Internal transfers of funds	13	-
BORROWINGS (note 12)	644,553	263,122
Domestic borrowings - officials institutions	14,031	12,933
Foreign borrowings	630,522	250,189
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (note 13)	313,523	293,776
National Treasury	182	183
BNDES (National Bank for Economic and Social Development) (note 11b)	182,186	174,867
CEF (Federal Savings and Loan Bank)	-	98
FINAME (National Equipment Financing Authority) (note 11b)	14,940	16,720
Other institutions	116,215	101,908
DERIVATIVES	15,979	8,981
Derivatives	15,979	8,981
FOREIGN ONLENDINGS (note 14)	63,653	82,487
Foreign onlendings	63,653	82,487
OTHER PAYABLES (note 15)	3,416,104	3,615,746
Collected taxes and other	3,269	6,641
Foreign exchange portfolio	7,523	24,411
Social and statutory	238,115	127,488
Taxes and social security	464,557	370,441
Financial and developments funds	1,237,069	1,710,095
Other	1,465,571	1,376,670
LONG-TERM LIABILITIES	8,971,610	7,469,375
DEPOSITS (note 10)	3,135,228	1,797,306
Demand deposits	32,763	52,768
Interbank deposits	20,018	-
Time deposits	3,082,447	1,744,538
BORROWINGS (note 12)	56,126	64,673
Domestic borrowings - officials institutions	56,126	64,673
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (note 13)	1,120,001	939,312
National Treasury	982	1,129
BNDES (National Bank for Economic and Social Development) (note 11b)	561,610	358,213
FINAME (National Equipment Financing Authority) (note 11b)	14,390	27,873
Other institutions	543,019	552,097
DERIVATIVES	20,592	8,997
Derivatives	20,592	8,997
FOREIGN ONLENDINGS (note 14)	658,740	877,675
Foreign onlendings	658,740	877,675
OTHER PAYABLES (note 15)	3,980,923	3,781,412
Financial and developments funds	2,402,693	2,957,093
Subordinated debt eligible for capital	622,064	-
Other	956,166	824,319
DEFERRED INCOME	14	46
Deferred income	14	46
SHAREHOLDERS' EQUITY (note 16)	2,072,725	1,797,519
CAPITAL	1,652,000	1,299,000
Brazilian residents	1,652,000	1,299,000
CAPITAL RESERVES	502	380
REVALUATION RESERVES	30,501	32,938
PROFIT RESERVES	271,976	403,973
VALUATION ADJUSTMENTS TO SHAREHOLDERS' EQUITY	118,130	61,228
TREASURY SHARES	(384)	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	19,154,466	16,177,235

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)
BANCO DO NORDESTE DO BRASIL S.A.

STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
 (In thousands of Brazilian reais - R\$, except earnings per share)

	<u>2nd half 2009</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
INCOME FROM FINANCIAL INTERMEDIATION (note 17)	<u>1,013,049</u>	<u>2,005,203</u>	<u>2,416,531</u>
Lending operations	673,763	1,214,532	1,218,859
Securities transactions	312,698	739,243	1,040,237
Derivatives	(6,401)	(38,146)	(2,130)
Foreign exchange transactions	31,046	86,778	136,939
Compulsory investments	1,943	2,796	22,626
EXPENSES FROM FINANCIAL INTERMEDIATION (note 18)	<u>(577,007)</u>	<u>(1,219,439)</u>	<u>(1,646,413)</u>
Funding operations	(191,278)	(381,160)	(348,005)
Borrowings and onlendings	(195,334)	(461,687)	(1,109,975)
Allowance for loan losses (note 7.e)	(190,395)	(376,592)	(188,433)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	<u>436,042</u>	<u>785,764</u>	<u>770,118</u>
OTHER OPERATING INCOME (EXPENSES) (note 19)	<u>(14,599)</u>	<u>(126,657)</u>	<u>(156,368)</u>
Income from services provided	563,568	1,106,886	969,570
Income from bank fees	6,893	12,205	9,014
Personnel expenses	(468,969)	(890,476)	(770,067)
Other administrative expenses	(298,681)	(551,813)	(446,574)
Tax expenses	(75,780)	(144,214)	(119,969)
Other operating income	563,922	1,159,159	737,419
Other operating expenses	(305,552)	(818,404)	(535,761)
INCOME FROM OPERATIONS	<u>421,443</u>	<u>659,107</u>	<u>613,750</u>
NONOPERATING INCOME	<u>131</u>	<u>2,078</u>	<u>2,867</u>
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING	<u>421,574</u>	<u>661,185</u>	<u>616,617</u>
INCOME AND SOCIAL CONTRIBUTION TAXES (note 20)	<u>(63,281)</u>	<u>(160,487)</u>	<u>(157,684)</u>
Provision for income tax	(59,130)	(138,924)	(119,457)
Provision for social contribution	(37,992)	(86,380)	(67,190)
Deferred income taxes	33,841	64,817	28,963
PROFIT SHARING	<u>(33,096)</u>	<u>(41,686)</u>	<u>(37,904)</u>
NET INCOME	<u>325,197</u>	<u>459,012</u>	<u>421,029</u>
INTEREST ON OWN CAPITAL (note 16.e)	<u>(75,641)</u>	<u>(110,000)</u>	<u>(100,211)</u>
Number of shares (in thousands)	<u>87,002</u>	<u>87,002</u>	<u>87,002</u>
Net income per share - R\$	<u>3.74</u>	<u>5.28</u>	<u>4.84</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)
 BANCO DO NORDESTE DO BRASIL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
 (In thousands of Brazilian reais - R\$)

	PAID-UP CAPITAL		CAPITAL RESERVES OTHER	REVALUATION RESERVE	PROFIT RESERVES		VALUATION ADJUSTMENT TO SHAREHOLDERS' EQUITY	RETAINED EARNINGS (ACCUMULATED LOSS)	TREASURY SHARES	TOTAL
	CAPITAL	CAPITAL INCREASE	CAPITAL RESERVES	OWN ASSETS	LEGAL	STATUTORY				
BALANCES AS OF DECEMBER 31, 2007	1,299,000	-	291	37,819	29,214	171,720	64,455	-	-	1,602,499
VALUATION ADJUSTMENTS TO SHAREHOLDERS' EQUITY	-	-	-	-	-	-	(3,227)	-	-	(3,227)
OTHER EVENTS:										
Updating of membership certificate:	-	-	89	-	-	-	-	-	-	89
Revaluation of assets:										
Realization of reserves:										
Gross amount	-	-	-	(4,060)	-	-	-	4,060	-	-
Tax charges	-	-	-	(821)	-	-	-	(1,543)	-	(2,364)
NET INCOME FOR THE YEAR								421,029		421,029
Allocation:										
Reserves	-	-	-	-	21,052	181,987	-	(203,039)	-	-
Dividends	-	-	-	-	-	-	-	(120,296)	-	(120,296)
Interest on own capital	-	-	-	-	-	-	-	(100,211)	-	(100,211)
BALANCES AS OF DECEMBER 31, 2008	1,299,000	-	380	32,938	50,266	353,707	61,228	-	-	1,797,519
CHANGES FOR THE YEAR	-	-	89	(4,881)	21,052	181,987	(3,227)	-	-	195,020
BALANCES AS OF DECEMBER 31, 2008	1,299,000	-	380	32,938	50,266	353,707	61,228	-	-	1,797,519
VALUATION ADJUSTMENTS TO SHAREHOLDERS' EQUITY	-	-	-	-	-	-	56,902	-	-	56,902
CAPITAL INCREASE:										
From Reserve:										
Transfer for capital increase	-	353,000	-	-	-	(353,000)	-	-	-	-
Capital contribution	353,000	(353,000)	-	-	-	-	-	-	-	-
OTHER EVENTS:										
Updating of membership certificate:	-	-	122	-	-	-	-	-	-	122
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(384)	(384)
Revaluation of assets:										
Realization of reserves:										
Gross amount	-	-	-	(4,061)	-	-	-	4,061	-	-
Tax charges	-	-	-	1,624	-	-	-	(1,624)	-	-
NET INCOME FOR THE YEAR	-	-	-	-	-	-	-	459,012	-	459,012
Allocation:										
Reserves	-	-	-	-	22,950	198,053	-	(221,003)	-	-
Dividends	-	-	-	-	-	-	-	(130,446)	-	(130,446)
Interest on own capital	-	-	-	-	-	-	-	(110,000)	-	(110,000)
BALANCES AS OF DECEMBER 31, 2009	1,652,000	-	502	30,501	73,216	198,760	118,130	-	(384)	2,072,725
CHANGES FOR THE YEAR	353,000	-	122	(2,437)	22,950	(154,947)	56,902	-	(384)	275,206
BALANCES AS OF JUNE 30, 2009	1,652,000	-	502	31,719	56,957	94,691	73,709	-	(384)	1,909,194
VALUATION ADJUSTMENTS TO SHAREHOLDERS' EQUITY	-	-	-	-	-	-	44,421	-	-	44,421
OTHER EVENTS:										
Revaluation of assets:										
Realization of reserves:										
Gross amount	-	-	-	(2,030)	-	-	-	2,030	-	-
Tax charges	-	-	-	812	-	-	-	(812)	-	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	-	-	325,197	-	325,197
Allocation:										
Reserves	-	-	-	-	16,259	104,069	-	(120,328)	-	-
Dividends	-	-	-	-	-	-	-	(130,446)	-	(130,446)
Interest on own capital	-	-	-	-	-	-	-	(75,641)	-	(75,641)
BALANCES AS OF DECEMBER 31, 2009	1,652,000	-	502	30,501	73,216	198,760	118,130	-	(384)	2,072,725
CHANGES OF THE SIX-MONTH PERIOD	-	-	-	(1,218)	16,259	104,069	44,421	-	-	163,531

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(Convenience Translation into English from the Original Previously Issued in Portuguese)
 BANCO DO NORDESTE DO BRASIL S.A.

STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
 (In thousands of Brazilian reais - R\$)

	2nd half 2009	12/31/2009	12/31/2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	325,197	459,012	421,029
Adjustments to net income:			
- Depreciation and amortization	12,898	25,498	23,235
- Allowance for investment losses	400	400	64
- Allowance for losses on other assets	45	60	714
- Allowance for loan losses	190,395	376,592	188,433
Adjusted net income	528,935	861,562	633,475
Securities	501,346	588,855	(29,647)
Other assets	(139)	3,051	4,623
Interbank investments	251,076	1,298,483	(870,570)
Interbank and interbranch accounts	(17,240)	(9,688)	63,923
Lending operations	(1,785,711)	(3,153,792)	(2,323,559)
Other receivables	(338,757)	(260,440)	(143,607)
Change in deferred income	(4)	(32)	(32)
Valuation adjustments to shareholders' equity	44,421	56,902	(3,227)
Revaluation reserve	-	-	(2,364)
Updating of membership certificates	-	122	89
CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	(816,073)	(614,977)	(2,670,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits	2,207,284	2,196,067	1,019,522
Borrowings and onlendings	356,540	335,553	357,787
Open market funding (repurchase agreements)	(25,191)	145,111	99,601
Derivatives	(1,491)	18,591	(5,067)
Other payables	482,480	(131)	366,769
Proposed dividends and bonuses	(130,446)	(130,446)	(120,296)
Proposed interest on own capital	(75,641)	(110,000)	(100,211)
Treasury shares	-	(384)	-
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	2,813,535	2,454,361	1,618,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to assets not in use	(368)	(234)	(1,108)
Additions to property and equipment in use	(8,615)	(36,616)	(12,959)
Additions to investments	(439)	(1,035)	(252)
Disposal of assets not in use	495	1,198	2,052
Disposal of property and equipment in use	302	252	166
Disposal of investments	2	376	11
Deferred charges	314	(392)	(1,394)
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	(8,309)	(36,451)	(13,484)
Increase (decrease) in cash and cash equivalents	1,989,153	1,802,933	(1,066,275)
REPRESENTED BY CASH AND CASH EQUIVALENTS:			
At beginning of year/six-month period	1,888,766	2,074,986	3,141,261
At end of year/six-month period	3,877,919	3,877,919	2,074,986
Increase (decrease) in cash and cash equivalents	1,989,153	1,802,933	(1,066,275)

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)
 BANCO DO NORDESTE DO BRASIL S.A.

STATEMENTS OF VALUE ADDED
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
 AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
 (In thousands of Brazilian reais - R\$)

	2nd half 2009	%	12/31/2009	%	12/31/2008	%
REVENUES	1,989,682		3,972,305		3,971,871	
Financial intermediation	1,609,484		3,227,727		3,178,853	
Services provided	570,462		1,119,092		978,584	
Allowance for doubtful accounts	(190,395)		(376,592)		(188,433)	
Other revenue/expenses	131		2,078		2,867	
EXPENSES ON FINANCIAL INTERMEDIATION	(386,613)		(842,848)		(1,461,712)	
INPUTS PURCHASED FROM THIRD PARTIES	(575,363)		(1,314,717)		(940,244)	
Materials, electric power and other	(432,609)		(1,050,349)		(735,265)	
Outside services	(142,754)		(264,368)		(204,979)	
GROSS VALUE ADDED	1,027,706		1,814,740		1,569,915	
RETENTIONS	(12,911)		(25,511)		(23,235)	
Depreciation, amortization and depletion	(12,911)		(25,511)		(23,235)	
WEALTH GENERATED BY THE ENTITY	1,014,795		1,789,229		1,546,680	
TRANSFERRED VALUE ADDED	1,328		1,452		7,793	
Dividends received	1,328		1,452		7,793	
WEALTH FOR DISTRIBUTION	1,016,123		1,790,681		1,554,473	
TRANSFERRED VALUE ADDED	1,016,123		1,790,681		1,554,473	
PERSONNEL	452,586	44.5%	838,855	46.8%	728,658	46.9%
COMPENSATION	275,018	27.1%	498,944	27.9%	433,099	27.9%
Employees' salaries	240,571	23.7%	454,692	25.4%	392,615	25.3%
Officers	1,351	0.1%	2,566	0.2%	2,580	0.2%
Employees' profit sharing	33,096	3.3%	41,686	2.3%	37,904	2.4%
BENEFITS	159,914	15.7%	306,688	17.1%	267,275	17.2%
Pension plan (Capef and PGBL)	16	0.0%	899	0.1%	5,688	0.4%
Accruals (post-employment benefits - CVM Resolution 371)	108,990	10.7%	205,993	11.4%	159,077	10.2%
Other benefits	50,908	5.0%	99,796	5.6%	102,510	6.6%
Severance pay fund (FGTS)	17,655	1.7%	33,223	1.9%	28,284	1.8%
TAXES	222,380	21.9%	462,824	25.8%	385,930	24.8%
Federal	214,868	21.1%	449,490	25.1%	376,592	24.2%
State	13	0.0%	33	0.0%	47	0.0%
Municipal	7,499	0.8%	13,301	0.7%	9,291	0.6%
PAYMENTS TO THIRD PARTIES	15,959	1.6%	29,990	1.7%	18,856	1.2%
Rents	15,959	1.6%	29,990	1.7%	18,856	1.2%
PAYMENTS TO SHAREHOLDERS	206,087	20.3%	240,446	13.4%	220,507	14.2%
INTEREST ON OWN CAPITAL	75,641	7.4%	110,000	6.1%	100,211	6.4%
Federal Government	70,224	6.9%	102,564	5.7%	94,313	6.1%
Other	5,417	0.5%	7,436	0.4%	5,898	0.3%
DIVIDENDS	130,446	12.8%	130,446	7.3%	120,296	7.7%
Federal Government	122,782	12.1%	122,782	6.9%	113,215	7.3%
Other	7,664	0.7%	7,664	0.4%	7,081	0.4%
RETAINED EARNINGS	119,110	11.7%	218,566	12.2%	200,522	12.9%

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DO NORDESTE DO BRASIL S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Amounts in thousands of Brazilian reais - R\$)

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Note 14 - Foreign Onlendings	Note 28 - Other Information

1. THE BANK AND ITS CHARACTERISTICS

Banco do Nordeste do Brasil S.A. (the "Bank") is a private legal entity operating regionally as a public financial institution established by Federal Law 1649 of July 19, 1952. The Bank was structured as a mixed economy, publicly-traded corporation and its mission is to operate, in the capacity of a public financial institution, as a catalytic agent in promoting the sustainable development of the Northeast, integrating it to the domestic economic dynamics. Banco do Nordeste is authorized to operate all the portfolios permitted for multiple service banks, except the mortgage loan portfolio. As an institution devoted to regional development, the Bank acts as the executive agent of public policies and is responsible for managing the Northeast Constitutional Financing Fund (FNE), - the main source of funds utilized by the Bank for long-term financing - and the operation of the National Family Farming Strengthening Program (PRONAF) in its jurisdiction. It is also the operator of the Northeast Investment Fund (FINOR) and the Northeast Development Fund (FDNE), the latter created in 2001 and altered in 2007 by Supplementary Law 125, which recreated the Northeast Development Authority (SUDENE). In 1998, the Bank created its Oriented Productive Microcredit Program (Crediamigo), a Production Microcredit Program that facilitates access to credit by thousands of small entrepreneurs who engage in production-related, product sale, and service activities. In addition to federal funds, the Bank has access to other sources of financing in the domestic and foreign markets through partnerships and alliances with domestic and foreign institutions, including multilateral institutions such as the World Bank and the Inter-American Development Bank (IDB).

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Brazilian Corporate Law and standards of the Central Bank of Brazil (BACEN) and the Brazilian Securities and Exchange Commission (CVM), and are presented in accordance with the Standard Chart of Accounts for National Financial Institutions (COSIF).

On December 28, 2007, Law 11638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law (Law 6404, of December 15, 1976), especially with respect to chapter XV, which deals with accounting theme. Law 11941, of May 27, 2009, introduces in its articles 37 and 38 changes in Law 6404, of December 15, 1976, designed to adjust and enable the convergence of Brazilian accounting practices with the International Financial Reporting Standards (IFRS), coordinated by the International Accounting Standards Board (IASB).

In Brazil, the issuance of Technical Pronouncements on accounting procedures in conformity with the International Accounting Standards belongs to the Accounting Pronouncements Committee (CPC) through its Pronouncements. The application of such pronouncements is mandatory after they are approved by the Brazilian Securities and Exchange Commission (CVM) or the Central Bank of Brazil (BACEN).

The Central Bank of Brazil did not express an opinion on all changes introduced by such Laws, but has approved the following changes, which have been complied with by the Bank in its financial statements:

- CPC 01 - Impairment of Assets (National Monetary Council (CMN) Resolution 3566, of May 29, 2008);
- CPC 03 - Statements of Cash Flows (CMN Resolution 3604, of August 29, 2008);
- CPC 05 - Related Party Disclosures (CMN Resolution 3750, of June 30, 2009);
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (CMN Resolution 3535, of January 31, 2008); and
- Maintenance of the revaluation reserve until the date of its effective realization through depreciation, write-off or disposal, under National Monetary Council (CMN) Resolution 3565, of May 29, 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

a) Results of Operations

Revenue and expenses are recorded on the accrual basis, as detailed below:

- a.1) Interest, charges and monetary or exchange variations on assets and liabilities are recorded on a daily pro rata basis;
- a.2) Provisions, including accrued vacation, license award and 13th salary, are recorded monthly on an accrual basis;
- a.3) Assets are marked to market or adjusted to realizable value, if applicable.

b) Current and long-term assets

Assets and receivables are stated at realizable values, plus income earned and currency adjustments and foreign exchange fluctuation, less unearned income or allowance, if applicable, considering the following:

- b.1) Lending operations are subject to usual market rates;
- b.2) The allowance for loan losses is recorded in accordance with National Monetary Council Resolution 2682, of December 21, 1999.
- b.3) Securities are recorded at cost, plus brokerage and other fees, and are classified and accounted for as described below:
 - Trading securities - securities bought and held principally for the purpose of selling them in the short term and reported at fair value, with unrealized gains and losses included in income for the year;
 - Available-for-sale securities - securities not classified as either trading securities or held-to-maturity securities and reported at fair value, net of taxes, with unrealized gains and losses reported in a separate component of shareholders' equity;
 - Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at acquisition cost, plus income earned, included in income for the year;
 - The classification of Available-for-sale securities and Held-to-maturity securities in current and long-term assets was determined according to their maturities, which does not mean the unavailability of the securities, which are of the highest quality and highly liquid. Trading securities are recorded in current assets, regardless of their maturities.

c) Permanent assets

Stated at acquisition cost, considering the following:

- c.1) Investments are net of allowance for losses;
- c.2) Real estate includes revaluation value;
- c.3) Property, plant and equipment includes depreciation calculated under the straight-line method at the following annual rates: buildings - 4%; data processing systems and vehicles - 20%; tractors and motorcycles - 25%; and other items - 10%;
- c.4) Deferred charges include amortization calculated under the straight-line method at the annual rate of 20%;
- c.5) The Bank assessed its most significant buildings and concluded that their fair value are higher than their carrying amounts, and no adjustment to accounting records is required.

d) Current and long-term liabilities

- d.1) Liabilities are stated at original amounts plus, if applicable, accrued interest and monetary and exchange variations, less deferred expenses. Available funds from FNE (Northeast Constitutional Financing Fund) are classified in current and long-term liabilities according to the expected outflow of funds.

d.2) Provisions for post-employment benefits are recorded in accordance with CVM Resolution 371 of December 13, 2000.

e) Income and Social Contribution Taxes, PASEP and COFINS (taxes on revenue)

Provisions are calculated at the tax rates below in accordance with prevailing legislation:

Income tax	15.00%
Income tax surtax	10.00%
Social contribution	15.00%
PASEP	0.65%
COFINS	4.00%

4. CASH AND CASH EQUIVALENTS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Cash in local currency	70,284	68,882
Cash in foreign currency	<u>2,699</u>	<u>4,266</u>
Total cash	<u>72,983</u>	<u>73,148</u>
Investments in securities (1)	680,747	674,481
Interbank investments (1)	<u>3,124,189</u>	<u>1,327,357</u>
Total cash and cash equivalents	<u>3,877,919</u>	<u>2,074,986</u>

(1) Refers to transactions whose maturity on the investment date is equal to or lower than 90 days.

5. INTERBANK INVESTMENTS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Money market investments	<u>2,937,128</u>	<u>1,396,472</u>
Resale agreements pending settlement - own portfolio	2,842,120	1,332,830
Resale agreements pending settlement - third-party portfolio	95,008	63,642
b) Interbank deposits	<u>311,506</u>	<u>1,353,813</u>
TOTAL	<u>3,248,634</u>	<u>2,750,285</u>
CURRENT	3,248,634	2,750,285
LONG-TERM	-	-

6. SECURITIES AND DERIVATIVES

a) Securities

The inflation adjusted cost (plus income earned) and the fair value of securities as of December 31, 2009 are as follows:

a.1) THE SECURITIES PORTFOLIO IS COMPOSED AS FOLLOWS:

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Available-for-sale securities	5,208,854	5,775,452

Held-to-maturity securities	29,417	31,351
Swap differential receivable	<u>268</u>	<u>14,324</u>
TOTAL	<u>5,238,539</u>	<u>5,821,127</u>
CURRENT	2,227,338	4,080,744
LONG-TERM	3,011,201	1,740,383

a.2) AVAILABLE-FOR-SALE SECURITIES

SPECIFICATION	12/31/2009			
	<u>COST</u>	<u>FAIR VALUE</u>	<u>MARK-TO-MARKET</u>	<u>MATURITY YEAR</u>
FIXED-INCOME SECURITIES	<u>4,601,272</u>	<u>4,578,504</u>	<u>(22,768)</u>	
Treasury bills	3,399,248	3,399,303	55	2010 to 2015
Debentures	406,915	405,555	(1,360)	2012 to 2018
Bank credit notes (CCB)	54,248	54,248	-	2011 to 2013
Promissory notes	718,550	718,550	-	2010
Federal government securities (FCVS)	1,674	828	(846)	2027
Federal government securities - Other (*)	20,606	-	(20,606)	1993
Agricultural debt securities	31	20	(11)	2010 to 2015
INVESTMENT FUND SHARES	<u>68,722</u>	<u>67,518</u>	<u>(1,204)</u>	
Social development fund (FDS)	1,204	-	(1,204)	Without maturity
Receivables Investment Fund (FIDC) shares	67,518	67,518	-	2012 to 2020
VARIABLE-INCOME SECURITIES	<u>144,159</u>	<u>365,527</u>	<u>221,368</u>	
Other tax incentives (FINOR)	4,211	607	(3,604)	Without maturity
Shares of publicly-traded companies	139,948	364,920	224,972	Without maturity
LINKED TO GUARANTEES	<u>197,817</u>	<u>197,305</u>	<u>(512)</u>	
Treasury bills	197,296	197,305	9	2010 to 2015
Federal government securities - Other (*)	521	-	(521)	1993
TOTAL	<u>5,011,970</u>	<u>5,208,854</u>	<u>196,884</u>	
Tax credit	-	-	11,261	
Provision for deferred taxes	-	-	<u>(90,015)</u>	
TOTAL MARK-TO-MARKET	-	-	<u>118,130</u>	

SPECIFICATION	12/31/2008			
	<u>COST</u>	<u>FAIR VALUE</u>	<u>MARK-TO-MARKET</u>	<u>MATURITY YEAR</u>
FIXED-INCOME SECURITIES	<u>5,336,993</u>	<u>5,315,483</u>	<u>(21,510)</u>	
Treasury bills	4,841,822	4,842,123	301	2009 to 2011
Debentures	106,900	106,887	(13)	2012 to 2018
Bank credit notes (CCB)	62,129	62,129	-	2011 to 2013
Promissory notes	303,353	303,102	(251)	2009
Federal government securities (FCVS)	1,759	1,201	(558)	2027
Federal government securities - Other (*)	20,974	-	(20,974)	1993
Agricultural debt securities	56	41	(15)	2009 to 2015
INVESTMENT FUND SHARES	<u>16,028</u>	<u>14,868</u>	<u>(1,160)</u>	
Social development fund (FDS)	1,160	-	(1,160)	Without maturity
Receivables Investment Fund (FIDC) shares	14,868	14,868	-	2012
VARIABLE-INCOME SECURITIES	<u>144,159</u>	<u>269,386</u>	<u>125,227</u>	
Shares of publicly-traded companies	139,948	268,803	128,855	Without maturity
Other tax incentives (FINOR)	4,211	583	(3,628)	Without maturity
LINKED TO GUARANTEES	<u>176,225</u>	<u>175,715</u>	<u>(510)</u>	
Treasury bills	175,694	175,715	21	2009
Federal government securities - Other (*)	531	-	(531)	1993
TOTAL	<u>5,673,405</u>	<u>5,775,452</u>	<u>102,047</u>	
Tax credit	-	-	10,852	

Provision for deferred taxes	-	-	<u>(51,671)</u>
TOTAL MARK-TO-MARKET	-	-	<u>61,228</u>

In view of the classification of assets in the category above, the amount of R\$196,884 (R\$102,047 as of December 31, 2008) was recorded in the Bank's shareholders' equity, under "Market-to-market". This adjustment, net of taxes, corresponds to R\$118,130 (R\$61,228 as of December 31, 2008).

(*) The caption "Government Securities - Other" records cash investments in government securities called by the National Treasury as NUCL910801 with a maturity on August 31, 1993, not yet redeemed.

a.3) HELD-TO-MATURITY SECURITIES:

SPECIFICATION	12/31/2009			12/31/2008		
	<u>COST</u>	<u>FAIR VALUE</u>	<u>MATURITY YEAR</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>MATURITY YEAR</u>
FIXED-INCOME SECURITIES	<u>29,417</u>	<u>29,417</u>		<u>31,351</u>	<u>31,351</u>	
Investment Fund Shares - Northeast Entrepreneur	2,000	2,000	2011	5,164	5,164	2011
National Treasury Notes (NTN) - P	394	394	2012 to 2014	369	369	2012 to 2014
Investment Fund Shares - CRIATEC	3,401	3,401	2017	1,968	1,968	2017
Investment Fund Shares - Northeast Energy	<u>23,622</u>	<u>23,622</u>	2023	<u>23,850</u>	<u>23,850</u>	2023
TOTAL	<u>29,417</u>	<u>29,417</u>		<u>31,351</u>	<u>31,351</u>	

a.4) In 2009, there were no reclassifications of securities between the categories above and no held-to-maturity securities were sold.

a.5) The following criteria were adopted to determine the fair value of securities:

- Fixed-income Securities: average goodwill/negative goodwill in the secondary market, as disclosed by ANBIMA (National Association of Financial Market Institutions);
- Agricultural Debt Securities (TDA), Debentures, CCB and Promissory Notes: average goodwill/negative goodwill in the last trading registered with CETIP S.A. (Clearinghouse for the Custody and Financial Settlement of Securities).
- Variable-income securities: average quotation on the São Paulo Mercantile and Stock Exchange (BM&F BOVESPA).

b) Derivatives

Banco do Nordeste operates under a conservative investment policy focused on investing strictly under the conditions and rates established by the sources of the funds in order to avoid any mismatching among assets and liabilities in terms of maturities, interest rates and indices.

Banco do Nordeste employs a conservative portfolio management policy and limits its operations in the derivative market to swap transactions intended solely for hedging its asset and liability positions, when necessary.

Swap transactions are recorded in balance sheet and memorandum accounts, according to their nature, in accordance with prevailing law and accounting standards.

The Bank has swap transactions registered with CETIP S.A. (Clearinghouse for the Custody and Financial Settlement of Securities) and the notional value of these transactions is recorded in memorandum accounts (aggregate value) and the related book value is recorded under the captions 'Differential Payable' and 'Differential Receivable', as shown below:

12/31/2009							
SWAP CONTRACTS	NOTIONAL AMOUNT	FAIR VALUE		CURVE		MARK-TO-MARKET	
		RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE	POSITIVE	NEGATIVE
ASSET POSITION							
Foreign currency – dollar	-	-	-	-	-	-	-
LIABILITY POSITION							
Interbank market (CDI)	7,891	-	184	-	75	-	109
Fixed rate	805,706	268	36,386	-	15,779	553	20,892
Foreign currency – dollar	-	-	-	=	-	-	-
TOTAL	<u>813,597</u>	<u>268</u>	<u>36,570</u>	=	<u>15,854</u>	<u>553</u>	<u>21,001</u>

12/31/2008							
SWAP CONTRACTS	NOTIONAL AMOUNT	FAIR VALUE		CURVE		MARK-TO-MARKET	
		RECEIVABLE	PAYABLE	RECEIVABLE	PAYABLE	POSITIVE	NEGATIVE
ASSET POSITION							
Foreign currency – dollar	45,000	13,402	-	14,874	-	-	1,472
LIABILITY POSITION							
Interbank market (CDI)	50,772	-	171	3	-	-	174
Fixed rate	402,760	-	15,741	-	1,957	-	13,784
Foreign currency – dollar	<u>45,627</u>	<u>922</u>	<u>2,067</u>	<u>280</u>	<u>3,219</u>	<u>1,795</u>	-
TOTAL	<u>544,159</u>	<u>14,324</u>	<u>17,979</u>	<u>15,157</u>	<u>5,176</u>	<u>1,795</u>	<u>15,430</u>

Swap transactions amounts in risk

	12/31/2009	12/31/2008
	Amount	Amount
MARKET RISK HEDGE – ASSETS	-	<u>14,885</u>
HEDGED ITEMS – LIABILITIES	-	-
MARKET RISK HEDGE - LIABILITIES	<u>920,919</u>	<u>451,655</u>
HEDGED ITEMS – ASSETS	<u>901,049</u>	<u>489,950</u>

12/31/2009		
Swap contracts mature as follows:	Difference receivable	Difference payable
Up to 3 months	-	2,424

3 to 12 months	-	13,555
1 to 3 years	181	16,375
3 to 5 years	87	3,935
5 to 15 years	-	<u>281</u>
TOTAL	<u>268</u>	<u>36,570</u>

12/31/2008		
<u>Swap contracts mature as follows:</u>	<u>Difference receivable</u>	<u>Difference payable</u>
Up to 3 months	-	1,088
3 to 12 months	14,324	7,893
1 to 3 years	-	7,913
3 to 5 years	-	988
5 to 15 years	-	<u>97</u>
TOTAL	<u>14,324</u>	<u>17,979</u>

The fair value of swap transactions is calculated using the rates disclosed by ANBIMA. The credit risk is determined using the correlation ratios and risk factors disclosed by the Central Bank of Brazil.

7. LOAN PORTFOLIO AND ALLOWANCE FOR LOAN LOSSES

a) Loan portfolio and allowance for loan losses

<u>Specification</u>	<u>12/31/2009</u>		<u>12/31/2008</u>	
	<u>Gross amount</u>	<u>Allowance</u>	<u>Gross amount</u>	<u>Allowance</u>
<u>Loans</u>	<u>9,443,790</u>	<u>(555,155)</u>	<u>6,389,445</u>	<u>(324,136)</u>
Current	4,517,643	(339,833)	2,303,807	(146,043)
Long-term	4,926,147	(215,322)	4,085,638	(178,093)
<u>Other lines with loan features</u>	<u>493,862</u>	<u>(60,690)</u>	<u>350,002</u>	<u>(21,654)</u>
Other lines with loan features	493,862	(60,690)	350,002	(21,654)
TOTAL	<u>9,937,652</u>	<u>(615,845)</u>	<u>6,739,447</u>	<u>(345,790)</u>

a.1) Loan portfolio

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Advances to depositors	661	729
Loans	4,324,143	2,151,214
Discounted notes	157,759	102,566
Loans and financing	1,152,148	902,641
Export financing	-	114
Financing in foreign currencies	274,438	27,146
Refinancing with federal government (note 27a)	517,064	555,165
Rural and agro-industrial financing	2,321,319	1,754,354
Real estate financing (1)	241	217
Infrastructure and development financing	<u>696,017</u>	<u>895,299</u>
Subtotal of lending operations	<u>9,443,790</u>	<u>6,389,445</u>

Guarantees honored	65	40
Income receivable from advances	15,682	11,457
Debtors for purchase of assets	5,929	4,707
Receivables	3,430	23,192
Advances on foreign exchange contracts (2)	<u>468,756</u>	<u>310,606</u>
Subtotal of other lines with loan features	<u>493,862</u>	<u>350,002</u>
TOTAL LOAN PORTFOLIO	<u>9,937,652</u>	<u>6,739,447</u>

- (1) Refer to transactions contracted before the discontinuance of real estate financing activities.
(2) Accounts classified as OTHER PAYABLES/Foreign Exchange Portfolio.

b) Breakdown by maturity

b.1) Normal (1)

<u>Business sector</u>	<u>From 0 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>Over 360 days</u>	<u>Total as of 12/31/2009</u>	<u>Total as of 12/31/2008</u>
Rural	218,926	160,055	262,429	1,545,745	2,187,155	1,674,802
Manufacturing	472,750	459,356	300,070	515,143	1,747,319	797,679
Government	16,818	10,461	27,279	1,101,963	1,156,521	1,391,019
Other services	346,116	460,035	703,295	1,045,639	2,555,085	930,277
Trading	424,360	256,562	289,723	223,815	1,194,460	958,794
Financial institutions	66,425	61,498	116,526	355,565	600,014	684,905
Housing	241	-	-	-	241	217
Individuals	<u>11,626</u>	<u>10,933</u>	<u>8,057</u>	<u>15,720</u>	<u>46,336</u>	<u>40,283</u>
TOTAL	<u>1,557,262</u>	<u>1,418,900</u>	<u>1,707,379</u>	<u>4,803,590</u>	<u>9,487,131</u>	<u>6,477,976</u>

b.2) Past-due

Current						
<u>Business sector</u>	<u>From 0 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>Over 360 days</u>	<u>Total as of 12/31/2009</u>	<u>Total as of 12/31/2008</u>
Rural	1,117	5,037	9,764	58,988	74,906	4,997
Manufacturing	9,619	9,363	14,930	39,817	73,729	41,806
Other services	4,776	3,809	6,589	15,720	30,894	13,729
Trading	11,782	8,280	12,149	9,998	42,209	25,635
Financial institutions	-	-	-	-	-	9
Individuals	<u>934</u>	<u>528</u>	<u>739</u>	<u>1,289</u>	<u>3,490</u>	<u>3,384</u>
TOTAL	<u>28,228</u>	<u>27,017</u>	<u>44,171</u>	<u>125,812</u>	<u>225,228</u>	<u>89,560</u>

Past-due						
<u>Business sector</u>	<u>From 0 to 90 days</u>	<u>From 91 to 180 days</u>	<u>From 181 to 360 days</u>	<u>Over 360 days</u>	<u>Total as of 12/31/2009</u>	<u>Total as of 12/31/2008</u>
Rural	21,089	5,016	7,093	40,192	73,390	89,868
Manufacturing	25,899	4,702	37,832	3,043	71,476	16,586
Other services	11,238	12,026	7,752	752	31,768	33,123
Trading	12,768	8,168	18,738	4,482	44,156	28,176
Financial institutions	-	-	-	-	-	2
Individuals	<u>1,297</u>	<u>1,117</u>	<u>1,886</u>	<u>203</u>	<u>4,503</u>	<u>4,156</u>
TOTAL	<u>72,291</u>	<u>31,029</u>	<u>73,301</u>	<u>48,672</u>	<u>225,293</u>	<u>171,911</u>

- (1) Include receivables past-due up to 14 days.

c) Specification by risk level

Risk rating	12/31/2009				12/31/2008			
	Current (1)	Past-due	Total portfolio	Allowance	Current (1)	Past-due	Total portfolio	Allowance
AA	3,346,521	-	3,346,521	-	3,075,607	-	3,075,607	-
A	3,224,154	-	3,224,154	16,121	1,917,631	-	1,917,631	9,588
B	2,232,913	20,996	2,253,909	22,539	1,086,359	17,258	1,103,617	11,036
C	329,704	16,746	346,450	10,394	114,025	14,762	128,787	3,864
D	99,756	61,476	161,232	16,123	111,835	18,801	130,636	13,064
E	26,867	17,079	43,946	13,184	17,393	43,068	60,461	18,138
F	9,584	23,653	33,237	16,618	22,018	31,473	53,491	26,746
G	7,526	16,929	24,455	17,118	4,478	15,062	19,540	13,677
H	<u>210,106</u>	<u>293,642</u>	<u>503,748</u>	<u>503,748</u>	<u>128,630</u>	<u>121,047</u>	<u>249,677</u>	<u>249,677</u>
TOTAL	<u>9,487,131</u>	<u>450,521</u>	<u>9,937,652</u>	<u>615,845</u>	<u>6,477,976</u>	<u>261,471</u>	<u>6,739,447</u>	<u>345,790</u>

(1) Include receivables past-due up to 14 days.

d) Change in allowance for the period

Specification	12/31/2009	12/31/2008
Opening balance	345,790	295,799
(+) Net allowance recognized in the period	372,182	190,605
(-) Receivables written off as a loss in the period	(102,127)	(140,614)
(=) Allowance for loan losses	<u>615,845</u>	<u>345,790</u>
(+) Allowance for losses on other receivables without loan features (note 8e)	<u>32,466</u>	<u>26,791</u>
(-) Allowance for loan losses balance	<u>648,311</u>	<u>372,581</u>

e) Breakdown of allowance expense balance

Specification	12/31/2009	12/31/2008
(+) Expenses on allowance for loan losses	330,466	180,537
(+) Expenses on allowance for losses on other receivables	41,716	36,103
(-) Reversals of operating allowances	-	(26,035)
(=) Expense balance on allowance with loan features	<u>372,182</u>	<u>190,605</u>
(+) Expense on allowance for losses on other receivables without loan features	4,834	164
(-) Reversals of allowance for losses on other receivables without loan features	(424)	(2,336)
(=) Expense balance on allowance for loan losses (note 18)	<u>376,592</u>	<u>188,433</u>

f) In the year, were recovered receivables written off as loss totaled R\$181,602 (R\$221,484 as of December 31, 2008) and renegotiations of operations amounted to R\$514,613 (R\$267,230 as of December 31, 2008).

g) Recovery of receivables with legal base

In conformity with Law 11322, of July 13, 2006 and Law 11775, of September 17, 2008, concerning rescheduling of debts arising from rural credit operations, that provides for rebates in the debit balance, discounts for prompt payment of installments, reduction of interest rate, and extension of payment terms of said operations, a positive effect on the Bank's income, referring to December 31, 2009, was recognized in the amount of R\$98,103 (R\$156,635 as of December 31, 2008).

Pursuant to the mentioned laws, part of these transactions was acquired by the Northeast Constitutional Financing Fund (FNE):

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Income earned	83,010	71,401
Recovery of operations written off from assets	45,371	111,815
Expenses on discounts	(9,448)	(32,990)
Net effect of allowances	<u>(20,830)</u>	<u>6,409</u>
TOTAL	<u>98,103</u>	<u>156,635</u>

h) In the second half of 2009, the balance of past-due loans securitized pursuant to Law 9138, of November 29, 1995 was transferred from memorandum accounts to lending operations line accounts producing an increase in the amount of 'Past-due loans' of approximately R\$86,500. The Bank recognized an allowance for the full amount transferred as the transactions were classified under rating "H". On the other hand, the Bank recognized an income from reversal of allowance totaling R\$86,500 related to the amount previously accrued in 'Accrued payables'. As the accrued and reversed amounts are equal there was no material impact of the Bank's income.

8. OTHER RECEIVABLES

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Receivables for guarantees honored	<u>65</u>	<u>40</u>
b) Foreign exchange portfolio:	<u>453,777</u>	<u>420,462</u>
Foreign exchange purchased pending settlement	435,819	386,697
Receivables for foreign exchange sold	3,930	22,528
Advances received in local currency	(1,654)	(220)
Income receivable from advances	15,682	11,457
c) Income receivable	<u>21,133</u>	<u>22,857</u>
d) Other	<u>902,560</u>	<u>675,152</u>
Tax credits - temporary differences (note 20 b)	212,459	147,642
Tax credits - securities and derivatives (note 6.a.1)	11,261	10,852
Debtors from guarantee deposits	353,840	234,648
Recoverable taxes and contributions	150,830	107,273
From prepayments - SRF Regulation 90/92	142,652	101,363
Other amounts	8,178	5,910
Tax incentive options	26,748	26,748
Receivables	3,430	23,192
Recalculation, discounts, waivers and bonuses in FAT transactions	70,913	73,007
Other amounts	73,079	51,790
e) Allowance for losses on other receivables	<u>(93,156)</u>	<u>(48,445)</u>
Receivables with loan features	(60,690)	(21,654)
Receivables without loan characteristics	<u>(32,466)</u>	<u>(26,791)</u>
TOTAL	<u>1,284,379</u>	<u>1,070,066</u>
CURRENT	1,182,342	993,033
LONG-TERM	102,037	77,033

9. PERMANENT ASSETS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Investments	<u>1,379</u>	<u>1,120</u>

a.1) Other investments	<u>6,682</u>	<u>6,023</u>
Tax incentive investments	5,011	4,611
Shares	943	443
Artworks and valuables	728	969
a.2) Allowance for losses	<u>(5,303)</u>	<u>(4,903)</u>
Tax incentive investments	(5,010)	(4,610)
Shares	(293)	(293)
b) Property and equipment	<u>191,962</u>	<u>179,161</u>
b.1) Real estate	<u>127,000</u>	<u>118,492</u>
Land	6,267	6,051
Buildings	120,733	112,441
b.2) Real estate revaluations	<u>111,628</u>	<u>111,628</u>
Land - Revaluations	10,930	10,930
Buildings - Revaluations	100,698	100,698
b.3) Other property and equipment	<u>142,320</u>	<u>119,373</u>
Facilities, furniture and equipment	59,280	54,489
Data processing system	50,969	47,464
Security system	9,679	9,870
Transportation system	16,482	2,857
Other	5,910	4,693
b.4) Accumulated depreciation	<u>(188,986)</u>	<u>(170,332)</u>
Real estate	(142,882)	(130,363)
Other property and equipment	(46,104)	(39,969)
c) Deferred charges	<u>3,064</u>	<u>4,609</u>
c.1) Organization and expansion costs	<u>8,059</u>	<u>10,436</u>
Leasehold improvements	8,010	10,121
Software purchase and development	49	315
c.2) Accumulated amortization	<u>(4,995)</u>	<u>(5,827)</u>
Leasehold improvements	(4,971)	(5,598)
Software purchase and development	<u>(24)</u>	<u>(229)</u>
TOTAL	<u>196,405</u>	<u>184,890</u>

10. DEPOSITS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Demand deposits	<u>175,340</u>	<u>170,777</u>
Foreign currency deposits	39,503	62,440
Government deposits	38,044	19,167
Restricted deposits	53,483	57,214
Legal entities	34,584	23,487
Individuals	7,400	6,908
Other amounts	2,326	1,561
b) Savings deposits	<u>1,381,500</u>	<u>879,323</u>
Free savings deposits - individuals	606,679	502,654
Free savings deposits - legal entities	774,539	376,569
From related parties and institutions of the Financial System	282	100
c) Interbank deposits	<u>384,771</u>	<u>349,550</u>
d) Time deposits	<u>4,384,003</u>	<u>2,726,335</u>
Time deposits	3,411,764	1,866,611
Interest-bearing escrow deposits	56,327	50,877
Interest-bearing special deposits /FAT – available funds (note 11.c)	<u>48,479</u>	<u>18,544</u>
Proger Urbano	19,129	2,139
Proger Rural	3,651	5,955
Pronaf	182	41
Protrabalho	17,973	3,969
Infrastructure	6,972	6,080

Drought	572	360
Interest-bearing special deposits /FAT – invested funds (note 11.c)	<u>346,775</u>	<u>425,883</u>
Proger Urbano	56,857	61,591
Proger Rural	58	6,116
Pronaf	1,371	1,942
Protrabalho	218,297	279,974
Infrastructure	56,413	59,368
Drought	13,779	16,892
FINOR/cash and cash equivalents & reinvestments Law 8167	520,404	364,330
Other amounts	254	90
e) Other deposits - Investment deposits	<u>7,113</u>	<u>10,675</u>
TOTAL	<u>6,332,727</u>	<u>4,136,660</u>
CURRENT	3,197,499	2,339,354
LONG-TERM	3,135,228	1,797,306

11. LONG-TERM LIABILITIES

- a) With respect to domestic borrowings and onlendings, interest rates vary from 0 to 10.0 percent per year and maturities vary from 4 to 20 years with an average of 6 years term. In accordance with legal and contractual requirements, inflation adjustment, when applicable, is calculated using the official indices disclosed by the Central Bank of Brazil.
- b) Financing from the BNDES (National Bank for Economic and Social Development) totaling R\$773,126 (R\$577,673 as of December 31, 2008), subject to TJLP (long-term interest rate) or inflation indices (IGP-M and IPCA) plus average spread of 1.5% per year and average maturity of 6 years.
- c) Funds derived from the Fund for Workers' Assistance (FAT), recorded under 'Interest-bearing special deposits', totaling R\$395,254 (R\$444,427 as of December 31, 2008) are subject to SELIC (Central Bank overnight rate) while they are not used in lending operations, and to TJLP after they are released to the borrowers. Available funds bearing interest at SELIC total R\$48,479 (R\$18,544 as of December 31, 2008).

Pursuant to CODEFAT (Board of the Worker's Assistance Fund) Resolution 439, of June 2, 2005, these funds began to be reimbursed to FAT on a monthly basis, with a minimum amount equivalent to 2% calculated on the total balance of each TADE (FAT Special Deposit Allocation Statement), plus cash and cash equivalents that meets the following conditions, considering the period they remain in the Bank's cash:

- After 2 months, with respect to the reimbursements of the final borrowers, not reused in new financing.
 - After 3 months, relating to the new deposits made by FAT, when funds are not released to the final borrowers.
- d) Regarding foreign financing, interest rates range from 1.24 to 6.00 percent per year, average maturity is 10 years and final maturity to the IDB is 2027. Pursuant to contractual requirements, exchange variation, if applicable, is calculated using the official rates disclosed by the Central Bank of Brazil.

e) Onlending loans are made at least under the same conditions as for borrowings, in respect of interest charges and maturities, and are secured by collaterals, guarantees and other.

f) Borrowings and Onlendings by Maturity:

<u>Specification</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>5 to 15 years</u>	<u>Over 15 years</u>	<u>Total as of 12/31/2009</u>	<u>Total as of 12/31/2008</u>
Domestic borrowings	22,272	22,271	11,583	-	56,126	64,673
Domestic onlendings	203,667	255,707	356,298	304,329	1,120,001	939,312
Foreign onlendings	<u>136,575</u>	<u>143,402</u>	<u>311,121</u>	<u>67,642</u>	<u>658,740</u>	<u>877,675</u>
TOTAL	<u>362,514</u>	<u>421,380</u>	<u>679,002</u>	<u>371,971</u>	<u>1,834,867</u>	<u>1,881,660</u>

12. BORROWINGS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Domestic borrowings - official institutions/Refinancing	70,157	77,606
b) Foreign borrowings/Borrowings in foreign currency	<u>630,522</u>	<u>250,189</u>
TOTAL	<u>700,679</u>	<u>327,795</u>
CURRENT	644,553	263,122
LONG-TERM	56,126	64,673

13. DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) National Treasury	<u>1,164</u>	<u>1,312</u>
b) BNDES (note 11.b)	<u>743,796</u>	<u>533,080</u>
POC (credit facility granted by the BNDES agents to shareholders of medium-sized and small companies to buy shares in capital increases)	428,032	200,879
Credit Facility for investment in agriculture	315,764	332,201
c) CEF (Federal Savings and Loan Bank)	<u>-</u>	<u>98</u>
d) FINAME (National Equipment Financing Authority) (note 11.b)	<u>29,330</u>	<u>44,593</u>
"Programa Automático" (program that intended purchase of new machinery and equipment by companies based in Brazil)	15,960	30,252
Farm Program	13,370	14,309
Import	-	32
e) Other institutions	<u>659,234</u>	<u>654,005</u>
Pilot Support Project of Agrarian Reform	82,259	78,565
"MEPF-Banco da Terra" - Land Fund and Agrarian Reform - Land Bank	137,604	140,449
"Banco da Terra"- Land Bank - Fight against rural poverty	<u>439,371</u>	<u>434,991</u>
TOTAL	<u>1,433,524</u>	<u>1,233,088</u>
CURRENT	313,523	293,776
LONG-TERM	1,120,001	939,312

14. FOREIGN ONLENDINGS

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) IDB-Prodetur (Tourism Development Program with funds provided by the IDB (note 11.d))	714,419	942,188
b) Other programs	<u>7,974</u>	<u>17,974</u>
TOTAL	<u>722,393</u>	<u>960,162</u>
CURRENT	63,653	82,487

LONG-TERM

658,740

877,675

15. OTHER PAYABLES

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Collected taxes and other	<u>3,269</u>	<u>6,641</u>
Funds from Proagro (program established to guarantee supplemental funds for farmers to pay their costs of farming and cattle raising)	92	3,892
IOF (tax on financial transactions payable)	3,093	2,610
Other taxes	84	139
b) Foreign exchange portfolio	<u>7,523</u>	<u>24,411</u>
Foreign exchange purchased	472,306	310,708
Foreign exchange sold pending settlement	3,926	24,246
(Advances on foreign exchange contracts)	(468,756)	(310,606)
Other	47	63
c) Social and statutory	<u>238,115</u>	<u>127,488</u>
Dividends and bonuses payable	205,091	108,048
Profit sharing	33,024	19,440
d) Tax and social security	<u>464,557</u>	<u>370,441</u>
Provision for tax contingencies (note 21)	<u>95,167</u>	<u>80,777</u>
Taxes payable	71,343	65,217
Tax lawsuits	23,824	15,560
Provision for deferred income and social contribution taxes	<u>103,062</u>	<u>66,343</u>
Securities and derivatives (note 6.a.1)	90,015	51,671
Revaluation of buildings and land (note 16.b)	13,047	14,672
Provision for income and social contribution taxes (note 20.a)	<u>226,928</u>	<u>188,190</u>
Income tax	139,939	120,473
Social contribution	86,989	67,717
Taxes payable	39,400	35,131
e) Financial and development funds	<u>3,639,762</u>	<u>4,667,188</u>
FNE (Northeast Constitutional Financing Fund)	3,553,326	4,589,656
Other	86,436	77,532
f) Subordinated debt eligible for capital (*)	<u>622,064</u>	<u>-</u>
g) Other	<u>2,421,737</u>	<u>2,200,989</u>
Provision for contingent liabilities (note 21)	<u>1,202,944</u>	<u>1,072,049</u>
Labor lawsuits	150,741	176,657
Civil lawsuits	95,338	77,859
Other lawsuits	567	530
FNE (note 25.c)	956,261	817,003
FDNE	37	-
Accrued liabilities allowances	<u>1,123,974</u>	<u>1,046,986</u>
Employee benefits - CVM Resolution 371 (note 24.e)	<u>1,023,192</u>	<u>895,958</u>
Pension plan - CVM Resolution 371	765,942	691,014
Health care plan - CVM Resolution 371	257,250	204,944
Personnel expenses	68,016	48,779
Other	32,766	102,249
Other	<u>94,819</u>	<u>81,954</u>
TOTAL	<u>7,397,027</u>	<u>7,397,158</u>
CURRENT	3,416,104	3,615,746
LONG-TERM	3,980,923	3,781,412

(*) On July 20, 2009, the Central Bank of Brazil issued Official Letter DEORF/Cofil - 2009/07394, which approved the qualification of the onlending transaction by FNE, in the amount of R\$600 million, as Level II Capital in the Reference Shareholders' Equity (PR) of Banco do Nordeste do Brasil S/A, in the subordinated debt class, in accordance with CMN Resolution 3444/07.

16. SHAREHOLDERS' EQUITY

a) Capital

The amount of Capital is R\$1,652,000 (R\$1,299,000 as of December 31, 2008), represented by 87,001,901 paid-up shares without par value, and distributed as follows:

Composition as of December 31, 2009					
Shareholders	Common shares	Preferred shares	Total shares	% voting capital	% total capital
Federal government	46,595,279	35,373,190	81,968,469	96.10	94.21
FND (National Development Fund)	1,473,704	2,373,264	3,846,968	3.04	4.42
BNDESPAR	22,785	403,495	426,280	0.05	0.49
Other (9,297 shareholders)	<u>393,007</u>	<u>367,177</u>	<u>760,184</u>	<u>0.81</u>	<u>0.88</u>
TOTAL	<u>48,484,775</u>	<u>38,517,126</u>	<u>87,001,901</u>	<u>100.00</u>	<u>100.00</u>

Composition as of December 31, 2008					
Shareholders	Common shares	Preferred shares	Total shares	% voting capital	% total capital
Federal government	46,595,279	35,373,190	81,968,469	96.10	94.21
FND (National Development Fund)	1,473,704	2,373,264	3,846,968	3.04	4.42
BNDESPAR	22,785	403,495	426,280	0.05	0.49
Other (9,295 shareholders)	<u>393,007</u>	<u>367,177</u>	<u>760,184</u>	<u>0.81</u>	<u>0.88</u>
TOTAL	<u>48,484,775</u>	<u>38,517,126</u>	<u>87,001,901</u>	<u>100.00</u>	<u>100.00</u>

b) Revaluation reserve

The amount of R\$30,501 (R\$32,938 as of December 31, 2008) refers to the revaluation of property, plant and equipment in use, recognized on February 26, 1993. This reserve will be maintained until its effective realization through depreciation, write-off or sale. The amount of R\$2,437 (R\$2,517 as of December 31, 2008), realized in the year, was included in the income allocation basis.

c) Treasury shares

The Bank holds 10,232 own shares, of which 8,088 are registered common shares (ON) and 2,144 are registered preferred shares (PN), bought back on February 17, 2009. These shares, whose market values on December 31, 2009 represent, respectively, R\$39.90 and R\$37.01 per share, are held in treasury to be later disposed of or cancelled.

d) Net Income - Allocations

1. Net income	459,012
2. Revaluation reserves transferred to retained earnings (accumulated losses)	2,437
3. Adjusted net income	461,449
Legal reserve (item 1 x 5%)	22,950
Dividends (note 16.e.)	130,446
Interest on own capital (note 16.e)	110,000
Statutory reserve (item 3 - Legal reserve - interest on own capital)	198,053

e) Dividends/interest on own capital

Under the Bank's bylaws, shareholders are entitled to minimum dividends of 25% of net income of the year, adjusted as defined by regulation.

The Board of Directors proposes to the Shareholders' Meeting the payment of dividends and interest on own capital attributed to dividends equivalent to 50.0736% of adjusted net income. Dividends/interest on own capital for 2009 were calculated as follows:

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
1. Net income	459,012	421,029
2. Recorded legal reserve	(22,950)	(21,052)
3. Revaluation reserves transferred to retained earnings (accumulated losses)	2,437	2,517
4. Profit sharing	41,686	37,904
5. Calculation basis of dividends/interest on own capital	480,185	440,398
6. Interest on own capital	110,000	100,211
7. Withholding income tax on interest on own capital	(226)	(205)
8. Interest on own capital attributed to dividends (items 6 and 7)	109,774	100,006
9. Interim interest on own capital adjusted by the SELIC rate	(35,393)	(51,247)
10. Additional interest on own capital (items 6 and 9)	74,607	48,964
11. Proposed dividends	130,446	120,296
12. Interim dividends adjusted by the SELIC rate	-	(61,332)
13. Additional dividends (items 11 + 12)	-	58,964
14. Dividends and additional interest on own capital (items 10 + 11)	205,053	107,928
- Interest on own capital of R\$0.821275802532 per common share (as of 12/31/2008: interest on own capital of R\$0.538930682467 per common share)	39,813	26,130
- Interest on own capital of R\$0.903403382611 per preferred share (as of 12/31/2008: interest on own capital of R\$0.592823750921 per preferred share)	34,794	22,834
- Dividends of R\$1.435941522571 per common share (as of 12/31/2008: dividends of R\$0.649004285059 per common share)	69,610	31,467
-Interest on own capital of R\$1.579535674974 per preferred share (as of 12/31/2008: interest on own capital of R\$0.713904724874 per preferred share)	60,836	27,497
15. Total attributed to shareholders (items 6 + 11)	240,446	220,507

The Bank calculated for preferred shares dividends/interest on own capital 10% higher than dividends/interest on own capital attributed to common shares, pursuant to Article 17, "I", of Law 6404, of December 15, 1976, as reworded by Law 10303, of October 31, 2001 and the provision of Article 6, paragraph 2, of the Bank's bylaws.

Dividends and interest on own capital will be paid, plus financial charges based on the SELIC rate from the balance sheet date to the date earnings are available to shareholders, pursuant to Decree 2673, of July 16, 1998, as reworded by Decree 3381, of March 13, 2000.

The employee profit sharing was added to the calculation basis of dividends/interest on own capital, as established by Article 2 of Resolution 10, of May 30, 1995, of the CCE (Council for Coordination and Control of State-Owned Companies).

17. INCOME FROM FINANCIAL INTERMEDIATION

<u>Specification</u>	<u>2nd half of 2009</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
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a) Lending operations	<u>673,763</u>	<u>1,214,532</u>	<u>1,218,859</u>
Interest and commissions	564,959	1,000,133	610,539
Monetary adjustment	15,291	30,280	93,083
Exchange variation	101	2,517	293,753
Recovery of receivables written off as loss	93,412	181,602	221,484
b) Gains (losses) on securities transactions	<u>312,698</u>	<u>739,243</u>	<u>1,040,237</u>
Fixed-income securities	219,517	495,105	606,281
Other investments	94,132	249,091	437,841
Income, loss and adjustment	(951)	(4,953)	(3,885)
c) Gains (losses) on derivatives	<u>(6,401)</u>	<u>(38,146)</u>	<u>(2,130)</u>
d) Gains (losses) on foreign exchange transactions	<u>31,046</u>	<u>86,778</u>	<u>136,939</u>
Foreign exchange transactions	17,423	34,176	26,271
Cash in foreign currency	74	34,727	12,452
Exchange rate fluctuations and differences	13,549	17,875	98,216
e) Gains (losses) on compulsory investments	<u>1,943</u>	<u>2,796</u>	<u>22,626</u>
Interest and commissions	1,889	2,576	22,081
Monetary adjustment	<u>54</u>	<u>220</u>	<u>545</u>
TOTAL	<u>1,013,049</u>	<u>2,005,203</u>	<u>2,416,531</u>

18. FINANCIAL INTERMEDIATION EXPENSES

<u>Specification</u>	<u>2nd half of 2009</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Funding operations	(191,278)	(381,160)	(348,005)
Interest and commissions	(83,622)	(171,305)	(155,598)
Monetary adjustment	(107,656)	(209,855)	(172,001)
Exchange variation	-	-	(20,406)
b) Borrowings and onlendings	(195,334)	(461,687)	(1,109,975)
Interest and commissions	(42,546)	(83,307)	(91,277)
Monetary adjustment	(3,988)	(6,809)	(28,704)
Monetary adjustment of FNE available funds	(148,800)	(370,855)	(554,031)
Exchange variation	-	(716)	(435,963)
c) Allowance for loan losses (note 7.e)	(190,395)	(376,592)	(188,433)
Lending operations	(190,436)	(372,182)	(190,605)
Transactions without loan characteristics	<u>41</u>	<u>(4,410)</u>	<u>2,172</u>
TOTAL	<u>(577,007)</u>	<u>(1,219,439)</u>	<u>(1,646,413)</u>

19. OTHER OPERATING INCOME (EXPENSES)

<u>Specification</u>	<u>2nd half of 2009</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
a) Income from services provided	<u>563,568</u>	<u>1,106,886</u>	<u>969,570</u>
Investment funds management	5,568	9,726	7,672
Funds and programs management	406,680	824,875	764,339
Services provided	151,320	272,285	197,559
b) Income from bank fees	<u>6,893</u>	<u>12,205</u>	<u>9,014</u>
c) Personnel expenses	(468,969)	(890,476)	(770,067)
Salaries	(238,848)	(451,432)	(389,585)
Payroll charges	(80,447)	(149,237)	(128,837)
Contribution expenses - CAPEF (note 24. g)	-	(1,181)	(5,425)
Contribution expenses - CAMED (note 24. g)	-	(5,425)	(12,494)

Pension plan - CVM Resolution 371 (note 24.g)	(68,321)	(131,985)	(106,890)
Health care plan - CVM Resolution 371 (note 24.g)	(40,669)	(74,008)	(52,187)
Benefits, training, fees and compensation of interns	(40,684)	(77,208)	(74,649)
d) Other administrative expenses	<u>(298,681)</u>	<u>(551,813)</u>	<u>(446,574)</u>
Data processing	(53,264)	(106,490)	(80,702)
Advertising and publicity	(14,106)	(32,470)	(29,428)
Outside services	(71,974)	(128,879)	(97,558)
Rentals, material and public utilities	(22,282)	(44,050)	(37,488)
Travel expenses	(7,297)	(14,867)	(18,446)
Communications	(13,978)	(30,531)	(26,479)
Depreciation and amortization	(12,911)	(25,511)	(23,236)
Asset maintenance and upkeep	(15,695)	(27,004)	(21,326)
Surveillance, security and transportation	(12,362)	(23,819)	(20,705)
Promotions, public relations and publications	(8,576)	(15,540)	(14,366)
Financial system services	(7,932)	(14,746)	(12,598)
Specialized technical services	(12,014)	(21,066)	(19,432)
Insurance	(1,695)	(1,695)	(1,205)
FUNDECI (science and technology development fund)	(17,000)	(17,000)	(10,000)
Other	(27,595)	(48,145)	(33,605)
e) Tax expenses	<u>(75,780)</u>	<u>(144,214)</u>	<u>(119,969)</u>
Cofins and PIS/PASEP (taxes on revenue)	(67,782)	(130,158)	(109,909)
ISS (service tax) and IPTU (municipal real estate tax)/Improvement	(7,423)	(13,020)	(8,989)
Other	(575)	(1,036)	(1,071)
f) Other operating income	<u>563,922</u>	<u>1,159,159</u>	<u>737,419</u>
Financial commission on investment funds management	292,813	554,751	409,389
Negative exchange variation of loans obtained	122,807	363,394	101,340
Recovery of charges and expenses	6,710	13,001	8,949
Reversal of provisions for social contribution and income tax	73	14,790	-
Reversal of operating accruals	106,111	123,028	160,909
Interest and commissions	996	4,776	5,762
Monetary adjustment	1,696	1,696	-
Monetary adjustment of taxes	107	107	-
FNE - Recovery of amounts settled by the Bank	25,514	48,166	38,812
Other	7,095	35,450	12,258
g) Other operating expenses	<u>(305,552)</u>	<u>(818,404)</u>	<u>(535,761)</u>
Exchange variation from exchange area	(193)	(359)	-
Negative exchange variations on granted loans	(123,298)	(379,172)	(76,832)
Negative adjustments on lending operations	(5,724)	(5,724)	-
Discounts granted in renegotiations	(4,526)	(4,526)	(6,655)
Interest on lending operations	(9,104)	(9,104)	(11,931)
Tax risks	(5,490)	(14,537)	(40,809)
FNE's operations risks	(118,721)	(282,231)	(295,489)
Labor lawsuits	(3,446)	(16,227)	(65,628)
Civil lawsuits	(4,286)	(24,621)	(9,100)
Other lawsuits	(45)	(56)	(83)
Other operating provisions	(1,317)	(4,451)	(5,055)
Other	<u>(29,402)</u>	<u>(77,396)</u>	<u>(24,179)</u>
TOTAL	<u>(14,599)</u>	<u>(126,657)</u>	<u>(156,368)</u>

20. TAXES PAYABLE

a) Income tax and social contribution

The Bank is subject to taxation on deemed income and pays income and social contribution taxes monthly on an estimated basis. Income tax expense for 2009 was

R\$98,413 and the social contribution tax expense was R\$62,074, reconciled as shown below:

a.1) Specification of the provision for income tax and social contribution expense	<u>Income tax</u>		<u>Social contribution</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Income before taxes on income, interest on own capital and profit sharing	509,499	478,501	509,499	478,501
Permanent additions/deductions	19,800	53,385	19,825	53,412
Temporary additions/deductions	<u>299,140</u>	<u>176,182</u>	<u>299,140</u>	<u>176,182</u>
Taxable income before utilization of tax loss carryforwards	828,439	708,068	828,464	708,095
Offset of tax loss carryforwards	<u>(248,532)</u>	<u>(212,420)</u>	<u>(248,539)</u>	<u>(212,428)</u>
Taxable income after utilization of tax loss carryforwards	<u>579,907</u>	<u>495,648</u>	<u>579,925</u>	<u>495,667</u>
Provision for income tax and social contribution	(143,938)	(122,872)	(86,380)	(67,190)
Deductions (tax incentives)	5,014	3,415	-	-
Expense on provision for income tax and social contribution	(138,924)	(119,457)	(86,380)	(67,190)
Deferred tax assets	40,511	5,010	24,306	23,953
Total current expenses	(98,413)	(114,447)	(62,074)	(43,237)
% of current expenses in relation to income before taxation	19.32%	23.92%	12.18%	9.04%

a.2) Specification of provision for income tax and social contribution	<u>Income tax</u>		<u>Social contribution</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Provision for income tax and social contribution expense	138,924	119,457	86,380	67,190
Provision for taxes on the realization of revaluation reserve	1,015	1,016	609	527
Provision for income tax and social contribution	139,939	120,473	86,989	67,717
Taxes for offset due to tax prepayments, including withholding taxes	(100,069)	(73,466)	(44,986)	(28,678)
Adjustment for the period	39,870	47,007	42,003	39,039

b) Tax credits on temporary differences

Article 9 of Law 9430, of December 27, 1996, specifies the rules of deductibility of allowance for loan losses expenses from the income and social contribution tax calculation, which differ from the rules of National Monetary Council 2682 of December 21, 1999. The portion of the provision recorded under the rules of the National Monetary Council that exceeds the limit determined in accordance with tax legislation is temporarily added to the income and social contribution tax basis. The temporarily nondeductible provisions will decrease or confirm taxable income for the next years, when it falls into the concept of loss for tax purposes or when reversed, respectively.

In view of the temporary addition of the allowance for loan losses and according to Central Bank of Brazil Circular 3171, of December 30, 2002, CVM Resolution 273, of August 20, 1998, and Article 8 of Provisional Act 2158-35, of August 24, 2001, since 1996 the Bank has recognized an income and social contribution tax credits arising on said temporary differences, with reviews based on technical studies conducted semiannually.

As of December 31, 2009, tax credits total R\$212,459, of which R\$132,778 refers to income tax and R\$79,681 to social contribution.

In accordance with Central Bank of Brazil Circular 3023, of June 11, 2002, the Bank recorded tax credits on adjustments to fair value of securities classified into the category 'available-for-sale securities'. Changes in tax credits are shown below:

Specification	INCOME TAX		SOCIAL CONTRIBUTION	
	Temporary differences	Securities	Temporary differences	Securities
Opening balance as of 12/31/2008	92,267	(1) 6,783	55,375	(1) 4,069
(+) Credit recognition	74,688	83,760	44,827	50,042
(-) Credit realization	<u>(34,177)</u>	<u>(83,505)</u>	<u>(20,521)</u>	<u>(49,888)</u>
(=) Ending balance as of 12/31/2009	<u>132,778</u>	(1) <u>7,038</u>	<u>79,681</u>	(1) <u>4,223</u>

(1) Temporary differences total R\$212,459 (R\$146,742 as of December 31, 2008) (note 8)

The balance of the income and social contribution tax assets, recognized in 'OTHER RECEIVABLES - other', is composed as follows:

Specification	Income tax		Social contribution	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
1. Total temporary differences	2,728,935	2,436,607	2,728,935	2,436,607
2. Tax loss carryforwards	<u>188,374</u>	<u>436,905</u>	<u>190,044</u>	<u>438,583</u>
3. Total tax base ("1" + "2")	<u>2,917,309</u>	<u>2,873,512</u>	<u>2,918,979</u>	<u>2,875,190</u>
4. Tax credits on temporary differences+tax loss carryforwards	729,327	718,378	437,847	431,278
5. Tax credits from mark-to-market of securities	<u>7,038</u>	<u>6,783</u>	<u>4,223</u>	<u>4,069</u>
6. Total tax credits	<u>736,365</u>	<u>725,161</u>	<u>442,070</u>	<u>435,347</u>
7. Tax credits recognized in assets	139,816	99,050	83,904	59,444
8. Tax credits not recognized in assets ("6" - "7")	596,549	626,111	358,166	375,903

Deferred income and social contribution taxes will be realized as temporary differences from which they arise are reversed or become tax deductible. The estimated realization schedule below is duly supported by a technical study indicating expected future taxable income with consequent taxes payable, in accordance with article 6, sole paragraph, of Law 9249, of December 26, 1995.

The estimated realization of tax credits as of December 31, 2009 is as follows:

Period	Realization of income tax credit		Realization of social contribution tax credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2010	45,858	41,724	27,515	25,034	73,373	66,758
2011	23,334	19,157	14,000	11,494	37,334	30,651
2012	15,703	11,646	9,422	6,988	25,125	18,634
2013	10,947	7,368	6,568	4,421	17,515	11,789
2014	<u>36,936</u>	<u>22,617</u>	<u>22,176</u>	<u>13,579</u>	<u>59,112</u>	<u>36,196</u>
TOTAL	<u>132,778</u>	<u>102,512</u>	<u>79,681</u>	<u>61,516</u>	<u>212,459</u>	<u>164,028</u>

The tax credits arising on the mark-to-market of securities determined at the present realizable value, pursuant to Central Bank of Brazil Circular 3068, of November 08, 2001, will be realized according to the maturities of the securities, as shown below:

Period	Realization of income tax credit		Realization of social contribution tax credit		Total	
	Book value	Present value	Book value	Present value	Book value	Present value
2010	6,484	6,484	3,891	3,891	10,375	10,375

2011	1	1	1	1	2	2
2012	170	170	102	102	272	272
2013	-	-	-	-	-	-
2014	171	171	102	102	273	273
2015 to 2017	-	-	-	-	-	-
2027 to 2029	<u>212</u>	<u>212</u>	<u>127</u>	<u>127</u>	<u>339</u>	<u>339</u>
TOTAL	<u>7,038</u>	<u>7,038</u>	<u>4,223</u>	<u>4,223</u>	<u>11,261</u>	<u>11,261</u>

21. PROVISIONS AND CONTINGENT LIABILITIES

- a) Banco do Nordeste is a party to several administrative and judicial proceedings involving civil, tax, labor and other matters.
- b) The assessment of the contingent liability, risk level of new lawsuits, and the reassessment of already existing lawsuits are made by the Legal Department, on case by case, and are classified according to the risk of loss, as probable, possible or remote. Such classification is based on the analysis of the following factors: i) reasonableness of the factual and legal arguments of the other party; ii) arguments and legal basis developed by Banco do Nordeste; iii) previous losses incurred by Banco do Nordeste final outcome in similar cases; iv) previous decisions of higher courts' and supervisory authorities on the matters in litigation; v) decisions already made on each proceeding (decision, sentence, injunction, interim relief, writ of payment, writ of attachment, etc); and vi) existence of procedural errors in the administrative and judicial proceedings.
- c) Contingencies classified as probable losses are accounted for and represented by Civil Lawsuits (claiming compensation for pain and suffering and property damage, such as protest of notes, return of checks, and provision of information to credit reporting agencies, among others), Labor Lawsuits (claiming labor rights, in light of specific professional category legislation, such as overtime, salary equalization, job reinstatement, premium for transfer, termination pay, retirement supplementation and others), Tax and Social Security Lawsuits (represented by judicial and administrative proceedings involving federal and municipal taxes) and Other Lawsuits (such as infringement notices issued by Regional Councils that regulate the exercise of professions and Regional Labor Offices).
- d) As of December 31, 2009, the Bank recognized a provision for the total estimated loss on lawsuits classified as probable losses, and provision are not applicable to lawsuits classified as possible and remote losses, as shown below:

<u>Specification</u>	<u>Base value</u>	<u>Provision</u>
PROVISION FOR TAX CONTINGENCIES (note 15.d)		
Taxes	<u>71,343</u>	<u>71,343</u>
Probable	71,343	71,343
Tax lawsuits	<u>425,965</u>	<u>23,824</u>
Probable	23,824	23,824
Possible	239,696	-
Remote	162,445	-
PROVISION FOR CONTINGENT LIABILITIES (note 15.g)		
Labor lawsuits	<u>203,029</u>	<u>150,741</u>
Probable	150,741	150,741
Possible	20,670	-
Remote	31,618	-
Civil lawsuits	<u>895,910</u>	<u>95,338</u>
Probable	95,338	95,338

Possible	233,178	-
Remote	567,394	-
Other lawsuits	<u>15,959</u>	<u>567</u>
Probable	567	567
Possible	8,319	-
Remote	7,073	-

e) Changes in the provision for contingent liabilities are as follows:

<u>Specification</u>	<u>12/31/2009</u>
a) Taxes (Other payables - other)	
Opening balance as of 12/31/2008	65,217
Recognition	6,286
Reversal/utilization/write-off	<u>(160)</u>
Closing balance as of 12/31/2009	<u>71,343</u>
b) Tax lawsuits (Other payables - other)	
Opening balance as of 12/31/2008	15,560
Recognition	8,264
Reversal/utilization/write-off	-
Closing balance as of 12/31/2009	<u>23,824</u>
c) Labor lawsuits (Other payables - other)	
Opening balance as of 12/31/2008	176,657
Recognition	20,540
Reversal/utilization/write-off	<u>(46,456)</u>
Closing balance as of 12/31/2009	<u>150,741</u>
d) Civil lawsuits (Other payables - other)	
Opening balance as of 31/12/2008	77,859
Recognition	26,733
Reversal/utilization/write-off	<u>(9,254)</u>
Closing balance as of 12/31/2009	<u>95,338</u>
e) Other lawsuits (Other payables - other)	
Opening balance as of 31/12/2008	530
Recognition	57
Reversal/utilization/write-off	<u>(20)</u>
Closing balance as of 12/31/2009	<u>567</u>
f) Vacation	
Opening balance as of 31/12/2008	33,592
Recognition	46,984
Reversal/utilization/write-off	<u>(41,230)</u>
Closing balance as of 12/31/2009	<u>39,346</u>
g) FNE	
Opening balance as of 31/12/2008	817,003
Recognition	282,214
Reversal/utilization/write-off	<u>(142,956)</u>
Closing balance as of 12/31/2009	<u>956,261</u>

f) The Bank has lawsuits handled by outside attorneys, most of which relates to loan collection actions, whose provision is recorded in accordance with Resolution 2682, of December 21, 1999. When these lawsuits generate contingencies for the Bank, they are assessed by the Legal Department as mentioned in item b above.

g) Escrow deposits are recorded in an asset account, without deduction of the provision for contingent liabilities, in accordance with Central Bank of Brazil standards.

h) The risk assumed by the Bank on FNE transactions entered into beginning December 1, 1998 is calculated in the same manner as set forth in Resolution 2682, of December 21, 1999 (note 25.c).

22. EMPLOYEES' AND OFFICERS' COMPENSATION

The monthly compensation paid by the Bank to its employees and officers are as follows (in R\$1.00):

<u>Gross compensation</u>	<u>Employees (1)</u>	<u>Officers (2)</u>
Maximum	19,127.51	25,677.00
Minimum	762.71	22,590.10
Average	4,916.64	-

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

(2) Amounts approved by the 83rd Annual Shareholders' Meeting of the Bank, held on December 17, 2009.

As of December 31, 2009, the Bank had 5,895 employees (5,978 as of December 31, 2008), an decrease of 1.39% in the Bank's headcount in the period.

23. PROFIT SHARING

In 2009 the Bank accrued R\$41,686 for profit sharing of the Bank's employees and officers, being R\$41,369 relating to employees profit sharing, equivalent to 17.21% of dividends and interest on own capital and 9.00% of net income for the year, pursuant to Resolution 10, of May 30, 1995 of CCE - Coordination and Control Council of Public Entities.

24. EMPLOYEE BENEFITS

Pursuant to CVM Resolution 371, of December 13, 2000, we present below information on the employee benefit policy and the accounting procedures adopted by Banco do Nordeste for recognizing its obligations:

a) The Bank does not have:

- Severance pay benefits;
- Long-term benefits;
- Stock-based compensation.

b) Accounting policy adopted by the Bank to recognize actuarial gains and losses

The policy adopted for the recognition of actuarial gains and losses is based on items 52 to 55 of the Appendix to CVM Resolution 371, i.e., the Bank recognizes a portion of actuarial gains and losses in excess of the higher of: 10% of the present value of the defined benefit actuarial obligation and 10% of the fair value of the plan's assets:

c) Characteristics of the Pension Plan of Banco do Nordeste's Employees

The Bank sponsors Caixa de Previdência dos Funcionários do Banco do Nordeste do Brasil (CAPEF), a pension entity that provides, through its only pension plan, its associate employees and dependents with benefits that supplement government benefits. Relevant information related to the mentioned pension plan is as follows:

c.1) Benefit Plan

The plan, which is closed to new participants since November 26, 1999, offers retirement benefits for length of contribution, age and disability to the plan participants and pension benefits to their dependents.

c.2) Actuarial Method

Classified as defined benefit, the plan adopts the financial system of capitalization in the actuarial calculation of mathematical provisions related to all benefits offered to its participants and dependents.

c.3) Past-due Obligations

None.

c.4) Contributions Due

None.

c.5) Actuarial Position

In December 2009, CAPEF reported an actuarial surplus of R\$12,850 (surplus of 21,909 as of December 31, 2008) as a result of the positive impact of the investments, totaling R\$332,908, and expenditure totaling R\$341,968 related to the increase in plan obligations, payment of benefits, administrative expenses, and the change in contingencies and funds. The main event was the change in the obligations of the benefit plan totaling R\$123,859 due to the review of the benefit plan funding that resulted in a reduction of the maximum contribution rate de taxpayer of the covered participants to 23 percent from 25 percent, beginning January 1, 2010

c.6) Contribution Ratio (Participants/Sponsor)

The ratio of participant contributions to Bank contributions meets the parity set by Constitutional Amendment 20, of December 15, 1998, with a contribution ratio of 1:1 as of December 31, 2009 (1:1, as of December 31, 2008).

d) Characteristics of the Health Care Plan

Banco do Nordeste contributes to the 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 associates and dependents participating in the Natural Plan, through granting of subsidies to cover or reimburse health promotion, protection and recovery expenses.

d.1) Past-due Obligations

None.

d.2) Contributions

The Natural Plan is funded primarily by contributions made by the associates, contributions related to the enrolment of natural dependents, financial protection, and emergency service fees, financial co-participation paid by each associate for services utilized, and matched contributions from sponsors.

e) Reconciliation of assets and liabilities recognized in balance sheet

The reconciliation of assets and liabilities is shown below, according to actuarial valuations conducted by PROBUS Suporte Empresarial S/C Ltda., based on information provided by CAPEF, CAMED and the Bank, pursuant to item 49 of the attachment to CVM Resolution 371:

<u>Specification</u>	<u>CAPEF</u>		<u>CAMED</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
1. Present value of actuarial obligations totally or partially funded	2,862,841	2,671,550	494,494	440,402
2. Fair value of plan assets	2,076,864	1,888,469	11,292	12,994
3. Present value of unfunded actuarial obligations (item 1 - item 2)	785,977	783,081	483,202	427,408
a. Present value of recognized unfunded actuarial obligations (note 15g)	765,942	691,014	257,250	204,944
a. Present value of unfunded actuarial obligations not recognized	20,035	92,067	225,952	222,464
i. Net actuarial losses/gains	(6,461)	39,076	225,952	222,464
ii. Cost of past service	26,496	52,991	-	-

f) The change in net actuarial liability in the period is as follows:

<u>Specification</u>	<u>CAPEF</u>		<u>CAMED</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
1. Net actuarial liability, at end of prior year	783,081	616,820	427,408	334,544
2. Change in unfunded actuarial liability in current year				
a. Current expenses	2,896	166,261	55,794	92,864
a. Current expenses	105,490	80,395	63,038	41,930
b. Net actuarial losses (gains)	(45,537)	147,885	14,457	61,600
c. Cost of past service	(57,057)	(62,019)	(21,701)	(10,666)
3. Net actuarial liability, at end of year	<u>785,977</u>	<u>783,081</u>	<u>483,202</u>	<u>427,408</u>

g) The expense recognized in the Statement of Income is composed as follows:

<u>Specification</u>	<u>CAPEF</u>		<u>CAMED</u>	
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
1. a. Current expenses	106,671	85,820	67,526	54,424
a. Cost of current service, less employees' contributions	17,904	17,530	19,563	15,081
b. Cost of interest	298,984	279,815	49,348	40,335
c. Expected return on plan assets	(210,217)	(211,525)	(1,385)	(992)
2. Actuarial losses and gains recognized in the year	-	-	10,970	10,257
3. Cost of past service	<u>26,495</u>	<u>26,495</u>	-	-
4. Expense recognized in the Statement of Income	<u>133,166</u>	<u>112,315</u>	<u>78,496</u>	<u>64,681</u>
a. Provision for contingent liabilities expenses	131,985	106,890	74,008	52,187
b. Contribution expenses	1,181	5,425	4,488	12,494

h) Additional comments.

- h.1) Current expenses - obligations for the year, derived from the increase in the length of service provided by employees;
- h.2) Net actuarial (gains)/losses - obligations for the year, derived from changes in actuarial assumptions adopted or divergences between assumptions used and actual results. These obligations are recognized according to the rules for recognition of actuarial gains and losses - item b of this note;
- h.3) Cost of past service - obligations derived from the increase in post-employment benefits related to services provided by employees in past periods. The recognition of expenses related to cost of past service is based on items 38, 56 and 57 of the Appendix to CVM Resolution 371.

i) Assumptions used

- i.1) Biometric Assumptions: General Mortality Table for Active Employees - AT2000 Man; Disability Mortality Table - IAPC Experience (Social Security Institute) - Weak; Disability Table - CAPEF Experience - Weak and Turnover Table - None.
- i.2) Economic Assumptions: Expected return on plan assets - 6% p.a.; Future inflation rate - 5% p.a.; Estimated salary increase rate - 1% p.a.; Benefit growth rate - 0% p.a.; Actuarial obligation discount rate - 6% p.a.; INSS (social security) benefits growth rate - 0% p.a., and Benefit costs growth rate - 3% p.a.
- i.3) Future inflation rate is used in the calculation of the Present Value of Actuarial Obligation to measure fluctuations in inflation rates due to the freezing, by annual cycles, of future contributions and benefits, this calculation also assumes the occurrence of the same inflation level for all salary, benefit, pension and economic variables of the plan.

25. FNE (NORTHEAST CONSTITUTIONAL FINANCING FUND)

- a) The net assets of FNE, totaling R\$29,454,928 (R\$25,820,970 as of December 31, 2008) are recorded in the Bank's memorandum accounts (Net assets of managed public funds).
- b) The Fund's cash and cash equivalents, totaling R\$3,550,828 (R\$4,587,385 as of December 31, 2008), recorded in 'Other obligations/Financial and development funds' bears interest at non-market rate. The expense of interest on cash and cash equivalents totaled R\$370,855 (R\$554,031 as of December 31, 2008).
- c) The allowance to cover the risk on FNE transactions is recognized pursuant to the following criteria:
 - c.1) The Bank is free from operational risk in transactions contracted until November 30, 1998;
 - c.2) For operations contracted beginning December 1, 1998, excluding Land Program financing lines granted under the PRONAF (groups A, B, A/C, Forest, Semiarid and Emergency), is 50 percent of the amount calculated pursuant to Resolution 2682, of December 21, 1999.

c.3) The Bank assumes all the risks on credit renegotiated and reclassified FNE loan transactions, as set forth by Law 11775, of September 17, 2008, and transactions recognized in the Fund's 'Interbank accounts', as prescribed by Ministry of Integration Administrative Rule 616, of May 26, 2003.

The balances of financing and allowances accounted for in the Bank's Contingent liabilities are as follows:

<u>Risk rating</u>	<u>Balances (A)</u>	<u>Allowance as of 12/31/2009</u>	<u>Allowance as of 12/31/2008</u>
AA	3,145,394	-	-
A	8,424,380	21,158	11,832
B	5,430,471	27,616	27,247
C	489,609	7,253	8,654
D	1,008,643	50,008	43,614
E	184,246	28,037	35,678
F	222,676	55,317	51,897
G	151,747	65,485	35,269
H	<u>1,381,792</u>	<u>701,388</u>	<u>602,813</u>
TOTAL	<u>20,439,292</u>	<u>956,261</u>	<u>817,003</u>

- d) The Bank's financial commission on transactions entered agreement by November 30, 1998 is zero. The Bank's financial commission on transactions entered as agreement after November 30, 1998 is 3 percent per year, when the risk is 50 percent, and 6 percent when the Bank is a direct party to the transaction. Income from financial commissions totaled R\$554,509 (R\$409,389 as of December 31, 2008).
- e) The management fee of 3 percent per year is calculated on the Fund's net equity, less the amounts linked to the onlending agreement entered into with the Bank and the balances of PRONAF investments (Groups B, A/C, Forest and Semiarid), and is limited to 20 percent of the transfers made by the National Treasury each fiscal year. The management fee totaled R\$757,613 (R\$703,161 as of December 31, 2008).

26. RISK MANAGEMENT

a) Risk management

The Bank's corporate governance tools include an internal control structure periodically reviewed to maintain an adequate monitoring of operational, credit, market and liquidity risks. The Bank's operational risk management methodology follows the guidelines of the Basel Committee and the requirements of the Basel II Accord, prioritizing the identification of possible risks existing in the different processes of the Bank, the implementation and monitoring of key indicators and mechanisms to mitigate identified risks. Potential losses arising from the operational risk are stored in the Bank's accounting information retrieval system database, with necessary qualifications for follow-up of occurrences identified, allowing the development and use of control tools. The credit risk is managed through the monitoring of customer master file, review and development of risk assessment models, and credit granting limits based on the risk rating of customers and their operations, in accordance with the parameters set forth in National Monetary Council Resolution 2682, of December 21, 1999. Market and liquidity risks are monitored

based on the volatility in interest rates, currencies and share indices, and the prices for the Bank's loan and investment portfolios. The Bank uses its in-house developed proprietary treasury risk management software, which comprises the calculation of the Value at Risk (VaR), the Duration global (assets and liabilities) by portfolio, security and index, estimated cash flows, with identification of any maturity mismatching between assets and liabilities, and global balances of assets and liabilities, by portfolio and by security, indicating possible mismatches by currency.

b) Sensitivity analysis

Banco do Nordeste do Brasil, acting as a government agency responsible for fostering the development of the Northeast region, follows best financial market practices to identify, measure and control market risks inherent to the positions assumed by the Institution.

Monitoring of market risk management of Banco do Nordeste is guided by the Risk Management Corporate Policy, which defines guidelines for the negotiation of the Bank's assets and establishes operating limits for the assumption of positions entailing several risk factors.

In accordance with BACEN Circular Letters 3354 of June 27, 2007 and 3365 of September 12, 2007, for management purposes, transactions exposed to market risk are separated into the following portfolios:

Trading Portfolio: includes purchase transactions with resale agreement, sale transactions with repurchase agreement and trading securities, in accordance with BACEN Circular Letter 3068 of November 8, 2001.

Non-trading Portfolio: includes transactions subject to market risk and not included in the Trading Portfolio.

In order to monitor and control Trading Portfolio risks, the parametric VaR, which measures the maximum possible loss of a portfolio within a period of time, is used, taking into consideration a certain confidence level. Banco do Nordeste considers information from 60 business days and confidence level of 99 percent. The Value at Risk (VaR) of fixed rate transactions of the BNB Trading Portfolio, as of December 31, 2009, was R\$220 , compared to the portfolio's net balance (assets less liabilities) of R\$2,480,000.

As of December 31, 2009, the VaR ratio was just 0.0088% of the net amount of the Trading Portfolio, well below the one-percent cap set by the Bank's Risk Management Corporate Policy. The low exposure to the market risk of this portfolio arises from the fact that fixed-rate transactions have a one-day maturity and are backed by Federal Government securities. In compliance with Article 3, Par. 1, V, of CVM Instruction 475, of December 17, 2008, we present the disregarded the Trading Portfolio balances in the sensitivity analysis due to its immaterial risk.

The Non-trading Portfolio is comprised of loan, financing, and foreign exchange transactions, hedging derivatives, deposits, short-term investments, onlendings, and Bank products and services.

For sensitivity analysis purposes, Non-trading Portfolio balances, except for hedging derivatives, were not considered because the included transactions—basically loan transactions, fund raising and securities—remain in the portfolio until their corresponding maturities, at contractual interest rates. Therefore, changes in interest rates due to market volatility do not have a material financial and accounting impact on the estimated results of the Non-trading Portfolio.

In compliance with Article 4 of CVM Instruction 475 of December 17, 2008, we present below the Sensitivity Analysis Schedule with swap transactions and their corresponding hedged items.

Nature of transaction	Risk type	Financial instrument	Scenario 1	Scenario 2	Scenario 3
Hedge	Increase in interest rate	Fixed rate swap	(920,919)	(888,072)	(858,043)
		Fixed rate assets	<u>923,615</u>	<u>832,528</u>	<u>753,562</u>
		Net exposure	<u>2,696</u>	<u>(55,544)</u>	<u>(104,481)</u>

As of December 31, 2009, the risk that may result in losses was the increase in future interest rates of assignment of receivables contracts. The method used to prepare the sensitivity analysis was to survey the balances of asset and liability transactions exposed to this type of risk, and determine the net exposure. The stresses related to scenarios 1, 2 and 3 were applied to this result, as detailed below:

Scenario 1 - refers to the current situation of risk exposure factors based on market information (ANBIMA), for example the future interest rate curve. The risk identified in this case was the increase in interest rates.

Scenario 2 - Increase in interest rates, using a positive stress of 25 percent, based on the positions as of December 31, 2009, applied on Scenario 1.

Scenario 3 - Increase in interest rates, using a positive stress of 50 percent, based on the positions as of December 31, 2009, applied on Scenario 1.

c) Exposure to currency risk

As of December 31, 2009, the net balance of sold foreign exchange exposure arising on transactions containing a clause for foreign currency adjustment totaled R\$29,580 (R\$20,435 as of December 31, 2008 - short position), as shown below:

	<u>12/31/2009</u>	<u>12/31/2008</u>		<u>12/31/2009</u>	<u>12/31/2008</u>
<u>Assets</u>			<u>Liabilities</u>		
Cash and cash equivalents	2,698	4,266	Deposits	39,503	62,440

Interbank investments	22,434	15,956	Interbranch accounts	13,115	6,262
Lending operations	644,538	862,975	Domestic borrowings and onlendings	1	1,528
Other receivables	<u>710,257</u>	<u>386,697</u>	Foreign borrowings and onlendings	722,393	1,210,351
			Other payables	<u>634,495</u>	<u>24,310</u>
Unhedged assets (swaps)	<u>1,379,927</u>	<u>1,269,894</u>	Unhedged liabilities (swaps)	<u>1,409,507</u>	<u>1,304,891</u>
Hedged assets (swaps)	<u>-</u>	<u>64,529</u>	Swap transactions	<u>-</u>	<u>49,967</u>
Total	<u>1,379,927</u>	<u>1,334,423</u>	Total	<u>1,409,507</u>	<u>1,354,858</u>

The Bank manages its currency risk by limiting its exposure to residual values, strictly observing the percentage set by the Central Bank of Brazil. The mismatch recorded as of December 31, 2009 represents 1.10 percent of the Regulatory Capital, which confirms the Bank's conservative policy for this type of risk.

The net balance of foreign exchange exposure is calculated on a daily basis. In order to reduce mismatches, the Bank opts to perform purchase and sale transactions in the financial market of Federal Government securities indexed to foreign exchange fluctuation and foreign exchange swap transactions.

d) Operational Limits - Basel Accord

Beginning July 1, 2008, the National Monetary Council established, through Resolution 3490, of August 29, 2007, and supplementary regulations, additional requirements for the allocation of capital and including new components exposed to risks, as follows: Credit Commitments not Unconditionally or Unilaterally Cancelable, by the Bank; exposure to share risk (PACS); exposure to assets indexed to commodities prices risk (PCOM); exposure to foreign currency – denominated assets risk (PCAM); exposure to operational risk (POPR); and market risk of transactions not classified in the trading portfolio (RBAN). The guidelines in effect maintained the minimum capital adequacy ratio—which is the ratio of a financial institution's regulatory capital to total risks assumed in asset transactions, including guarantees provided, and market and operational risks—for December 31, 2009 at 11 percent. As of December 31, 2009, the Bank's asset-to-equity ratio (Basel ratio) was 12.80 percent (12.52 percent as of December 31, 2008), whereas the Regulatory Capital (PR) was R\$2,692,406 (R\$1,797,227 as of December 31, 2008). The Required Regulatory Capital (PRE), which represents the consolidation of all exposures to risk, with a capital allocation ratio of 11 percent, was R\$2,280,220 as of December 31, 2009 (R\$1,510,894 as of December 31, 2008). In July 2009, BNB entered into a subordinated debt agreement with FNE and was authorized by the Central Bank of Brazil to consider the amounts under this agreement as Level II Capital, with a positive impact on the Bank's Basel Ratio.

Matching of PR with PRE

Specification

12/31/2009

12/31/2008

a) Regulatory Capital (PR)	<u>2,692,406</u>	<u>1,797,227</u>
b) Required Regulatory Capital (PRE)	<u>2,280,220</u>	<u>1,510,894</u>
. PEPR (1)	2,025,320	1,442,838
. PJUR	442	528
. PCOM	18,416	17,160
. POPR	236,042	50,368
c) RBAN amount	<u>33,163</u>	<u>67,768</u>
Margin (a-b-c)	<u>379,023</u>	<u>218,565</u>
Basel Ratio (Central Circular 3477, of 12/24/2009)	12.99%	13.08%
Basel Ratio (including RBAN amount)	12.80%	12.52%

(1) 11% of Risk-weighted Exposures risk, pursuant to Articles 11-16 of Central Circular 3360, of 9/12/2007.

27. RELATED PARTIES TRANSACTIONS

a) Related parties transactions

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

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Assets		
Lending operations - Refinancing with Federal Government (note 7.a.1)	<u>517,064</u>	<u>555,165</u>
Total	<u>517,064</u>	<u>555,165</u>
Liabilities		
Time deposit - FAT (notes 10.d and 11.e)	395,254	444,427
Domestic onlendings - Official Institutions (notes 11 and 13)	<u>1,433,524</u>	<u>1,233,088</u>
National Treasury	1,164	1,312
BNDES	743,796	533,080
CEF		98
FINAME	29,330	44,593
Other institutions	659,234	654,005
Other payables - FNE (note 25.b)	<u>3,550,828</u>	<u>4,587,385</u>
Total	<u>5,379,606</u>	<u>6,264,900</u>

a.2) The main transactions with entities related to the employees of Caixa de Previdência (CAPEF) and Caixa de Assistência Médica (CAMED) are composed as follows:

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Liabilities		
Other payables - (notes 15.g and 24.e)		
CAPEF	765,942	691,014
CAMED	<u>257,250</u>	<u>204,944</u>
Total	<u>1,023,192</u>	<u>895,958</u>

28. OTHER INFORMATION

a) Guarantees provided

Co-obligations and risks related to guarantees provided by the Bank are composed as follows:

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Import financing	157,733	2,074
Guarantee beneficiaries:		
- Individuals or non-financial legal entities	69,618	48,298
- FNE	10,371,382	8,075,023
- Other entities	6,758	371
Receivables assignment co-obligations	36,651	113,148

b) Insurance

The Bank's chattels and properties and third parties' properties are covered by an adequate insurance in the amount of R\$ 383,570 (R\$ 362,739 as of December 31, 2008), as follows:

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Chattels	125,063	112,807
Properties	257,350	245,114
Third parties' properties	-	2,628
Civil liability (aircraft)	<u>1,157</u>	<u>2,190</u>
TOTAL	<u>383,570</u>	<u>362,739</u>

c) Law 11945 of June 4, 2009

The Bill of Conversion Law 4 of 2009 (resulting from Executive Act 451 of 2008) was converted into Law 11945 of June 4, 2009, published in the Federal Official Gazette of June 5, 2009. Article 28 thereof amends Article 15 of Law 7827, of September 27, 1989, supporting debt settlements carried out by federal financial institutions managing Constitutional Funds which were performed in compliance with the banking practices and regulations of the respective institutions and which were subject to legal challenges and collected at the financial equivalent of assets liable to attachment of direct debtors and their respective guarantors, in relation to transactions granted with funds from Financing Constitutional Funds, also permitting the reopening of renegotiations for the settlement of debts by the financial equivalent of the current value of assets liable to attachment. As regards the operating procedures for new settlements based on Law 11945, of June 4, 2009, such procedures depend on regulation by the respective Decision-Making Councils.

Fortaleza, January 28, 2010

The Board of Director

The Accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
INDEPENDENT AUDITORS' REPORT

To the
Board of Directors, Shareholders and Management of
Banco do Nordeste do Brasil S.A.
Fortaleza, CE

1. We have audited the accompanying balance sheets of Banco do Nordeste do Brasil S.A. (the "Bank") as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity, cash flows, and value added for the years then ended and six-month period ended December 31, 2009, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Bank's management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial positions of Banco do Nordeste do Brasil S.A. as of December 31, 2009 and 2008, and the results of its operations, the changes in shareholders' equity, its cash flows, and the values added in operations for the years then ended and six-month period ended December 31, 2009, in conformity with Brazilian accounting practices.
4. Law 11775, of September 17, 2008, as subsequently amended, establishes measures to encourage the settlement, regularization, renegotiation, or rescheduling of debts arising from rural credit and land mortgage loans. These measures are extended to, without limitations, the transactions of the Program for Recovery of Cocoa Plantations in the State of Bahia, rural investment financing within the National Family Farming Strengthening Program (PRONAF), groups C, D, and E and special facilities granted with Northeast Constitutional Financing Fund (FNE) funds, the individualization of rural credit transactions, group and collective transactions of groups A and B of PRONAF, transactions classified under the National Monetary Council Resolution 2471 of February 26, 1998, transactions involving funds from the Fund for Lands and Agrarian Reform, and transactions under the Program for Revitalization of Agricultural Cooperatives (RECOOP). Said measures also required the reclassification to the Northeast Constitutional Financing

Fund (FNE) of transactions backed by funds from the Fund for Workers' Assistance (FAT), and permits the reclassification, exclusively in the context of the FNE, of rural credits contracted with a mix of funds from FNE and other sources. The Bank is compliant with the provisions of Law 11775/08, as subsequently amended, however, the effects on its financial statements will only be fully known when debt settlement, regularization or renegotiation processes are completed.

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Fortaleza, February 5, 2010

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Claudio Lino Lippi
Engagement Partner

SUPERVISORY BOARD'S REPORT

In the discharge of its legal and corporate statutory duties and after having examined the Management Report, the Balance Sheets, and the Statements of Income, Changes in Shareholders' Equity, Cash Flows, and Valued Added of Banco do Nordeste do Brasil S.A. for the year ended December 31, 2009, and based on the opinion of the Independent Auditor – Deloitte Touche Tohmatsu – dated February 5, 2010, the Supervisory Board of Banco do Nordeste do Brasil S.A. is of the opinion that the Management Report and Financial Statements presented fairly the activities developed, the financial position, and results of operations of Banco do Nordeste do Brasil S.A. in 2009. It is also of the opinion that, as stated in Paragraph 4 of the Independent Auditors' Opinion, the possible effects of Law 11775, dated September 17, 2008, as subsequently amended, will only be completely known when the settlement, regularization, or renegotiation processes for debts that come under this law have been finalized.

Fortaleza, CE, February 5, 2010

SUPERVISORY BOARD

SUMMARY OF THE AUDIT COMMITTEE REPORT

Second half of 2009

The Audit Committee of Banco do Nordeste do Brasil S.A., created as set out in National Monetary Council Resolution 3198/2004, is an advisory board to the Board of Directors, whose duties and responsibilities are set out in the Bank's Bylaws.

Committee Activities

Consistent with its institutional mission, in the second half of 2009 the Audit Committee focused on monitoring and assessing the activities carried out by Internal Audit, the Independent Auditor, Internal Control, Security, and Risk Management, the review and assessment of the quality of the financial statements, and the performance of the Bank's ombudsman.

As part of its the advisory duties to the Board of Directors, the Audit Committee has also monitored compliance with requirements of supervisory and external control agencies, including those originating from the Board of Directors itself.

The Audit Committee held twelve ordinary and nine extraordinary meetings, whose agendas were related to the areas above. In addition to the mentioned events, the Audit Committee made contacts and held meetings with several Bank officers, and also attended eight of the nine Board of Directors' meetings.

During this period, the Audit Committee conducted analyses of the reports and information made available on a monthly basis by the financial area. At the end of the six-month period, it also reviewed, together with representatives of the accounting area and the independent auditor, the financial statements for the year ended December 31, 2009, taken as a whole. Together with the members of the Supervisory Board, it attended the Board of Directors' meeting which approved said financial statements.

The Audit Committee reviewed the Internal Regulation and its Procedures Manual for the purpose of updating them pursuant to prevailing legislation for any matters within its remit.

Internal Control

The Bank has been structuring its internal control system to achieve the integration of guidelines focused on strengthening internal control, security, and risk management. This structure is periodically revised and updated to ensure it is capable of mitigating the risks inherent to the Bank's activities.

In this respect, the Bank has been developing actions to complete the implementation of structures to manage operational, credit, and market risks. The purpose is to implement the recommendations made in the Basel II Capital Accord and meet the schedule set out in Central Bank regulations.

The completion of the aforementioned actions will enhance the mitigation of the risks to which the Bank is exposed in the normal course of operations, with a positive impact on the achievement of its business and corporate goals.

Internal Audit

Internal Audit has been developing its activities at a satisfactory level of quality, which is consistent with the size and complexity of the Bank's operations.

Its activities are steered by its Annual Plan for Internal Audit Activities, which is prepared pursuant to instructions from federal supervisory agencies, and sent to the Federal Controller General after it has been approved by the Board of Directors.

Independent Audit

No material facts that could compromise the independence, results, or quality of work carried out by DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES were identified during the review of opinions and reports issued by the same.

Financial Statements

The Audit Committee has analyzed the Financial Statements, Notes to the Financial Statements, Financial Reports, and the Management Report dated December 31, 2009. It also analyzed the opinions issued by the Independent Auditor on Banco do Nordeste do Brasil S.A. and Fundo Constitucional de Financiamento do Nordeste - FNE.

After examining these documents and discussing the practices used to prepare the financial statements, it was established that these are consistent with applicable corporate laws, and regulations of the National Monetary Council, the Central Bank of Brazil, and the Brazilian Securities and Exchange Commission.

With respect to the changes in accounting policies introduced by Laws 11638/2007 and 11941/2009, the Bank has been taking actions to converge its accounting practices with the International Accounting Standards within the regulatory deadline.

Fortaleza, CE, February 5, 2010

AUDIT COMMITTEE

**Banco do
Nordeste**



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

Accounting Statements

F N E

POSITION: 12.31.2009

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008

(In thousands of Brazilian reais - R\$)

ASSETS	12.31.2009	12.31.2008	LIABILITIES AND NET EQUITY	12.31.2009	12.31.2008
CURRENT ASSETS	9,296,359	8,755,939	NET EQUITY (note 7c)	29,454,928	25,820,970
CASH AND CASH EQUIVALENTS (note 7b.1)	274,304	1,220,180	TRANSFERS FROM FEDERAL GOVERNMENT:		
RESTRICTED CASH - LENDING OPERATIONS	3,276,524	3,367,205	In the year	3,789,036	3,931,336
INTERBANK ACCOUNTS	690,633	45,300	In prior years	25,065,660	21,134,324
Rural Loan - Proagro Receivable	4,135	2,453	INCOME FROM PRIOR YEARS	751,901	1,154,925
Interbank Onlendings - Banco do Nordeste - Law 7827 - Article 9 (note 13)	622,063	-	LOSS FOR THE YEAR	(151,669)	(399,615)
Funds Available	593,095	-			
Funds Used	28,968	-			
Interbank onlendings - Other Institutions	64,435	42,847			
LENDING OPERATIONS (note 7b.2 and note 8)	5,052,155	4,120,806			
Financing	1,691,499	1,291,419			
Export Financing	523,451	117,190			
Infrastructure and Development Financing	275,429	225,473			
Agribusiness Financing	181,352	151,136			
Rural Financing	3,680,773	3,517,877			
(Allowance loan losses)	(1,300,349)	(1,182,289)			
OTHER RECEIVABLES (note 7b.3)	2,498	2,271			
Assets received as payment	2,498	2,271			
OTHER ASSETS (note 7b.4)	245	177			
Agricultural debt securities (TDA)	348	279			
(Allowance for devaluation)	(103)	(102)			
LONG-TERM ASSETS	20,158,569	17,065,031			
INTERBANK ACCOUNTS	160,441	171,076			
Rural Loan - Proagro Receivable	980	3,990			
Interbank Onlendings	159,461	167,086			
LENDING OPERATIONS (note 7b.2 and Note 8)	19,996,709	16,892,661			
Financing	6,185,898	4,944,630			
Export Financing	838	116,019			
Infrastructure and Development Financing	3,300,078	2,061,029			
Agribusiness Financing	773,779	601,992			
Rural Financing	9,736,116	9,168,991			
OTHER ASSETS (note 7b.4)	1,419	1,294			
Agricultural debt securities (TDA)	2,180	2,058			
(Allowance for devaluation)	(761)	(764)			
TOTAL ASSETS	29,454,928	25,820,970	TOTAL LIABILITIES AND NET EQUITY	29,454,928	25,820,970

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
(In thousands of Brazilian reais - R\$)

	<u>2nd half of 2009</u>	<u>12.31.2009</u>	<u>12.31.2008</u>
INCOME			
From lending operations (note 7a.8)	537,715	1,014,376	738,397
From cash and cash equivalents (note 7b.1)	148,800	370,855	554,031
EXPENSES (note 7a.9)			
Management fee	(368,800)	(757,613)	(703,161)
PRONAF-Payment of financial charges to BNB/Performance Bonu	(30,646)	(57,756)	(56,371)
Operating provisions	(322,591)	(721,441)	(932,466)
Audit expenses	(45)	(90)	(45)
LOSS FOR THE PERIOD	<u>(35,567)</u>	<u>(151,669)</u>	<u>(399,615)</u>

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

STATEMENTS OF CHANGES IN NET EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
 (In thousands of Brazilian reais - R\$)

	<u>TRANSFERS FROM FEDERAL GOVERNMENT</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
BALANCES AS OF DECEMBER 31, 2007	21,134,324	1,158,394	22,292,718
Transfers from Federal Government in the year	3,931,336	-	3,931,336
Prior year adjustments (note 10)	-	(3,469)	(3,469)
Loss for the year	-	(399,615)	(399,615)
BALANCES AS OF DECEMBER 31, 2008	<u>25,065,660</u>	<u>755,310</u>	<u>25,820,970</u>
CHANGES FOR THE YEAR	<u>3,931,336</u>	<u>(403,084)</u>	<u>3,528,252</u>
BALANCES AS OF DECEMBER 31, 2008	25,065,660	755,310	25,820,970
Transfers from Federal Government in the year	3,789,036	-	3,789,036
Prior year adjustments (note 10)	-	(3,409)	(3,409)
Loss for the year	-	(151,669)	(151,669)
BALANCES AS OF DECEMBER 31, 2009	<u>28,854,696</u>	<u>600,232</u>	<u>29,454,928</u>
CHANGES FOR THE YEAR	<u>3,789,036</u>	<u>(155,078)</u>	<u>3,633,958</u>
BALANCES AS OF JUNE 30, 2009	27,010,694	637,342	27,648,036
Transfers from Federal Government in the six-month	1,844,002	-	1,844,002
Prior year adjustments (note 10)	-	(1,543)	(1,543)
Loss for the six-month	-	(35,567)	(35,567)
BALANCES AS OF DECEMBER 31, 2009	<u>28,854,696</u>	<u>600,232</u>	<u>29,454,928</u>
CHANGES FOR THE SIX-MONTH	<u>1,844,002</u>	<u>(37,110)</u>	<u>1,806,892</u>

The accompanying notes are an integral part of these financial statements:

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE - FNE

STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
 AND THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
 (In thousands of Brazilian reais - R\$)

	<u>2nd half 2009</u>	<u>12.31.2009</u>	<u>12.31.2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	<u>(35,567)</u>	<u>(151,669)</u>	<u>(399,615)</u>
Items not affecting cash and cash equivalents			
- Allowance for loan losses and devaluation	322,591	721,441	932,465
Adjusted Net Income	<u>287,024</u>	<u>569,772</u>	<u>532,851</u>
Interbank Accounts	(626,989)	(634,698)	(20,882)
Lending Operations	(1,967,437)	(4,756,840)	(4,303,851)
Other Receivables	(41)	(227)	(1,205)
Other Assets	(27)	(191)	54
Prior Year Adjustments	(1,543)	(3,409)	(3,469)
CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	<u>(2,309,013)</u>	<u>(4,825,593)</u>	<u>(3,796,503)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers from Federal Governmen	<u>1,844,002</u>	<u>3,789,036</u>	<u>3,931,336</u>
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	<u>1,844,022</u>	<u>3,789,036</u>	<u>3,931,336</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(465,011)</u>	<u>(1,036,557)</u>	<u>134,833</u>
REPRESENTED BY CASH AND CASH EQUIVALENTS			
At beginning of year/six-month period	4,015,839	4,587,385	4,452,552
At end of year/six-month period	<u>3,550,828</u>	<u>3,550,828</u>	<u>4,587,385</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(465,011)</u>	<u>(1,036,557)</u>	<u>134,833</u>

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
FUNDO CONSTITUCIONAL DE FINANCIAMENTO DO NORDESTE-FNE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Amounts in thousands of Brazilian reais - R\$)

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1. HISTORY

Fundo Constitucional de Financiamento do Nordeste - FNE (Northeast Constitutional Financing Fund, "FNE" or the "Fund") was established by the Federal Constitution of 1988 (Article 159, item I, subitem "c"), and is regulated by Law 7827, of September 27, 1989, amended by Supplementary Law 125, of January 3, 2007, Laws 9126, of November 10, 1995, 9808, of July 20, 1999, and 10177, of January 12, 2001, Executive Act 2196-14, of June 28, 2001, and its amendments, and Article 13 of Executive Act 2199-14, of August 24, 2001. The purpose of FNE is to foster the economic and social development of the Northeast region, through Banco do Nordeste do Brasil S.A. ("BNB"), by offering financing to production sectors, in conformity with regional development plans, giving priority to activities developed by small farmers, small companies and staple food producers, and to irrigation projects. Non-refundable aid is prohibited.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Brazilian Corporate Law and standards of the Central Bank of Brazil (BACEN) and the Brazilian Securities and Exchange Commission (CVM), and are presented in the format required by the Standard Chart of Accounts for National Financial Institutions (COSIF).

On December 28, 2007, Law 11638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law (Law 6404, of December 15, 1976), especially with respect to chapter XV, which deals with accounting theme. Law 11941, of May 27, 2009, introduces in its articles 37 and 38 changes in Law 6404, of December 15, 1976, designed to adjust and enable the convergence of Brazilian accounting practices with the International Financial Reporting Standards (IFRS), coordinated by the International Accounting Standards Board (IASB).

In Brazil, the issuance of Technical Pronouncements on accounting procedures in conformity with the International Accounting Standards belongs to the Accounting Pronouncements Committee (CPC) through its Pronouncements. The application of such

pronouncements is mandatory after they are approved by the Brazilian Securities and Exchange Commission (CVM) or the Central Bank of Brazil (BACEN).

One of the changes introduced by said Laws and approved by the Central Bank of Brazil is National Monetary Council Resolution 3604, of August 29, 2008, that approves CPC - 03, which addresses the preparation and publication of the Statement of Cash Flows, already an integral part of FNE's financial statements.

FNE has no other material adjustments arising from the application of Law 11638 and Law 11941, and the other BACEN and CVM statutes.

3. MANAGEMENT

Banco do Nordeste is responsible for allocating funds and implementing the credit policy, defining operational standards, procedures and conditions, applying the ranges of financial charges to financing applications and granting credit, formalizing agreements for onlendings to other institutions authorized to operate by the Central Bank of Brazil, observing the guidelines established by the Ministry of National Integration, reporting on the results achieved, performing other activities related to the use of funds and recovery of credits, including negotiating and settling debts, pursuant to Articles 15-B, 15-C, and 15-D of Law 7827 of September 27, 1989.

4. OVERSIGHT

Banco do Nordeste keeps at the disposal of the oversight agencies the Fund's statements of changes in financial position and income as of the end of the month. Pursuant to the legislation, the balance sheets of FNE, duly audited, are published semiannually and submitted to the National Congress for inspection and control.

5. INDEPENDENT AUDIT

FNE contracts an independent auditor at its own cost to certify that constitutional and legal requirements have been met, to issue an opinion on its financial statements, audit the accounts and perform other usual auditing procedures.

6. TAX EXEMPTION

FNE is tax-exempt and its earnings, income and financing operations are not subject to any tax or other charges.

7. ACCOUNTING PRACTICES

FNE has its own accounting records and uses the accounting system of Banco do Nordeste to record its transactions in specific subitems, and the results of operations are determined separately.

For determination of the results of operations, FNE's fiscal year coincides with the calendar year.

Significant accounting practices are as follows:

a) Income and expense recognition

a.1) Income and expenses are recorded on the accrual basis.

FNE's income consists of financial charges on lending operations and the interest paid by Banco do Nordeste on FNE's cash.

a.2) Beginning January 1, 2008, financial charges on financing granted with funds from FNE range between 5% and 10% per year, according to the activity and size of the borrowers, including BNB's financial commission. Pursuant to legislation, the agreements signed with borrowers establish that the financial charges will be reviewed annually and whenever the accumulated variation of the TJLP (long-term interest rate), up or down, exceeds 30 percent.

Under normal conditions, the financial charges at rates established by law are recorded in the Fund's proper statement of operations accounts. Past-due and unpaid amounts are subject to default charges contractually agreed, and the portion of these charges that exceed the rates established by legislation is recorded as the Fund's unearned income.

On the financial charges established by law, a discount of 25 percent will be granted for borrowers that develop their activities in the northeast semiarid region, and 15 percent for borrowers from other regions, provided that the debt is paid by the due date.

Financing transactions under the National Family Farming Strengthening Program (PRONAF) are subject to financial charges established by the National Monetary Council, pursuant to the legislation and regulation of the Program set forth in Chapter 10 of the Rural Loan Manual of the Central Bank of Brazil.

a.3) Executive Act 2196-1, of June 28, 2001, as subsequently reenacted, which created the Strengthening Program for Federal Financial Institutions, sets out the following as regards the BNB's financial commission on financing with funds from FNE:

- For transactions contracted until November 30, 1998, BNB's financial commission was reduced to zero, and the charges agreed to with borrowers remained unchanged;
- For transactions contracted with a risk of 50 percent for Banco do Nordeste, BNB's financial commission will be 3 percent per year;
- For transactions resulting from onlendings to BNB for it, in its name and at its own risk, to conduct lending transactions, the financial commission will be 6 percent per year.

- a.4) Decree 5818, of June 26, 2006, combined with National Monetary Council (CMN) Resolution 3293, of June 28, 2005, established that, for PROFROTA transactions with large companies, BNB's financial commission is 2.5 percent per year.
- a.5) Administrative Rule 616, of May 16, 2003, of the Ministry of National Integration, establishes that, for onlendings to institutions authorized to operate by the Central Bank of Brazil, BNB is entitled to the financial commission agreed to with the institutions, observing the limit established by legislation.
- a.6) For financing under PRONAF (Groups A, B, A/C, Semiarid and Forest), BNB is not entitled to any commission, according to the legislation and regulation of the Program.
- a.7) For lending transactions reclassified under Article 31 of Law 11775 of September 17, 2008, Interministerial Rule 245 of October 14, 2008 sets BNB's financial commission at 3 percent per year in the cases defined in Article 1, items I to IV, and sets a financial commission of 6 percent per year in the cases defined in Article 1, Sole Paragraph.
- a.8) In the Statement of Income, "Income from lending operations" is recorded at the net amount as follows:

Specification	12/31/2009	12/31/2008
Income from lending operations	2,040,122	1,687,006
Expenses on BNB's financial commission	(554,509)	(409,389)
Expenses on financial commission of other institutions	(3,888)	(3,592)
Expenses on negative monetary adjustment	(25,796)	(10,275)
Expenses on discounts granted in renegotiations	(13,662)	(16,177)
Expenses on discounts to Cocoa Plantations Recovery Program transactions - Law 11775 of 09.17.2008	(1,268)	-
Expenses on rebates/discounts - Transactions contracted by BNB	(424,007)	(491,069)
Expenses on rebates/discounts - Onlendings to other institutions	(94)	(464)
Expenses on principal abatements - Receivables from FAT - BNDES - Law 10193 of 02.14.2001	(339)	(364)
Expenses on transactions - Other sources - Acquisitions Law 11322 of 07.13.2006	(2,183)	(17,262)
Write-off of carrying amounts exceeding assets receipt	-	(17)
T O T A L	<u>1,014,376</u>	<u>738,397</u>

- a.9) FNE's expenses refer to management fee payable to Banco do Nordeste as the Fund manager, financial charges payable to BNB on financing under PRONAF (Groups A, B, A/C, Forest, Semiarid, and PRONAF-Emergency), performance premium on PRONAF A/C, Semiarid and Forest programs reimbursements, allowance for loan losses recognized pursuant to Interministerial Rule 11, of December 28, 2005, of the Ministry of Finance and Ministry of National Integration, and independent audit services, in addition to the bonuses and discounts established by legislation.

The management fee of 3 percent per year, paid to Banco do Nordeste by FNE, is recorded on a monthly basis and is calculated on the Fund's net equity, less onlendings to BNB, onlendings to other institutions under Administrative Rule 616 of May 26, 2003 of the Ministry of National Integration, and financing under PRONAF – Groups B, A/C, Forest, Semiarid and Emergency, limited each year to 20 percent of the transfers made by the National Treasury.

Pursuant to Decree 5641, of December 26, 2005, the management fee, beginning 2005, shall be calculated at 0.25 percent of the Fund's net equity for each month,

observing deductions established by legislation and the limit of 20 percent of the transfers made by the National Treasury in the year.

The financial charges paid to BNB on transactions under PRONAF - Groups A, B, A/C, Forest, Semiarid and PRONAF – Emergency, performance premium on PRONAF A/C, semiarid and forest reimbursements, established by the National Monetary Council, follow the percentages and criteria established by the legislation and regulation of the Program.

b) Current and long-term assets

Stated at realizable value, plus income and monetary adjustments earned.

b.1) Cash and cash equivalents consist of cash assets, which represent funds available for use in lending operations, and Funds Committed for Loans, which represent restricted cash in connection with yet-unpaid installments of contracted operations corresponding to the amounts outstanding by the balance sheet date, plus the payments expected during the 90 subsequent days and any mismatches between the amounts to be released after such 90 days and the estimated inflow to the Fund during such period. The Fund's cash held by Banco do Nordeste are paid based on extra-market rate, released by the Central Bank of Brazil.

b.2) Total Lending Operations are stated at the amount of principal plus financial charges, less unearned income and allowance for loan losses (note 8). Law 11322, of July 13, 2006, provides for the renegotiation of debts arising from rural credit transactions contracted in the area under the jurisdiction of the Superintendency for the Development of the Northeast (SUDENE), and grants decrease on debit balance, bonuses for timely payment, decreased interest rates and extension of payment periods. Law 11775 of September 17, 2008, provides for the settlement, regularization, renegotiation or reclassification of debts arising from lending operations classified, among others, under Laws 9138 of November 29, 1995, 10437 of April 25, 2002 and 11322 of July 13, 2006, Executive Act 2196-3 of August 24, 2001, CMN Resolution 2471 of February 26, 1998, National Family Farming Strengthening Program (PRONAF), Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (PRODECER) - Stage III, and contracted with FAT funds by financial agents, and grants discounts on debt balances and bonuses for timely payment, waivers, and maintenance or rescheduling of payment periods. Renegotiations formalized in the year based on these Laws reduced the Fund's income by R\$ 96,221 (R\$ 194,421 in 2008). This effect includes costs on renegotiation of transactions contracted between the Fund and other funding sources, mixed funding sources or reclassified to the Fund, as authorized by said Laws, as shown below:

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Recovery of operations written off from assets	206,753	210,060
Expenses - bonuses and waivers	(110,292)	(176,243)
Net effect on allowances	(192,682)	(228,238)
Total net effect	<u>(96,221)</u>	<u>(194,421)</u>

b.3) The caption “Other receivables” includes FNE’s rights on chattels and properties received by BNB as payment of debts. After assets are sold, the sale proceeds are apportioned between the Fund and BNB, proportionally to the risk assumed, pursuant to Article 7 of Interministerial Rule 11, of December 28, 2005.

b.4) Securities recorded under line account “Other Assets” are stated at their face value, plus expected yield on each security, including, when applicable, the effects of adjustments of assets to market or realizable values.

c) Net Equity

The net equity of FNE are originated as follows:

- Transfers from the Federal Government in the proportion of 1.8 percent of the collection of taxes on income of any nature and federal VAT (IPI);
- Returns and results of transactions;
- Interest paid by Banco do Nordeste on FNE’s temporarily not invested cash.

8. RISK OF FINANCING OPERATIONS AND ONLENDING AND ALLOWANCE FOR LOAN LOSSES

a) Pursuant to the legislation that regulates Constitutional Financing Funds, National Family Farming Strengthening Program (PRONAF) and Special Credit Program for Agrarian Reform (PROCERA/Programa da Terra), the risk of transactions with FNE’s funds is as follows:

a.1) Transactions contracted until November 30, 1998:

- In transactions related to *Programa da Terra*, the risk lies totally with PROCERA;
- In other transactions, the risk is assumed by FNE.

a.2) Transactions contracted beginning December 1, 1998:

- In financing under *Programa da Terra*, the risk lies with PROCERA;
- In transactions under PRONAF (Groups B, A/C, Forest, Semiarid and Emergency), the risk lies totally with FNE;
- In onlendings to Banco do Nordeste whose funds are sued in BNB’s own lending operations, the risk is fully assumed by BNB;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted until November 30, 1998, the risk is fully assumed by FNE. Under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the lender;
- In onlendings to other institutions authorized to operate by the Central Bank of Brazil, contracted after Administrative Rule 616, of May 26, 2003, becomes effective, the risk lies totally with BNB. Under said Administrative Rule and under a specific clause of the onlending agreements, the risk on financing granted to final borrowers is fully assumed by the lender;

- In the transactions addressed by Article 31 of Law 11775 of September 17, 2008, the risk lies 100% with Banco do Nordeste, if the risk of the original transaction is fully attributed to the Bank, or shared, when the renegotiated transaction involves this type of risk;
 - In other transactions, the risk is 50 percent for FNE and 50 percent for BNB.
- b) Pursuant to sole paragraph of Article 3 of Interministerial Rule 11, of December 28, 2005, the allowance for loan losses is recorded by FNE in accordance with the criteria set forth in item I, subitems “a” and “b” of the same Article, pursuant to which an allowance must be recorded for amounts past-due for more than 180 days, according to the risk. Changes in the allowance for loan losses for the period are as follows.

<u>Specification</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Allowance for loan losses at the beginning of the period	<u>1,182,289</u>	<u>913,230</u>
. Full FNE risk	965,749	773,182
. Shared risk	216,540	140,048
(+) Net allowance recognized in the year	<u>726,710</u>	<u>970,475</u>
Net provision for discounts - Acquired Transactions Law 11322	<u>5,269</u>	<u>38,071</u>
. Full FNE risk	5,269	38,071
Allowance for loan losses	<u>721,441</u>	<u>932,404</u>
. Full FNE risk	525,416	730,326
. Shared risk	196,025	202,078
(-) Receivables written off as a loss in the year	<u>608,650</u>	<u>701,416</u>
. Full FNE risk	466,588	575,830
. Shared risk	<u>142,062</u>	<u>125,586</u>
(=) Ending balance of allowance for loan losses	<u>1,300,349</u>	<u>1,182,289</u>
. Full FNE risk	1,029,846	965,749
. Shared risk	270,503	216,540

- c) Considering that PROCERA is responsible for the risk of financing transactions under *Programa da Terra* with FNE’s funds, no allowance for loan losses is recognized.
- d) Under Interministerial Rule 46, of March 7, 2007, an allowance for loan losses is recorded for transactions renegotiated under Law 11332, of July 13, 2006, as described below:
- d.1) for transactions with other sources of funds acquired by FNE: in an amount equal to the negative goodwill determined on acquisition by the Fund, recorded as a contra entry to loan transactions. The amounts for the year are described in subaccount “Net provision for discounts - Acquired Transactions Law 11322” in the table in item b, above;
- d.2) for renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts written off from assets as a loss, recorded as a contra entry to “Expenses on allowance for loan losses”. In 2009, an allowance was recorded in the amount of R\$ 4,501, of which R\$ (1,350) refers to transactions whose full risk lies with the Fund and R\$ 5,851 refers to shared-risk transactions. In 2008, an allowance was recorded in the amount of R\$ 130,124, of which R\$ 102,882 referred to transactions whose full risk lies with the Fund and R\$ 27,242 referred to shared-risk

transactions. These amounts are included in subaccount “Allowance for loan losses” in the table in item b, above.

- e) Interministerial Rule 244, of October 14, 2008, establishes that an allowance for loan losses is recorded for transactions renegotiated under Law 11775, of September 17, 2008, as described below:
 - e.1) for renegotiated FNE transactions: the amount of the allowance already existing in the month immediately prior to the renegotiation plus amounts written off from assets as a loss, recorded as a contra entry to “Expenses on operating provisions”;
 - e.2) for renegotiated FNE transactions an allowance of R\$ 188,180 was recognized, of which R\$ 141,187 refers to transactions whose full risk lies with the Fund and R\$ 46,993 refers to shared-risk transactions. In 2008, an allowance was recorded in the amount of R\$ 98,114, of which R\$ 68,617 referred to transactions whose full risk lies with the Fund and R\$ 29,497 referred to shared-risk transactions. These amounts are included in subaccount “Allowance for loan losses” in the table in item b, above.

9. RECOGNITION OF LOSSES AND RETURN OF BNB’S SHARE OF RISK

- a) As permitted by the sole paragraph of Article 3, Interministerial Rule 11, losses are recognized by FNE in accordance with the criteria set forth in item II of Article 3 of said rule, that is, at the amounts of principal and charges past-due for more than 360 days, according to the risk percentage assumed by the Fund.
- b) Funds related to BNB’s share of risk are returned to FNE on the second business day after losses are recognized by the Fund, according to the criteria set forth in item II, subitem “a”, Article 5 of Interministerial Rule 11.
- c) In the year, BNB returned to FNE the amount of R\$ 142,955 related to BNB’s share of risk in transactions that were written off as loss.

10. PRIOR YEAR ADJUSTMENTS

The net negative adjustment of R\$ 3,409 as of December 12, 2009, (R\$ 3,469 as of December 31, 2008) refers to recalculations of charges on lending transactions.

11. REGISTRATION IN THE FEDERAL GOVERNMENT INTEGRATED FINANCIAL MANAGEMENT SYSTEM (SIAFI)

In compliance with Interministerial Rule 11, of December 28, 2005, the accounting information related to FNE is available on SIAFI, considering the Fund’s specific characteristics.

12. RENEGOTIATION AND RECLASSIFICATION OF LENDING OPERATIONS

Law 11775, of September 17, 2008, established measures to encourage the settlement or renegotiation of debts from rural credit transactions and land mortgage loan, with the following impacts on FNE:

- a) renegotiation of financing contracted with FNE's funds;
- b) contracting of new transactions with FNE's funds to settle debts related to the Program for the Recovery of Cocoa Farming in Bahia, entered into with risks partially or fully assumed by the National Treasury, the State of Bahia and FNE;
- c) contracting of new transactions with FNE funds to settle debts related to the Japanese and Brazilian Cooperation Program for the Development of the Cerrado Region (PRODECER) - Stage III;
- d) reclassification to FNE of transactions entered into under the PRONAF at the risk of the Federal Government;
- e) reclassification for the Fund of transactions carried out with funds from FAT;
- f) reclassification to the FNE of transactions entered into with funds from the FNE and other sources.

The same statute authorizes the replacement of financial charges on outstanding rural and non-rural transactions, contracted until January 14, 2001, subject to floating rates, by fixed rates set by legislation applicable to transactions with FNE's funds.

In the year, credits were reclassified to FNE or new operations were contracted to settle financings with funds from other sources, with full risk for the Fund, totaling R\$ 26,086, under said law, as follows:

<u>Specification</u>	<u>Amount</u>
Article 7 (Cocoa Farming Operations in Bahia)	20,154
Article 19 (Operations whose Risk lies with the Federal Government - FAT Funds)	4,788
Article 31 (PRODECER transactions - Stage III)	<u>1,144</u>
TOTAL	<u>26,086</u>

Still under Law 11775, of September 17, 2008, credits were reclassified to FNE or new operations were contracted to settle financings with funds from other sources, with full risk for Banco do Nordeste, in the amount of R\$ 55,206, as follows:

<u>Specification</u>	<u>Amount</u>
Article 31 (Funds from Other Sources/FNE transactions)	26,044
Article 31 (PRODECER transactions - Stage III)	15,296
Article 31 (FAT transactions)	<u>13,866</u>
TOTAL	<u>55,206</u>

A survey conducted by BNB indicates that the following amounts are eligible for transfer to FNE based on Articles 7 and 31 of Law 11775, of September 17 2008, as of December 31, 2009:

<u>Specification</u>	<u>Amount</u>
Article 7 (Cocoa Farming Operations in Bahia)	309,846
Article 31 (Transactions with mixed FNE funds)	523,172

Article 31 (Transactions with FAT funds)	<u>138,274</u>
TOTAL	<u>971,292</u>

13. ONLENDINGS TO BNB UNDER ARTICLE 9A OF LAW 7827, OF SEPTEMBER 27, 1989

On July 20, 2009, the Central Bank of Brazil issued Official Letter DEORF/Cofil - 2009/07394, which approved the qualification of the onlending transaction by FNE, in the amount of R\$ 600,000, as Level II Capital in the Reference Shareholders' Equity (PR) of Banco do Nordeste do Brasil S/A, in the subordinated debt class, in accordance with CMN Resolution 3444, of February 28, 2007.

The outstanding balance of onlendings made to Banco do Nordeste were as follows at December 31, 2009:

<u>Specification</u>	<u>Amount</u>
Available funds	593,095
Funds invested	<u>28,968</u>
TOTAL	<u>622,063</u>

The line account "Available funds" records amounts temporarily not invested in BNB loan transactions, and yield a non-market interest rate disclosed by the Central Bank of Brazil.

The line account "Funds invested" correspond to the amounts released by Banco do Nordeste to the borrowers of the financing agreements, adjusted based on contractual indices, as set forth by legislation and the Subordinated Debt Instruments entered into with BNB.

14. OTHER INFORMATION

The Bill of Conversion Law 4 of 2009 (resulting from Executive Act 451 of 2008) was converted into Law 11945, of June 4, 2009, published in the Federal Official Gazette of June 5, 2009. Article 28 thereof amends Article 15 of Law 7827, of September 27, 1989, supporting debt settlements carried out by federal financial institutions managing Constitutional Funds which were performed in compliance with the banking practices and regulations of the respective institutions and which were subject to legal challenges and collected at the financial equivalent of assets liable to attachment of direct debtors and their respective guarantors, in relation to transactions granted with funds from Financing Constitutional Funds, also permitting the reopening of renegotiations for the settlement of debts by the financial equivalent of the current value of assets liable to attachment. As regards the operating procedures for new settlements based on Law 11945, of June 4, 2009, such procedures depend on regulation by the respective Decision-Making Councils.

Fortaleza, January 28, 2010

The Board of Director

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)
INDEPENDENT AUDITORS' REPORT

To the Management of
Fundo Constitucional de Financiamento do Nordeste - FNE
(Managed by Banco do Nordeste do Brasil S.A.)
Fortaleza, CE

1. We have audited the accompanying balance sheets of Fundo Constitucional de Financiamento do Nordeste - FNE (managed by Banco do Nordeste do Brasil S.A.), as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended and the six-month period ended December 31, 2009, all expressed in Brazilian reais and prepared under the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Fund; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by the Fund's Management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Fundo Constitucional de Financiamento do Nordeste - FNE as of December 31, 2009 and 2008 and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended and the six-month period ended December 31, 2009, in conformity with Brazilian accounting practices.
4. Law 11775 of September 17, 2008 and subsequent amendments established measures to encourage the settlement, regularization or renegotiation of debts arising from rural credit and land mortgage loans. These measures are extended to the Program for Recovery of Cocoa Plantations in the State of Bahia, rural investment financing under the National Family Farming Strengthening Program (PRONAF); Groups C, D, E and special credit facilities contracted with FNE funds and Groups A and B contracted with any sources, individual, group, and collective rural credit operations of Groups A and B of PRONAF, operations related to National Monetary Council Resolution 2471 of February 26, 1998; transactions funds from the Fund for Lands and Agrarian Reform and operations under the Program for Revitalization of Agricultural Cooperatives (RECOOP). These measures also required the reclassification to the Northeast Constitutional Financing Fund (FNE) of operations backed by funds from FAT (Fund for Workers' Assistance), and permit the reclassification, exclusively in the context of FNE, of rural credits contracted with a mix of funds from FNE and other sources. As described in note 12, the Fund is compliant with the provisions of Law 11775/08, and following amendments, however, the effects on its

financial statements will only be fully known when debt settlement, regularization or renegotiation processes are completed

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Fortaleza, February 5, 2010

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Claudio Lino Lippi
Engagement Partner

MANAGEMENT COUNCIL: Antonio Henrique Pinheiro Silveira (President) – Roberto Smith (Vice-President) – Augusto Akira Chiba – Álvaro Larrabure Costa Corrêa - Ana Teresa Holanda de Albuquerque – Zilana Melo Ribeiro

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SUPERVISORY BOARD: Rodrigo Silveira Veiga Cabral (President) – Cláudio Xavier Seefelder Filho

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SUPERINTENDENT: João Francisco Freitas Peixoto (Financial Control)

ACCOUNTANT: Aíla Maria Ribeiro de Almeida – CRC-CE 016318/O-7
