



Caixa Econômica Federal

Financial statements

December 31, 2004 and 2003

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)



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Management report

Brazilian citizens,

We hereby submit the Management Report of Caixa Econômica Federal, together with the Financial Statements for 2004, under the terms established by the Central Bank of Brazil (BACEN).

1. Introduction

In 2004, marked by the resumption of the country's economic growth and by the broadening of the contingent of citizens assisted by public policies, CAIXA's economic, financial and operating performance presented herein, in which the aspects hereafter enumerated are highlighted, is evidence of the importance of this institution to Brazilian society:

- Broadening of the offer of credit and consolidation of micro-credit through the CAIXA Aqui and Micropenhor;
- Improvement and broadening of attendance to the beneficiaries of the Government's Social Programs, especially the Family Allowance;
- Increasing volume of resources destined to the Federal Government, as a contribution for financing public expenditures, especially those of a social nature;
- Recognition of social responsibilities and the management of third party assets through certifications and awards received in the year.

2. Financial performance

The net income of R\$ 1.4 billion provided Final Net Equity profitability of 21.31%. Net Equity as of December 31, 2004 is equivalent to 20.27% of the risk-weighted assets and fixed assets, in relation to Net equity, representing 35.23%. This performance provided distribution to the Union of R\$ 524.8 million as dividends and interest on own capital, as well as R\$ 1.9 billion in taxes and social charges.

3. Management of third party funds

CAIXA ended the year with 75 investment funds and managed portfolios under its responsibility, consisting of 53 fixed income funds, 12 variable income funds, 6 social funds, 4 social security funds and 17 managed portfolios. The managed shareholders' equity showed growth of 16.35%, from R\$ 82.16 billion in December 2003 to R\$ 95.59 billion in December 2004.

In the ranking of investment fund managers of the National Association of Investment Banks (ANBID), CAIXA recorded growth of 24.54%, therefore above the 19% recorded by the fund industry, moving from 5th to 4th position and enlarging its market share from 4.82% to 5.04%.

The *Austin Rating* company assigned “AA” to the investment fund management, representing “Very Good Management Quality - Very well qualified managers of resources. They presented high quality protection and security factors. The correlation with economic environment oscillations is very low”.

4. Operations with securities

The Management reiterates its intention of holding until maturity the CAIXA portfolio securities classified in category III, as established in Article 8 of BACEN Circular 3068/2001.

Capital market operations

In one more operation structured for encouraging the civil construction industry and developing the real estate financial instruments market, on June 21, 2004 the Torre Almirante Real Estate Investment Fund was launched, commercializing until the end of the year, the amount of R\$ 72.94 million, equivalent to 70% of the total volume forecasted. This is the second real estate fund launched by the company, composed of 104,700 quotas with a face value of R\$ 1,000, totalizing R\$ 104.7 million.

In the secondary market of quotas the Almirante Barroso Real Estate Investment Fund, launched in previous year, with operations traded on SOMA/BOVESPA environment, was responsible for 96% of the total volume traded, whether through clients’ orders or its own, thus contributing to the formation of the price of the asset.

An expressive contribution for the expansion of the offer of credit was given through an operation for acquisition in the consigned loan portfolio market with discount in the payroll of retirees and INSS pensioners. The total amount of the operation was approximately R\$ 300 million, providing an increase in portfolio of 14%.

Accreditations before BACEN and BM&F

CAIXA is a primary dealer (a group of up to 10 institutions authorized to operate directly with BACEN’s trading floor) since March 2002 and a specialist dealer (a group of up to 12 institutions authorized to trade in the secondary market for Government Securities) since July 2003. During this year, it was accredited before the BM&F Assets House, as a clearing bank

5. Urban development and social housing

In the scope of this core business, the institutional relationship with Ministries and governmental bodies was enlarged during the year, so as to qualify and make the execution of the integrated public policies feasible, with an emphasis on social inclusion, a reduction of regional inequalities, democratization of management and a reduction in the housing deficit. The contracts closed will benefit approximately 10% of the Brazilian population.

Housing programs of social interest

Contracts were closed during 2004 in the amount of R\$ 5.4 billion, of which R\$ 4.9 billion is in available financing lines and R\$ 566 million on account of repasses executed with resources of the General Budget of the Union (OGU). This contracting will enable the building of 340 thousand housing units, benefiting 1.4 million citizens with their own house and generating 521 thousand jobs.

Special attention was paid to the population with an income of up to 5 minimum wages, a range in which the most part of the Brazilian housing deficit is located, for which loans and repasses have been directed in amounts exceeding R\$ 2.4 billions, representing 45% of the total amount contracted in the period. This amount made it possible to build more than 225 thousand housing units, representing 75% of the total built.

Source of funds /program	Values in R\$ thousand/Numbers in units			
	Values contracted	Housing units	Population benefited	Jobs generated
FGTS/Letter of credit	2,711,408	176,291	715,741	258,488
FGTS/Pro-housing	272,733	22,728	92,275	26,001
FAT/Letter of credit	257,208	4,633	18,810	24,520
FAR/Residential leasing	869,579	33,556	136,237	82,900
CAIXA/Letter of credit	453,297	9,542	38,741	43,214
OGU-FGTS/PSH	<u>332,206</u>	<u>43,051</u>	<u>174,787</u>	<u>31,670</u>
Total financing	<u>4,896,431</u>	<u>289,801</u>	<u>1,176,591</u>	<u>466,793</u>
OGU-IDB/Habitar - Brazil IDB - UAS	333,269	30,297	123,007	31,772
OGU/Various Federal Government programs	<u>232,522</u>	<u>19,705</u>	<u>80,003</u>	<u>22,167</u>
Total repasses	<u>565,791</u>	<u>50,002</u>	<u>203,010</u>	<u>53,939</u>
Totals	<u>5,462,222</u>	<u>339,803</u>	<u>1,379,601</u>	<u>520,732</u>

Special emphasis should be given to the operation contracted for the construction in the city of Rio de Janeiro of the Olympic village with 1,480 housing units, financed with resources of FAT and destined to lodge the delegations (athletes and directors) of the countries participating in the XV PAN-AMERICAN games, Para PAN-AMERICAN games and the Canoeing and Judo World Championship, to be held in Rio de Janeiro in 2007.

Sanitation and infrastructure programs

Financing with FGTS' resources totalizing R\$ 1.68 billion have been contracted by the public sector for the development of works addressed to improve water supplies, sewers, drainage, solid wastes and institutional development in the locations benefited. For the same purposes and also with FGTS' resources, approximately R\$ 53 million has been raised by the private sector through the FCP-SAN Program. Also, the private sector contracted financing with BNDES resources in the amount of R\$ 94 million in structured operations for investments in improvement of Brazilian roadways. This contracting, totaling R\$ 1.83 billion, enabled total investments of R\$ 2.58 billion, providing generation of 340 thousand jobs and benefiting 12.1 million citizens.

Including the contracting with resources from the OGU in Federal Government programs with similar ends, the contracting made is R\$ 2.45 billion, enabling investments in the amount of R\$ 3.28 billion, as well as the generation of 453 thousand jobs and related benefits for 15.2 million citizens.

Source of funds/program	Values in R\$ thousands/Quantities in units			
	Values contracted	Values of investments	Population benefited	Jobs generated
FGTS/Pro-Sanitation	1,681,059	2,038,094	9,058,196	328,133
FGTS/FCP-SAN	52,884	70,565	313,622	11,361
BNDES/FCP-Roadways	<u>94,022</u>	<u>471,816</u>	<u>2,699,418</u>	<u>500</u>
Total financings	<u>1,827,965</u>	<u>2,580,475</u>	<u>12,071,236</u>	<u>339,994</u>
OGU-IDB/Habitar - Brazil IDB - DI	25,120	26,063	115,836	4,196
OGU/Various Federal Government programs	<u>594,469</u>	<u>676,585</u>	<u>3,007,044</u>	<u>108,930</u>
Total repasses	<u>619,989</u>	<u>702,648</u>	<u>3,122,880</u>	<u>113,126</u>
Total	<u>2,447,554</u>	<u>3,283,123</u>	<u>15,194,116</u>	<u>453,120</u>

Disbursements on account of contracting entered into in this and prior years were around R\$ 696 million, of which R\$ 305 million is for financing granted and R\$ 391 million on account of repass contracts.

Repasses and transfers of resource from the General Federal Government Budget

Resources involving the amount of R\$ 1.54 billion and 5,324 operations have been contracted by the public sector with resources from OGU, which will enable the generation of 237 thousand jobs. This contracting, focused on the promotion of development in several regions of the country, through the implementation of popular housing projects, water supplies, sewers, drainage, solid wastes, urban and rural sports and tourist infrastructure, and water resources management presented an evolution of 165.52% in relation to the prior year (R\$ 580 million).

Federal Government Programs Administrators	Values in R\$ thousands/Quantity in units		
	Number of contracts	Values contracted	Jobs generated
AGEVAP - Association for Pro-Management of the Waters of the Drainage Basin of the Paraíba do Sul River	3	2,968	1,426
ANA - National Water Agency	7	7,629	1,415
MAPA - Ministry of Agriculture, Livestock and Provisioning	551	60,880	11,286
MCIDADES - Ministry of Cities	2,194	970,471	129,833
MDA - Ministry of Agrarian Development	968	139,998	25,230
ME - Ministry of Sports	847	130,644	23,699
MTUR - Ministry of Tourism	657	152,915	28,081
SUFRAMA - Superintendency of the Free Zone of Manaus	90	51,798	9,105
MINC - Ministry of Culture	<u>7</u>	<u>23,194</u>	<u>6,659</u>
Total	<u>5,324</u>	<u>1,540,497</u>	<u>236,734</u>

Disbursements/issuances of credit to the accounts of the 14,416 contracts under execution, involving the States and 4,199 Municipalities totaled R\$ 1.01 billion, an amount 76.7% higher than in 2003 (R\$ 571 million).

CAIXA also operates in the transfer of resources from the National Health Fund (FNS) and from the National Health Foundation (FUNASA) to the States, municipalities and philanthropic entities. In 2004, the amount of R\$ 217.7 million was transferred on account of these Funds, an amount 59.6% higher than that transferred in 2003 (R\$ 136.4 million).

Support for public management

In order to accomplish the execution of administrative and tax modernization projects, the amount of R\$ 109.4 million was contracted from 33 Brazilian municipalities within the scope of the National Program for Support for the Administrative and Tax Management of Brazilian Municipalities (PNAFM), with an increase of R\$ 81 million in relation to prior year. Disbursements totaled R\$ 22.8 million in the year and contracting, begun in 2002, has amounted to an accumulated total of R\$ 262.2 million.

In the National Support Program to Tax Administration for Brazilian States (PNAFE), CAIXA disbursed to the 26 States and to the Federal District the amount of R\$ 115.3 million, compared to 92.4 million in the year of 2003. The total volume already disbursed since the beginning of the program in 1997 amounts to R\$ 1.10 billion.

The Socio-Economic Information System of the Brazilian Municipalities (SIMBRASIL) was developed with the aim of contributing to the communities being able to identify, evaluate and diagnose their main potentialities. In this year, SIMBRASIL was made available to all municipal and state administrators, as an alternate data source for urban planning and as a support instrument for local and regional development.

At the end of 2004, 93.54% of the States, Federal District and Municipalities had the submission of their balance sheets and budgets homologated by CAIXA, in compliance with the technical cooperation agreement entered into with the National Treasury Department (STN). On the other hand, the submissions of the homologated Tax Management Reports and Budgetary Execution Summaries were 42.21% and 46.40%, respectively,

The National System for a survey of Civil Construction Costs and Indexes (SINAPI), a fundamental instrument for pricing of engineering works and services, ratifying the reliability and accuracy of their information, has consolidated its position as an official reference for verifying costing of public works, to be confirmed as a source of reference for contracting with resources from OGU, according to Law 10934/2004.

In 2004, CAIXA evaluated 326 works and services contracted by the Ministry of National Integration, through the Civil Defense Department, ensuring due verification and appropriate application of public resources in the amount of R\$ 132 million, in various regions of the country.

In order to encourage studies and research in the areas of housing, environmental management, quality management, training in the use of solar energy, environmental sanitation, technology transfer for low cost popular housing and rehabilitation of central urban areas, all of them focused on improving the quality of their urban development products, CAIXA disbursed approximately R\$ 1.5 million in 23 projects in 2004.

CAIXA Program - best practices in local management

At the end of its 3rd edition, the Program consisted of a collection of 505 projects, rewarded the 30 best practices and made it possible for 16 Brazilian practices to be among the best 100 worldwide in the international contest in Dubai, promoted by Habitat/UNO. With the purpose of valuing and replicating the best practices, in the year CAIXA held around 40 itinerant photographic exhibitions throughout the country, distributed 10,000 publications and 200 technical video tapes, as well as granted access to information regarding the practices that received awards on its site on the internet to internal and external publics.

With this initiative, CAIXA is contributing for the fulfillment of the Agenda Habitat commitments entered into by Brazil, widely disclosing successful and sustainable experiences by local management that present a visible, tangible impact on the improvement in quality of life of people. Federal public agencies, private companies, universities and non-governmental organizations have been consulting the collection constituted with the purpose of obtaining experience and conceiving new projects capable of transforming local realities.

The results provided by the Program and the interest of the public, in both national or international spheres, led the company to be invited by United Nations /Habitat to participate in the Worldwide Urban Forum in Barcelona in September, in order to present its system for granting awards and an exposition of the projects that won awards to other international institutions.

In December, CAIXA was awarded the Citizen Company Award organized by the magazine Exame, in the category for financing of projects of social nature, which disclosed and highlighted the Program in the “Good Corporate Citizenship Guide”, issued and published by the magazine.

Caixa hospitals

Since 1997, CAIXA has contributed towards supplying the immediate needs for working capital of philanthropic hospitals, through a loan called CAIXA Hospitals, which is part of the total applications in the segment of commercial credit for legal entities. In 2004 429 operations were contracted, totaling the amount of R\$ 229.9 million, exceeding by 50.95% the loans contracted in the prior year.

The CAIXA hospitals line of credit has already served innumerable philanthropic hospitals and public hospitals (*Santa Casa de Misericórdia*), with 1,675 contracts in the amount of R\$ 733.0 million, contributing to maintaining and improving the quality of the services rendered to Brazilian citizens by the institutions benefited.

6. Distribution of own and outsourced public and private products and services

Physical customer service channels

The company is present in all Brazilian municipalities, totaling, with the launching of 64 units in its expansion project called “+ 500 Agencies”, 17.5 thousand points of service, distributed as follows:

Physical Customer Service Network - Type of unit	Number of units	Number of bank transactions (in millions)
Bank Branches and Bank Service Outlets - PAB	2,207	460.10
Electronic Outlets - PAE	1,069	63.80
PAA - Advanced service stations	1	0.00
Banking correspondents - Lotteries	8,916	1,023.21
Banking correspondents - Other establishments	3,489	31.64
24 h self-service rooms	<u>1,782</u>	<u>902.00</u>
Total	<u>17,464</u>	<u>2,480.75</u>

Of the 3.2 billion transactions recorded in lottery shops, 2.2 billion were on account of various types of lotteries and the rest were bank services. It is worth pointing out, due to its social relevance, the growing preference of the Brazilian people for such channels for paying their power, water and telephone bills, as well as for receiving Federal Government benefits:

Type of transaction	Values in R\$ millions/Quantities in millions			
	2003		2004	
	Quantity	Amount	Quantities	Amount
Concessionaire accounts	595.66	29,036.43	604.96	31,853.68
Taxes	37.69	1,918.70	36.23	2,097.98
Bank collections	70.07	7,900.42	105.39	11,821.16
Social contributions	27.50	2,139.72	30.52	2,657.66
Benefits paid	75.17	4,085.27	91.44	7,630.81
Receipt of Income Tax Returns from Exempted Persons	32.20	24.15	29.89	29.89
Bank deposits	14.94	2,634.07	26.88	4,704.10
Bank cash withdrawals	44.15	5,670.42	63.02	8,742.74
Bank statements	<u>22.96</u>	<u>-</u>	<u>34.85</u>	<u>-</u>
Total bank services	<u>920.34</u>	<u>53,409.18</u>	<u>1,023.18</u>	<u>69,538.02</u>
Total lotteries	<u>2,007.01</u>	<u>3,544.48</u>	<u>2,157.52</u>	<u>4,209.43</u>
Overall total	<u>2,927.35</u>	<u>56,953.66</u>	<u>3,180.70</u>	<u>73,747.45</u>

Other bank correspondents, which have made the presence of CAIXA in all 5,561 Brazilian municipalities feasible, have recorded 31.64 million transactions, among which 12 million are payments of various Federal Government social benefits.

Virtual customer service channels

The internet site, www.caixa.gov.br, received almost half a billion accesses, with 2.1 billion visits to the pages during the year. It is worth emphasizing that the lottery pages are the most visited, with 181.3 million accesses. The main improvement incorporated during the year was the redesign of the pages "For Your Company" and "For Your City". A new portal has been launched addressed to the judiciary power.

Approximately 1 million registered clients received more than 430 million electronic messages on products and services, lottery results, information on capitalization, bank balances and statements and press news. The Electronic Bank, *Internet Banking CAIXA*, totaled 3 million registered accounts, with a movement of R\$ 18.9 billion.

SAC - Client attendance

The Ombudsman's department received 121.3 thousand occurrences registered by clients on products and services offered and services rendered by the branches. In relation to 2003, there was an increase of 5.7% in the total registrations, a percentage compatible with the expansion of the client base. Suggestions and praise, representing 3.9% and 5.9% of the total occurrences, showed increases, respectively, of 32.9% and 13.8%, in comparison with the small increase of 4.7% in complaints. The attention given by the company to this service kept it, out of the list of financial institutions with a major number of complaints registered with BACEN throughout 2004.

At the end of the year, CAIXA sponsored and participated in the II Public Ombudsmen's Forum, gathering public ombudsmen from all over the country and representatives of the organized civil society for evaluation of the results reached in 2004 and the setting of targets for 2005, among which are the creation and consolidation of the Public Ombudsman System.

7. Bank and real estate transactions

Funding

As a reflection of its actions in complying with its corporate purpose and with the aim of encouraging and educating the Brazilian people in savings habits, the company closed the year with positive net funding of R\$ 1.6 billion and balance of R\$ 48.9 billion in savings deposits, ensuring to it a market share of 30.7%. For the third consecutive time, CAIXA received the *TOP OF MIND* award, organized by the Newspaper Folha de São Paulo, awarding the brands most remembered by Brazilian consumers. Among these actions, we highlight the re-edition in October of the advertising campaign called FORCE X, the object of which was to revitalize the product, recuperating the broad concept of saving for children and creating the first contact of this public with the banking world.

As alternatives for clients with a greater volume of resources seeking greater profitability allied with security, the balance the Bank Deposit Certificates (CDB) and the Bank Deposit Receipts (RDB) increased to R\$ 5.9 billion, distributed over 29.7 thousand contracts, with growth of R\$ 2.7 billion and 86.4% in relation to the final balance of the previous year and an increase in market share from 2.4% to 3.4%.

Demand deposits, as a reflection of the expansion of the client base, presented a total balance of R\$ 5.9 billion, representing an evolution of 19.7% in relation to that presented in 2003.

CAIXA International

Launched on June 24, CAIXA International is a relationship and business program addressed exclusively to Brazilian citizens living abroad, so that they can open an electronic account on the internet called e-Conta CAIXA, enabling them to remit funds to Brazil and acquire long term savings products.

Conta CAIXA AQUI

The CAIXA AQUI Account, the first bank inclusion action performed by a financial institution in Brazil, made it possible for Brazilians who until then did not have access to the system, to open and maintain 2.2 million accounts, an increase of 97.43% in relation to the previous year. Of the total of transactions made by new clients, 74.4% occurred in alternate channels, such as ATMs, Lottery Shops, other bank correspondents and debit card purchases, with the latter responsible for 14% of the transactions.

Banking services and fidelity products

Besides innumerable banking services available in its physical and virtual service channels, 99 consulting contracts were entered into for restructuring social security systems of 5 States and 94 municipalities, contributing, with the expansion of the portfolio by 33.8%, to guaranteeing the payment of social security benefits to approximately 353 thousand beneficiaries, among current and retired employees and pensioners, which base increased by 335% in relation to the previous year.

It also maintained savings and loans management services, with a total of 754 thousand contracts administrated, on account of which 4.8 million installments were collected, providing return to creditors in the amount of R\$ 1.9 billion, a volume 8% higher than in 2003. In managing credits of the Asset Management Company (EMGEA), CAIXA was responsible for debt settlement and restructuring of 79 thousand contracts.

With respect to the fidelity products of its affiliate CAIXA Seguradora S/A, further reflecting the bank inclusion program performed by the institution, it is worth emphasizing the increase in the population's interest in capitalization products, due to the expressive, absolute and relative evolution (24.6%) in the number of securities commercialized.

Product	Values in R\$ thousands/Quantities in units			
	2003		2004	
	Quantity	Value	Quantity	Value
Private pension	302,910	339,267	229,122	517,925
Capitalization	2,958,416	158,877	3,686,875	142,587
Insurance	1,237,085	112,585	1,231,453	102,636
Real Estate Purchasing Pool	<u>18,383</u>	<u>845,305</u>	<u>17,636</u>	<u>841,920</u>
Total	<u>4,516,794</u>	<u>1,456,034</u>	<u>5,165,086</u>	<u>1,605,068</u>

The numbers below, portraying considerable expansions in the card base, present further evidence of the effects of the current bank inclusion process. As a result of launchings such as those enumerated below, CAIXA became the greatest issuer worldwide of Mastercard Maestro:

- CAIXA AQUI MasterCard Card, increasing access to credit for the low income population;
- CAIXA EMPRESARIAL and CAIXA BNDES Cards, fomenting the development of micro, small and medium-sized companies;
- TURISMO CAIXA MasterCard Card, a new product intended to leverage demand for domestic tourism.

Specification	Credit cards			Debit cards		
	2003	2004	Variation	2003	2004	Variation
Card base (millions of units)	1.80	2.00	11%	28.00	32.00	14%
Transactions (millions of units)	49.70	53.40	12%	54.00	77.00	43%
Transactions (R\$ billion)	3.40	3.80	12%	2.10	3.30	57%

Commercial credit products

Commercial credits in the amount of R\$ 26.3 billion were contracted, representing a business expansion equivalent to 29.8% in relation to the previous year. The sum of the final balances of portfolios, in the amount of R\$ 9.8 billion, reflected an overall increase of 41.8% of these assets. CAIXA's share in the commercial credit market destined for individuals and legal entities presented a growth of 30.5%, from 2.66% in 2003 to 3.47% in 2004.

Individuals

Contributing especially to the increase in demand for goods and services, R\$ 17.3 billion was injected into the economy in commercial credits contracted by 15 million Brazilian citizens, against a volume of R\$ 14.6 billion invested in 2003, representing an increase of 20.5%. The share in the commercial credit market for this segment increased from 7.31% to 8.65%, as a result of the growth of 18.3% in the portfolio.

During the year, there were significant changes in the legislation concerning Consignation. Decree 5180 and Law 10953, in particular, gave rise to the possibility of contracts with retirees and pensioners without the need for transfer of bank domicile and entailment of the benefit to the bank granting loans and financings. With the new legal scenario and the broadening of agreements to employees of public and private companies, the Consignation CAIXA modality has consolidated itself as the credit line most sought after by the population, more than doubling the volume of credit invested in 2003, with a growth of 135.3%. The product closed the year with R\$ 4 billion contracted against R\$ 1.7 billion in 2003.

In order to specifically attend the low income segment, pre-approved loans in the amount of R\$ 200.00 have been made available, with monthly interest of 2%, for 1.2 million clients of the CAIXA Aqui simplified account. Around 481 thousand such clients have utilized their limits, totaling R\$ 235 million in 2004.

Launched in August 2004, Micropenhor, an easy low interest credit alternative for the low income population, enabled the contracting of R\$ 137 million in 578 thousand operations. Micropenhor, together with CAIXA Aqui pre-approved credit, have been translated into concrete actions by the company to consolidate Microcredit in Brazil.

Legal entities

In order to encourage the offer of goods and services in the economy, a record volume of R\$ 9.0 billion in commercial credit was contracted for the legal entities segment in the year, representing a growth of 59% in relation to the previous year. The portfolio of commercial credits for legal entities presented an increase in market share from 1.01% to 1.35%.

Growth was confirmed in every product of the portfolio, the result of an approach which seeks to guarantee companies full service, balancing their needs for short and medium term working capital and capital for investment.

Credit recovery

783,450 contracts arising from financings and/or loans from the commercial and housing portfolios, in the amount of R\$ 537.6 million, which were in arrears for more than 60 days, were renegotiated or had their debt fully settled, and thus ceased to be in default

10,358 housing financing contracts with a total debt of R\$ 298 million were renegotiated, aiming at realigning them to the clients' current financial situation, with receipt at sight of an amount equivalent to R\$ 48 million. The settlement of 59,467 contracts, whose total debt was equivalent at the time of settlement to the amount of R\$ 811 million, was made feasible.

The recovery and regularization of housing loans consisted of 328,112 contracts, representing a total debt in the amount of R\$ 5.18 billion. The same action with respect to commercial credits with the same characteristics made the settlement of 51,002 contracts possible, with a return at sight of the amount of R\$ 40.0 million.

8. Funds, programs and services delegated by the Government

FGTS - Government Severance Indemnity Fund for Employees

In the capacity of the FGTS Operating Agent, CAIXA recorded contributions to the fund in the value of R\$ 28.2 billion through 31.0 million transactions. In relation to the previous year, the amount collected presented a nominal growth of 13.1%. 18.5 million payments were made in the various modalities of withdrawal, totaling R\$ 22.1 billion. In comparison with the same period in 2003, these numbers were higher by 0.3% and 8.4%, respectively.

More than 7.1 million complementary credits arising from economic plans were made in FGTS blocked accounts in the amount of R\$ 11.2 billion, and of this total R\$ 8.7 billion were withdrawn by workers.

In addition, R\$ 4.7 billion was disbursed as release of installments for housing, sanitation and urban infrastructure contracted in recent years.

These operations executed by CAIXA made it possible for the Fund to put the amount of R\$ 35.5 billion back into the Brazilian economy, exceeding the same movement in previous year by 19.1%.

FGTS complementary credits

Since the beginning of the payment of complementary credits in June 2002 until December 2004, more than 66 million credits have been made in FGTS blocked accounts, in the amount of R\$ 30.1 billion. Of this total, approximately R\$ 22.1 billion was withdrawn by workers.

Fund for Compensation of Variations in Salaries - FCVS

As an instrument of the government's social policy, FCVS subsidizes housing financing contracts and, consequently, borrowers of the National Housing System (SFH), assuming eventual imbalances in housing financings caused by mismatches between the readjustments of installments and debit balances during the period of the contracts.

In the capacity of the administrator this Fund, CAIXA sent claims to the FCVS of 56,894 contracts, whose borrowers, taking advantage of the benefits granted by Law 10150, of December 12 2000, settled their financings with a 100% discount of the debit balance. Of the contracts homologated by CAIXA, 134,646 were derived from settlements in advance, with discounts ranging from 12.5% to 100% of the respective debit balances. Thus, 191.5 thousand families were benefited with the confirmation of settlement of their financing.

SFH - SH/SFH housing insurance

SH/SFH, under CAIXA's administration, also settled approximately R\$ 300 million in claims, of which R\$ 113.43 million was destined to the recovery of borrowers' houses benefited by the Policy. Approximately 10.8 thousand Brazilian families were benefited with settlement of their financings, as a result of claim coverage.

Delegated services and income transfer programs

As the main operating agent of Federal Government Income Transfer programs, especially the Family Allowance, CAIXA is the harbinger of a better life for millions of Brazilian citizens. 6,572 thousand needy families have been benefited by the Program. A total amount of R\$ 5.15 billion in payments has been made to the beneficiaries of the Family Allowance, Food Allowance, School Allowance and Gas Allowance Programs and the Food Card Program, made through various service channels in all Brazilian municipalities.

In partnership with the Ministry of Social Development and Hunger Campaign (MDS), CAIXA has been providing, since June, information on the families benefited by the Family Allowance Program in the following Internet sites: www.caixa.gov.br and www.mds.gov.br. As from December, such sites will also present the status of the benefits of each one of the families served, informing if they are blocked, released or under inquiry. Such objective action aims to provide more transparency and efficiency to the Program's management by MDS, with the participation of the society, of control and inspection agencies, and the press, among others. It also motivates actions by municipality authorities for maintenance of information of the Sole Registry - which is the data base utilized for granting/maintaining benefits, as well as for follow up and control of the beneficiary families in their municipality.

CAIXA has participated in the integration process of the Family Allowance Program with the income transfer programs of States, Municipalities and the Federal District, the objective of which, among others, was complementation by these federative bodies of the value of the Family Allowance benefit with their own resources. Besides raising the value of the benefit and family income, this partnership permitted speeding up the implementation of the program, since the federated bodies are encouraged to update and increase the number of families in the Sole Registry. 10 partnership agreements have been entered into with States and Municipalities for the generation of services and the complementation of payments, covering 232.5 benefited families.

Sole registry

Approximately 2.1 million new families have been included in the Federal Government's Sole Registry, resulting in a total base of approximately 9 million families. Additionally, 4.3 million families of the former Family Allowance Program Register have migrated to it, resulting in 14.6 million families registered by CAIXA in the period from 2000 to 2004. 53.5 million people are registered in the main poverty mapping instrument of Brazil, documented and recognized by governmental institutions and constituting the public-target for insertion into the Government's social policies, in all spheres.

Payment of social benefits

CAIXA made 266.4 million payments of social benefits, totaling R\$ 31.5 billion reais, an increase of 28.05% in relation to 2003. The decrease of 11.1% in the number of payments is justified mainly by the migration of families from the remaining programs to the Family Allowance Program.

Program	Quantity in Units/Values in R\$			
	2003		2004	
	Quantity	Value	Quantity	Value
Student allowance	792,655	23,779,650	644,233	19,326,990
Gas Assistance Payment	100,418,969	753,142,268	69,073,592	518,051,940
Young agent	94,420	6,137,300	55,281	3,593,265
Food grant	18,327,009	274,905,135	3,782,548	56,738,220
School grant	92,582,817	1,388,742,260	62,393,441	935,901,615
Family Grant	4,986,981	376,083,535	47,518,163	3,352,228,909
Income Grant	5,544,152	166,324,560	-	-
Back Home	206	49,440	6,576	1,601,824
Harvest Guarantee	42,395	4,027,525	371,717	35,313,115
PETI	963,554	41,601,465	1,385,923	58,930,215
PCA	2,177,719	108,885,950	3,448,028	172,401,400
Social Security	29,610,397	12,455,629,929	34,456,923	16,622,947,190
Salary Bonus	6,619,356	1,522,063,483	7,415,304	1,881,288,548
PIS Income	16,190,697	541,255,113	14,807,925	297,600,480
PIS Quotas	575,626	434,132,037	619,343	500,640,940
Unemployment Benefit	<u>20,864,981</u>	<u>6,532,794,570</u>	<u>20,429,051</u>	<u>7,080,530,144</u>
Total	<u>299,791,934</u>	<u>24,629,554,220</u>	<u>266,408,048</u>	<u>31,537,094,794</u>

Management of Lotteries

The lotteries managed by CAIXA collected approximately R\$ 4.2 billion in the year, enabling the repass of R\$ 2 billion to the Federal Government, of which R\$ 481 million is Income Tax and the remainder is distributed to various funds, programs and entities assisted by it. This performance represents a growth of 19.07% in relation to the previous year.

Distribution	Values in R\$ thousands	
	2003	2004
National Culture Fund	101,598	120,831
Social Security	587,248	719,057
Higher Education Student Financing (FIES)	245,191	299,184
Football clubs	6,786	5,769
National Department of Sports	168,982	176,565
National Penitentiary Fund (FUNPEN)	106,494	126,633
Brazilian Olympic Committee (COB)	57,572	68,471
Brazilian Para-olympics Committee (CPB)	10,160	12,083
Special tests (APAE, CRUZ VERMELHA, COB and CPB)	<u>353</u>	<u>828</u>
Total repass	<u>1,284,384</u>	<u>1,529,421</u>

FIES - Student Scholarship Financing Program

The Student Scholarship Financing Program (FIES) was created in 1999 to help make up for the lack of mechanisms for access to higher education for students unable to pay the full cost of their academic education. In 2004 the Ministry of Education was responsible for opening a selection process for the financing 50 thousand vacancies.

CAIXA made more than 264 thousand additions, involving resources in the amount of R\$ 567.0 million, which amount is 7.8% higher than the amount added in 2003. The additions are the biannual renewals of FIES contracts required for the maintenance of the financing.

9. Risk management

New integrated credit risk evaluation tools have been made available, allowing the immediate contracting of a set of products called a basic relationship package - revolving credit, credit cards and parceled loan, by individuals and legal entities, observing the risk level and payment capacity. On average, 1 million credit risk evaluations per month have been processed, corresponding to an increase of 14.5% in relation to the previous year, totaling R\$ 24.2 billion in approved credit limits.

In order to measure the risk of Loan Portfolios in the agencies and PABs, the statistical model *Credit Risk Plus* was adopted, which permits determining the actual losses, the calculation of the expected loss and the calculation of the unexpected loss or V@R (Value at Risk). The losses verified in loan portfolios decreased from 5.8%, verified in 2003, to 2.6% this year, notwithstanding the increase in contracts in the period.

The Market Risk management processes of Treasury (*Trading Book*) and Mark-to-Market (MTM) Operations have been validated by an independent consulting company.

In continuing the development of the Operational Risk management model, the following actions have been carried out: construction of the Operational Risk Matrix, creation of an operational loss database, development of tools for monitoring the evolution of risk events and simulators for calculating capital allocation by the basic, standard and alternate standard methods, approved in the New Basel Agreement.

10. Corporate governance and sustainability

Governance structure

All the instances instituted by the new Bylaws of CAIXA, among which is the Audit Committee, approved by Decree 5056 of April, 29, 2004 and available at www.caixa.gov.br, are in place and operating ordinarily, in the form established by the National Monetary Council.

Transparency practices

Maintaining the practice adopted as from 2002, the company's operating and financial performances in the periods indicated have been presented to and debated by the directors and associates of the entities below, and regularly published jointly with the respective financial statements:

Entity	Period	Date
ABAMEC and APIMEC - Rio de Janeiro	Year 2003	03/11
APIMEC - Distrito Federal	Year 2003	03/16
APIMEC - Minas Gerais	1 st Semester 2004	09/23
APIMEC - São Paulo	1 st Semester 2004	10/05
APIMEC - Rio Grande do Sul	1 st Semester 2004	10/28

ABAMEC - Brazilian Association of Capital Market Analysts

APIMEC - Association of Capital Market Analysts and Professionals

In order to ensure even more reliability and timeliness to these statements, a Sole Economic/Financial Database was set up during the year, enabling a full management review and unification of all data related to the company's transactions. The main change is conceptual, i.e. data is entered only once in this base to serve the user systems, thus avoiding generation of divergent information between them. The table below indicates the size of this base at the end of the year:

Resident tables	Quantity in units Records
Events registered	71,218
Events-Products registered	504,644
Routes registered	394,624
Chart of Accounts - Accounting titles and subtitles	67,033
Entries of accounting transactions stored	839,793,757
Information of operating quantities and balances	447,006,709
Other auxiliary registration tables	42,539,351

Internal control system

Throughout 2004, CAIXA continued to invest in improving controls, fostering conformity and developing a compliance culture (adhesion to compliance with rules and procedures) in the organization, aiming at the efficacy of the company's internal control system.

New actions, methodologies and control tools have been implemented, comprising the evaluation/review of control procedures in processes, activities, products and services with high risk exposure, highlighting Building Plans, Direct Consumer Credit (CDC), Lotteries, Foreign Exchange and the Family Allowance Program.

The monitoring up of compliance with the recommendations by control and inspection agencies and internal and independent Audits for implementation of new controls or improvement of those already existing is performed by a tool which permits complete automation of routines for registration, maintenance and monitoring of actions plans prepared for this purpose. Due to the importance of their effects on the Brazilian society as a whole, the follow up of the development of the action plans for the new business model for the lottery channel and for improvement of CAIXA' registration skills, including the implementation of the Sole Registry, the Business Bank and the Registry Management Policy, are highlighted.

Anticipating official measures to provide complementary social security entities with efficient risk mitigation instruments and to establish a control culture in them, aiming at extending security and increasing credibility in the system, during the year a Technical Cooperation Agreement was entered into between CAIXA and FUNCEF, with the object of providing an exchange of experiences and technology on internal control systems between the entities.

Prevention of money laundering

Under the coordination of the Ministry of Justice and with the active participation of CAIXA, in December the II National Strategy for Fighting Money Laundering Symposium (ENCLA) 2004 gathered together the main authorities of the executive and judiciary powers and the Government Attorneys' Office responsible for prevention and fighting of money laundering, with the objective of developing joint strategies to face this type of crime.

By appointment of the Financial Activities Control Council (COAF), several Brazilian and international entities visited CAIXA in 2004 to exchange technical experience on practices for prevention and fighting of money laundering crimes.

PROGED - Program for rationalization of expenditure and elimination of wastage

Through actions encouraged by this program, it was possible to reduce expenditures and to eliminate wastage in the amount of R\$ 454.8 million, therefore exceeding by 29.94% the target established for the period. We can highlight among these actions, due to its impact upon the organizational culture, the campaign to reduce the consumption of water in the company entitled Water - The Source Cannot Dry.

11. Project CAIXA Zero Hunger

A partner company of the Zero Hunger Program of the Federal Government, CAIXA passed on to the Fund for Combating and Eradicating Poverty, an initiative of the Federal Government, the amount of R\$ 1.2 million, derived from the following sources:

Source	Amounts in R\$ thousands Amount
CAIXA FIF Fome Zero CP Fund (50% of the management fee)	412.80
Donations from individuals and legal entities in a Current Account	<u>784.50</u>
Total	<u>1,197.30</u>

4.2 tons of food were collected in its branches and distributed according to the priorities defined by the Municipal Councils for Freedom from Hunger or related agencies.

CAIXA held the Seminar “We Can” in the National Citizenship and Solidarity Week, with the objective of mobilizing partners and the society to fulfill the 8 Millennium Development Objectives defined by the UN. This event resulted in the signing of a protocol of intentions for the development of actions focused on divulging the story of the sociologist Herbert de Souza, known as Betinho, and in the signing of an agreement with MDS, providing for the development of joint actions for implementation of the Zero Hunger Program, besides an Agreement with the Ministry of Labor and Employment, providing for the reduction from five to four hours per day in the total working hours of Adolescent Apprentice engaged by the company.

CAIXA promoted the free issuance of 380 thousand Individual Taxpayer Registration (CPF) cards for women, in the International Week for Women and in itinerant actions of the National Program for Documentation of the Rural Woman Worker of the Ministry of Agrarian Development (MDA). This initiative contributes so that thousands of women may have access to the Federal Government’s public policies, within the scope of the Zero Hunger Program, among which the benefits of the Family Allowance Program and the National Program for Strengthening of Family Agriculture.

CAIXA donated to the Child and Adolescent Rights Fund, based on the Technical Cooperation Agreement entered into with the Special Secretariat of Human Rights and the National Council of Child Rights, the amount of R\$ 808.7 thousand, equivalent to 1% of the income tax due, on behalf of the implementation of the project of the National Network for Localization and Reintegration of Missing Children and Adolescents.

12. Service Labor force

Human resources

At the end of the year CAIXA's staff was the following:

	<u>Quantity in units</u>	
	2003	2004
Employees admitted through public examinations	57,382	59,927
Trainees	10,423	9,766
Service providers	27,678	24,180
Minors	1,879	293
Adolescent apprentices	<u>730</u>	<u>2,671</u>
Total	<u>98,092</u>	<u>96,837</u>

The following table shows the priority given to training in this table, especially with respect to the skills needed to provide its clients with qualified services and in order to improve governance of the institution:

Activity	<u>Quantities in units</u>	
	2003	2004
Courses at the Corporate University	45,099	60,414
<i>Lato and Strictu Senso</i> Post-Graduation	1,154	1,038
Higher Education	1,300	1,153
Workshops and seminars	<u>4,851</u>	<u>4,824</u>
Total	<u>52,404</u>	<u>67,429</u>

Through the CAIXA Health Program 959.7 thousand services were rendered to a total of 212 thousand beneficiaries - employees and their dependents.

13. Socio-cultural and marketing actions

Among the actions for communication with the external public, the following are highlighted: CAIXA of Our Life; CAIXA Lotteries; Caixa International; Créd Sênior Consignado Campaign; Savings Campaign; Housing Campaign; Welcome to Mayors and Tax Collection Campaign; + 500 Agencies Campaign and CAIXA Employees Deliver Gift Boxes Campaign.

Resources in the amount of R\$ 23.7 million have been distributed to cultural events and projects of national repercussion, with the objective of divulging and supporting Brazilian artistic production, making it accessible to all segments of the population in all regions of Brazil, and thus contributing to social inclusion and the country's development. Among the projects and events of greater significance supported by the institution, we highlight the following: Always a Chat Project: CAIXA Treasures Exhibition; "Jogo de Cena"; Exhibitions at CAIXA Cultural Premises; São Paulo 450 years; Connection São Paulo; Exhibition of Historical Maps of the City of São Paulo in the 30's; "Porto Alegre em Cena e em Ceninha" Project; Brazilian Craftsmanship with Design Project; Adoption of Cultural Entities Project and the Project for Revitalization and Restoration of Museums.

The Brazilian Craftsmanship with Design Project provided the company with greater visibility of its performance in the social area and foment of local economic activity, reinforcing its institutional image in several public segments, in a differentiated, high added value action, which can be translated in its various developments, such as the award granted at the 3rd *Marketing Best* for Social Responsibility, in *Top Social* 2004, of the Association of Sales and Marketing Directors of Brazil (ADVB) and the prominence given in the Exame Guide of Good Corporate Citizenship of the Magazine Exame.

The sponsorship for the Brazilian Athletics Confederation (CBAt) was renewed for the period from February to December 2004. CBAt maintained the nine programs held in 2003, focused on the development of athletes, ex-athletes, coaches and State Federations. The following events were included in the national sporting calendar: the two phases of the International Athletics *Grand Prix* - the Rio Athletics GP and GP Brazil CAIXA for Athletics; the exclusive sponsorship of the Brazilian CAIXA Athletics teams; sponsorship of the National CAIXA Program for Young Talents, the CAIXA Top Level Athletes Support Program; support for the official track and field Championships of the State Athletics Federations; CAIXA Program for Initiation in Athletics; CAIXA Program for National Trainers; Brazilian Athletics Heroes Program and the National Program for Combating Doping in Athletics.

The Para-Olympic sports add important values to the set of principles which support CAIXA's corporate image, strengthening its performance focused on social inclusion. CAIXA LOTTERIES sponsors the Brazilian Para-Olympic Committee through the Lottery Fund for Development (FDL). The Brazilian Para-Olympic Games, which occurred in May in the city of São Paulo, counted on approximately 636 participants from various Brazilian States and contributed to the definition of the official Brazilian delegation that participated in the Para-Olympic Games in Athens in 2004. These Games were held between September 17 and 28 and gathered together 4,000 athletes from 142 countries. Brazil sent the largest delegation in its history, surpassing the mark of 64 athletes that participated in the Sydney Games, and made its best campaign ever. It was 14th in the general classification, with 14 gold, 12 silver and 7 bronze medals.

In 2004, CAIXA held a series of events that strengthened its image as a socially responsible company. Among them we may cite: Reception of the Brazilian Para-Olympic Committee, Launching of the Project for Restoring the Historical Buildings of the Sé Quadrilateral, Presentation of the Caixa Social Journalism Award, Launching of the Project for Adoption of Cultural Entities, Disclosure of Caixa's Adhesion to the UN Program "We Can - Eight Ways of Changing the World" and Dissemination of the Concept of a Socially Responsible Company.

14. Acknowledgements

The Executive Board dedicates the reported results that made the company more and more beloved by Brazilian society, to its controller, the Federal Government, for its renewed and decisive support for this management, and to each of its employees, suppliers, partners and bank correspondents, which have not spared efforts to overcome the historic challenges which we have faced.



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Independent auditors' report

To
The Administrative Council
Caixa Econômica Federal
Brasília - DF

1. We have examined the balance sheets of Caixa Econômica Federal (CAIXA) as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of CAIXA; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by CAIXA management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Caixa Econômica Federal (CAIXA) as of December 31, 2004 and 2003 and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.
4. As mentioned in Explanatory Note 6(b), CAIXA is entitled to credits receivable from the Salary Variations Compensation Fund (FCVS), correspondent to housing contracts, both its own and those acquired from other agents under FCVS coverage. Realization of such credits depends on the adherence to a set of rules and procedures defined in regulations issued by FCVS. CAIXA's management has implemented an analysis and checking process of the conditions and data of such contracts so that they might comply with such rules and procedures. Such procedures enable the credits to be separated into contracts already qualified and ratified by FCVS, and negative coverage contracts, with or without the possibility of recourse for revaluation of the negative coverage. They also permit the application of a statistical methodology for estimating possible losses derived from contracts not eligible by FCVS.
5. CAIXA, as shown in Note 18(a), has an amount recorded as assets of R\$ 1,666 million (R\$ 1,705 million at December 31, 2003), corresponding to income and social contribution tax credits, the realization and maintenance of which are subject to generating taxable income in the future and to complying with rules defined by Resolution 3059/02 of the Central Bank of Brazil.



6. As mentioned in Note 15(a), CAIXA was processed by the Inspection Service of the National Institute for Social Security (*Instituto Nacional do Seguro Social - INSS*), on the allegation that social security contributions were not effected on certain payments made to its employees, and by the Federal Revenue Service, on the allegation of a shortage in the payment of PIS/PASEP. In line with the understanding of its legal and tax departments, which claim that not all the amounts listed by the INSS are subject to social welfare contributions, and in view of the possibilities of a successful defense of the proceedings related to PIS/PASEP, CAIXA management understands that it is not necessary to record provisions for contingencies related to these matters, in addition to those already existing, which amounted to R\$ 180 million (INSS) and R\$ 592 million (PIS/PASEP), at December 31, 2004 (INSS - R\$ 102 million and PIS/PASEP - R\$ 568 million, at December 31, 2003).

February 2, 2005

KPMG Auditores Independentes
CRC SP014428/O-6-F-DF

Original report in Portuguese signed by
Francesco Luigi Celso
Accountant CRC SP175348/O-5-S-DF

Caixa Econômica Federal

Balance sheets

Years ended December 31, 2004 and 2003

(In thousands of Reals)

Assets	2004	2003	Liabilities	2004	2003
Current assets	<u>90,202,067</u>	<u>76,954,974</u>	Current liabilities	<u>117,304,916</u>	<u>124,737,277</u>
Cash and cash equivalents	<u>700,557</u>	<u>565,212</u>	Deposits (Note 11)	<u>90,344,208</u>	<u>79,888,430</u>
Interbank funds applied (Note 4)	<u>4,249,985</u>	<u>3,277,848</u>	Demand deposits	5,969,669	4,986,788
Money market funds applied	4,249,985	3,077,848	Savings deposits	48,963,863	43,872,307
Interbank deposits	-	200,000	Time deposits	28,693,446	25,011,231
Securities and derivative financial instruments (Note 5)	<u>50,927,358</u>	<u>44,595,355</u>	Special deposits, funds and programs (Note 11 (b))	6,693,460	6,018,104
Own portfolio	43,548,695	21,995,403	Others deposits	23,770	-
Subject to repurchase commitment:	6,650,249	22,426,196	Money market repurchase commitment (Note 11)	<u>14,050,778</u>	<u>34,116,404</u>
Deposits with Central Bank	559,033	149,642	Own portfolio	9,801,607	29,424,846
Subject to guarantee services	81,603	8,232	Third party portfolios	4,249,171	4,691,558
Derivative financial instruments (Note 5 (f))	87,778	15,882	Acceptances and endorsements	<u>1,305,240</u>	<u>1,266,831</u>
Interbank accounts	<u>17,956,457</u>	<u>15,425,064</u>	Mortgage note funds (Note 12)	1,130,757	1,266,831
Collections in transit	58,043	63,614	Real estate credit notes	174,483	-
Term deposits - Brazilian Central Bank deposits (Note 6 (a))	17,830,793	15,317,596	Interbank accounts	<u>69,097</u>	<u>62,947</u>
Correspondents	67,621	43,854	Payments and receivables in transi	69,089	62,947
Interbranch accounts	<u>145,446</u>	<u>189,342</u>	Correspondents	8	-
Third party funds in transit	166	79,871	Interbranch accounts	<u>410,260</u>	<u>440,213</u>
Own funds in transit	14,528	109,471	Third party funds in transit	357,202	337,977
Loans (Note 7)	<u>10,820,649</u>	<u>9,077,915</u>	Own funds in transit	53,058	102,236
Loans, discounted loans and financing	8,378,147	6,779,565	Derivative financial instruments (Note 5(f))	<u>71,936</u>	<u>184,845</u>
Real estate financing	3,610,183	3,430,367	Other liabilities (Note 15)	<u>11,053,397</u>	<u>8,777,607</u>
Provision for doubtful loans (Note 7 (f))	(1,167,681)	(1,132,017)	Collection of taxes	102,801	73,388
Other receivable	<u>4,511,844</u>	<u>2,928,268</u>	Due to shareholders	75,054	85,009
Receivable on guarantees honorec	12,352	-	Taxes payable (Note 15a)	1,343,918	1,202,866
Income receivable (Note 8 (a))	751,185	1,080,019	Securities clearing accounts	6	83
Securities clearing accounts	-	3,141	Funds for specific destination: (Note 15 (b))	-	-
Specific credits	31,961	30,459	Lottery operations	291,828	218,904
Other (Note 8 (b))	3,716,346	1,814,649	Social program and fund obligations:	1,167,066	1,100,562
Other assets (Note 9)	<u>889,771</u>	<u>89,597</u>	Obligation to financial and development fund:	1,357,392	527,819
Assets received in settlement of deb	1,161,634	1,187,452	Other (Note 15 (c))	6,715,332	5,568,976
Valuation allowance	(272,581)	(299,711)	Noncurrent liabilities	<u>23,818,003</u>	<u>19,986,647</u>
Prepaid expenses	718	8,229	Deposits (Note 11)	<u>1,428,486</u>	<u>1,135,917</u>
Noncurrent assets	<u>55,237,119</u>	<u>71,155,390</u>	Time deposits	1,428,486	1,135,917
Interbank funds applied (Note 4)	<u>-</u>	<u>1,653,313</u>	Acceptances and endorsements	<u>10,456,102</u>	<u>9,690,646</u>
Money market funds applied	-	1,653,313	Mortgage note funds (Note 12)	10,176,820	9,239,469
Securities and derivative financial instruments (Note 5)	<u>21,906,512</u>	<u>32,930,597</u>	Real estate credit notes	279,282	451,177
Own portfolio	18,727,527	25,143,118	Borrowings (Note 13)	<u>39,263</u>	<u>48,184</u>
Subject to repurchase commitment:	3,178,985	7,119,446	Foreign currency trade finance borrowing:	39,263	48,184
Deposits with Central Bank	-	342,148	Repass borrowings from public sector (Note 14)	<u>11,426,453</u>	<u>8,615,198</u>
Subject to guarantees providedec	-	325,885	National treasury	413,228	377,507
Interbank accounts	<u>16,237,678</u>	<u>21,022,042</u>	BNDES (Federal Development Bank)	407,359	361,032
Housing Finance System - SFH (Note 6 (b))	16,237,678	21,022,042	FGTS (Government Severance Indemnity Fund for Employee)	10,380,658	7,729,699
Loans (Note 7)	<u>14,743,081</u>	<u>12,798,422</u>	Other	225,208	146,960
Loans, discounted loans and financing	2,265,052	1,275,181	Other liabilities	<u>467,699</u>	<u>496,702</u>
Real estate financing	13,615,680	12,989,691	Taxes payable (Note 15(a))	133,596	142,727
Infrastructure and development financing	1,110,018	793,459	Social program and fund obligations (Note 15(b))	9,295	54,235
Provision for doubtful loans	(2,247,669)	(2,259,909)	Other (Note 15(c))	324,808	299,740
Other receivable	<u>2,349,848</u>	<u>2,751,016</u>	Shareholders' equity (Note 16)	<u>6,663,640</u>	<u>5,771,552</u>
Income receivable (Note 8 (a))	328,044	249,854	Capital - Domestic	5,083,532	3,885,000
Other (Note 8 (b))	2,684,994	2,924,544	Capital reserves	10	10
Provision for doubtful receivable (Note 8 (c))	(663,190)	(423,382)	Revaluation reserves:	400,778	418,606
Permanent assets	<u>2,347,373</u>	<u>2,385,112</u>	Revenue reserves:	302,732	203,507
Investments	<u>400,369</u>	<u>32,919</u>	Adjustment to market value - Securities:	130,548	134,542
Subsidiaries and affiliates (Note 10(a))	<u>387,918</u>	<u>317,141</u>	and derivative financial instruments	746,040	1,129,887
Local (Note 10 (a))	367,323	288,022	Retained earnings	-	-
Foreign	20,595	29,119			
Other investments	23,525	33,397			
Provision for losses	(11,074)	(21,348)			
Premises and equipment (Note 10(b))	<u>1,612,221</u>	<u>1,575,679</u>			
Premises	209,728	211,005			
Revaluation of premises	574,346	582,772			
Other fixed assets	2,058,330	1,818,813			
Accumulated depreciator	1,230,183	(1,036,911)			
Deferred charges (Note 10 (c))	<u>334,783</u>	<u>480,243</u>			
Deferred charges	973,050	1,068,346			
Accumulated amortizator	(638,267)	(588,103)			
	<u>147,786,559</u>	<u>150,495,476</u>		<u>147,786,559</u>	<u>150,495,476</u>

See the accompanying notes to the financial statements

Caixa Econômica Federal

Statements of income

Years ended December 31, 2004 and 2003 and semester ended December 31, 2004

(In thousands of Reais)

	2 nd Semester	Year end	
	2004	2004	2003
Financial operations income	10,594,799	21,344,249	25,050,909
Loans	3,019,143	5,681,680	5,335,876
Securities	5,849,785	12,135,216	14,732,131
Derivative financial instruments	102,879	35,033	328,147
Compulsory investments	1,622,992	3,492,320	4,654,755
Financial operations expense	(6,348,575)	(13,094,492)	(16,486,175)
Deposits, money market and interbank fund	(5,742,232)	(11,726,132)	(14,436,536)
Borrowings and onlending:	(437,687)	(862,061)	(786,254)
Trade finance and foreign exchange	(793)	(422)	(1,341)
Provision for losses on doubtful receivable	(167,863)	(505,877)	(1,262,044)
Net income on financial operation	4,246,224	8,249,757	8,564,734
Other operating income/expense	(3,339,371)	(6,454,938)	(6,365,664)
Service fee income (Note 19(a))	2,535,491	4,648,273	4,593,942
Equity in earnings of subsidiaries	2,292	71,372	6,461
Personnel expenses (Note 19(b))	(2,557,720)	(4,739,574)	(4,030,200)
Other administrative expenses (Note 19(b))	(2,144,122)	(3,949,201)	(3,683,116)
Tax expenses	(329,572)	(72,867)	(688,941)
Other income (Note 19 (c))	825,539	1,488,918	2,761,920
Other expenses (Note 19 (c))	(1,691,907)	(3,246,056)	(5,383,879)
Operating income	906,853	1,794,819	2,199,070
Non-operating income	(15,193)	(52,404)	46,409
Net income before income taxes and profit sharing	89,166	1,742,415	2,245,479
Income tax and social contribution tax expenses (Note 18 (b))	27,569	(134,979)	(479,425)
Income tax expenses	15,087	(67,281)	(240,839)
Social contribution tax expenses	3,091	(18,366)	(6,491)
Deferred tax assets	9,391	(49,332)	(173,676)
Net income before employee profit sharing	919,229	1,607,436	1,766,054
Employee profit sharing (Note 19 (h))	(123,172)	(187,634)	(149,909)
Net income for the year	796,057	1,419,802	1,616,145

See the accompanying notes to the financial statements

Caixa Econômica Federal

Statements of changes in shareholders' equity

Years ended December 31, 2004 and 2003 and semester ended December 31, 2004

(In thousands of Reais)

	Capital	Capital reserves	Revaluation reserve	Revenue reserves Legal and other	Adjustment to market value securities and derivative financial instruments	Retained earnings (loss)	Total
Balances at July 1, 2004	3,885,000	10	409,736	279,674	155,214	1,429,150	6,158,784
Adjustment to market value - Securities and derivative financial instrument:	-	-	-	-	(24,666)	-	(24,666)
Capital increase	1,198,532	-	-	(68,645)	-	(1,129,887)	-
Reversal of reserves	-	-	(3,845)	-	-	-	(3,845)
Donations	-	-	-	-	-	-	-
Taxes on revaluation	-	-	4,264	-	-	-	4,264
Revaluation reserve for subsidiaries and affiliate:	-	-	13	-	-	-	13
Realization of reserve	-	-	(939)	-	-	939	-
Net income for the semester	-	-	-	-	-	796,057	796,057
Distribution of net income (Note 16 (e))							
Legal reserve	-	-	-	49,185	-	(49,185)	-
Lottery reserve	-	-	-	42,518	-	(42,518)	-
Dividends distributed in prior year:	-	-	-	-	-	-	-
Interest on own shareholders' equity	-	-	-	-	-	(255,055)	(255,055)
Dividends	-	-	-	-	-	(11,912)	(11,912)
Balances at December 31, 2004	5,083,532	10	400,778	302,732	130,548	74,604	6,663,640
Balances at January 1, 2004	3,885,000	10	418,606	203,507	134,542	1,129,887	5,771,552
Adjustment to market value - Securities and derivative financial instrument:	-	-	-	-	(3,994)	-	(3,994)
Capital increase	1,198,532	-	-	(68,645)	-	(1,129,887)	-
Reversal of reserves	-	-	(8,018)	-	-	-	(8,018)
Taxes on revaluation	-	-	9,131	-	-	-	9,131
Revaluation reserve for subsidiaries and affiliate:	-	-	(17)	-	-	-	(17)
Realization of reserve	-	-	(18,924)	-	-	18,924	-
Net income for the year	-	-	-	-	-	1,419,802	1,419,802
Distribution of net income (Note 16(e)):							
Legal reserve	-	-	-	80,372	-	(80,372)	-
Lottery reserve	-	-	-	87,498	-	(87,498)	-
Interest on own capital	-	-	-	-	-	(512,904)	(512,904)
Dividends	-	-	-	-	-	(11,912)	(11,912)
Balances at December 31, 2004	5,083,532	10	400,778	302,732	130,548	74,604	6,663,640
Balances at January 1, 2003	3,345,727	54,973	508,268	216,816	(25,673)	759,067	4,628,121
Adjustment to market value - Securities and derivative financial instrument:	-	-	-	-	391,272	-	391,272
Capital increase	539,273	-	-	(162,761)	-	(376,512)	-
Reversal of reserves	-	(54,973)	(10,276)	-	-	54,973	(10,276)
Donations	-	10	-	-	-	-	10
Taxes on revaluation	-	-	2,065	-	-	-	2,065
Revaluation reserve for subsidiaries and affiliate:	-	-	(272)	-	-	-	(272)
Realization of reserve	-	-	(99,764)	-	-	99,764	-
Net income for the year	-	-	-	-	-	1,616,145	1,616,145
Distribution of net income (Note 16(e)):							
Legal reserve	-	-	-	80,807	-	(80,807)	-
Lottery reserve	-	-	-	68,645	-	(68,645)	-
Dividends distributed in prior year:	-	-	-	-	-	(64,183)	(64,183)
Interest on own capital	-	-	-	-	-	(498,924)	(498,924)
Dividends	-	-	-	-	-	(310,991)	(310,991)
Balances at December 31, 2003	3,885,000	10	418,606	203,507	134,542	1,129,887	5,771,552

See the accompanying notes to the financial statements

Caixa Econômica Federal

Statements of changes in financial position

Years ended December 31, 2004 and 2003 and semester ended December 31, 2004

(In thousands of Reais)

	2 nd Semester	Year end	
	2004	2004	2003
Sources of funds	32,370,919	26,299,302	28,744,248
Adjusted net income	989,491	1,786,066	2,032,837
Net income for the period	796,057	1,419,802	1,616,145
Depreciation and amortization	216,354	437,636	481,302
Equity in earnings of subsidiaries	(22,920)	(71,372)	(64,610)
Adjustment to market value - Securities and derivative financial instruments	-	-	391,272
Investment subsidy	31,371,289	24,292,728	26,145,122
Increase in current and noncurrent liabilities	9,457,155	16,616,404	24,236,615
Deposits	7,934,637	10,748,347	4,418,041
Money market repurchase commitments	-	-	15,179,545
Acceptances and endorsements	-	803,865	1,842,129
Interbank accounts	-	6,150	-
Repass borrowings from public sector	1,522,518	2,811,255	2,796,900
Other liabilities	-	2,246,787	-
Decrease in current and noncurrent assets	21,914,134	7,676,324	1,908,507
Interbank funds applied	8,830,531	681,176	1,666,303
Securities and derivative financial instruments	5,983,167	4,692,082	-
Interbank accounts	4,728,359	2,252,971	-
Interdepartmental accounts	2,372,077	43,896	226,731
Other receivable	-	6,199	15,473
Disposal of assets and investments	10,139	180,350	133,972
Investments	1,789	11,317	757
Premises and equipment	8,350	169,033	133,215
Decrease in deferred charges	-	20,003	6
Interest on shareholders' equity	-	20,155	41,039
Application of funds	32,278,898	26,163,957	28,776,758
Adjustment to market value of securities and derivative financial instruments	24,666	3,994	-
Investment in:	439,911	462,783	304,150
Investments	1,461	11,124	289
Premises and equipment	438,450	451,659	303,861
Deferred charges	42,284	85,154	156,824
Funds applied:	31,505,070	25,087,210	27,441,686
Increase in current and noncurrent assets	2,632,204	4,869,801	24,159,561
Securities and derivative financial instruments	-	-	20,158,474
Interbank accounts	-	-	1,154,017
Loans	2,142,305	3,687,393	2,233,428
Other receivable	472,232	1,182,408	613,642
Other assets	17,667	-	-
Decrease in current and noncurrent liabilities	28,872,866	20,217,409	3,282,125
Money market repurchase commitments	25,548,525	20,065,626	-
Acceptances and endorsements	61,444	-	-
Interbank accounts	391,618	-	82,115
Interdepartmental accounts	2,127,432	29,953	219,446
Borrowings	9,410	8,921	59,376
Derivative financial instruments	71,347	112,909	12,130
Other liabilities	110,094	-	2,909,058
Dividends distributed in prior years	-	-	64,183
Dividends	11,912	11,912	310,991
Interest on shareholders' equity	255,055	512,904	498,924
Increase (decrease) in cash and cash equipments	92,021	135,345	(32,510)
Changes in cash and cash equivalents:			
Beginning of the period	608,536	565,212	597,722
End of the period	700,557	700,557	565,212
Increase (decrease) in cash and cash equipments	92,021	135,345	(32,510)

See the accompanying notes to the financial statements.

Caixa Econômica Federal

Notes to the financial statements

Year ended December 31, 2004 and 2003

(In thousands of Reais)

1 Operations

CAIXA is a financial institution constituted by Decree-Law 759, dated August 12, 1969, under the form of a public company with the personality of a legal entity of private law, linked to the Ministry of Finance and subject to general norms, decisions and the normative regulations established by the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN). The capital of CAIXA belongs to the Union and, within the macroeconomic context, the company's economic-financial management falls under the group of decisions of the Federal Government.

Business areas

CAIXA is authorized to perform business activities related to real estate loans, basic sanitation, urban infrastructure, commercial banks, as well as the rendering of services of a social nature, delegated by the Federal Government.

In the performance of these activities, CAIXA executes the funding of resources through savings accounts, mortgage notes, judicial deposits, demand deposits and time deposits, besides executing investment in loans mainly linked to housing, including operations related to transfers of the Government Severance Indemnity Fund for Employees (*Fundo de Garantia do Tempo de Serviço* - FGTS).

CAIXA also administers lotteries, funds and programs, which include the Government Severance Indemnity Fund for Employees (*Fundo de Garantia do Tempo de Serviço* - FGTS), the Fund for Compensating Variations in Salary (*Fundo de Compensação de Variações Salariais* - FCVS), the Employees' Profit Participation Program (*Programa de Integração Social* - PIS), the Social Development Support Fund (*Fundo de Apoio ao Desenvolvimento Social* - FAS), the Social Development Fund (*Fundo de Desenvolvimento Social* - FDS) and the Residential Lease Fund (*Fundo de Arrendamento Residencial* - FAR). The funds and programs managed are independent legal entities governed by specific regulations, possessing their own accountability, whereby their operations are presented in separate financial statements.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

2 Presentation and preparation of financial statements

The financial statements are the responsibility of company Management and were prepared in accordance with the accounting practices adopted in Brazil and the rules of the Central Bank of Brazil (BACEN).

3 Significant accounting policies

The main accounting policies are summarized as follows:

a. Income statement

Income and expenses are recognized on the accrual basis.

b. Current and noncurrent assets

Recorded at cost plus income accrued and, whenever applicable, adjusted by market or realization value.

Securities - The Central Bank of Brazil (BACEN), through Circular 3068/2001, established criteria for the recording and valuation of the portfolio of securities which are classified in accordance with management's intention in three specific categories, meeting the following accounting criteria:

- **Trading securities** - Securities acquired with the objective of being frequently and actively traded, which are adjusted to market value in a counter entry to the income of the period.
- **Securities available for sale** - Securities which are not considered as trading securities nor held to maturity. These securities are adjusted to market value in a counter entry to a separate account in shareholders' equity, denominated "Adjustment to market value - securities and derivative financial instruments", net of tax, when applicable. Gains and losses, when realized, are recognized in the income statement.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

- **Securities held to maturity** - Securities which management intends and has the financial capacity to hold to maturity, which are stated at cost of acquisition plus accrued income.

Derivative financial instruments - Similarly, in accordance with Central Bank of Brazil (BACEN) Circular 3082, of January 30, 2002 and later regulations, the derivative financial instruments began to be classified on the date of their acquisition in accordance with Management's intention to use them for hedge purposes or not.

The operations performed by CAIXA involving derivatives aim to meet their own needs and their clients' needs and, also, to reduce market, currency and interest rate risks. The management of these risks is done by defining operating strategies, establishing a system of internal controls and determining the limits of the positions.

The derivatives used for protection against risk exposure or to modify the characteristics of financial assets and liabilities, and which are highly correlated with regards to changes in their market value in relation to the market value of the item that is being protected, both at the beginning and throughout the life of the contract and considered effective in the reduction of the risk associated to the exposure to be protected against, are classified as hedge in accordance with their nature:

- **Market risk hedge** - The financial assets and liabilities, as well as the respective related derivative financial instruments, are adjusted to market value with the gains and losses realized and not realized, recognized directly in the income statement.
- **Cash flow hedge** - The effective portion of hedge of financial assets and liabilities, as well as the respective related financial instruments, is adjusted by the market value with the gains and losses realized and not realized, net of tax, when applicable, recognized in a specific shareholders' equity account. The non-effective portion of the hedge is recognized directly in the income statement.

When the derivative financial instrument is contracted in negotiation associated with the funding or investment of resources, in the terms of BACEN Circular BACEN 3150/02, the valuation is based on the conditions defined in contract, with no adjustment arising from the market value of the derivative.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

Loans and provision for doubtful loans - Loans are classified observing: (i) the parameters established by Resolution 2682/99 of CMN, which requires their classification at nine levels, from “AA” (minimum risk) to “H” (maximum risk); and (ii) assessment by Management as to the risk level. This assessment, realized periodically, takes into consideration the economic situation, past experience and the specific and overall risks in relation to the operations, the debtors and guarantors. Additionally, the periods of late payment, defined in Resolution 2682/99 of CMN for attribution of the levels of classification in the following form are taken into consideration:

Period in arrears	Classification of the client
No delay	AA
Up to 14 days	A
From 15 to 30 days	B
From 31 to 60 days	C
From 61 to 90 days	D
From 91 to 120 days	E
From 121 to 150 days	F
From 151 to 180 days	G
More than 180 days	H

The accrual of the loans overdue up to 60 days is recorded in income from loans, and as from the 61st day in unearned income.

Loans in arrears classified as level “H” are maintained in this category for six months, when they are then written-off against the existing provision and controlled, for a further five years, in memorandum accounts, no longer stated in the balance sheet.

Renegotiated loans are maintained, at the minimum, in the same level in which they were classified. The renegotiations of loans that had been written off against the provision and that were recorded in memorandum accounts are classified as level “H” and eventual gains resulting from renegotiation are only recognized as income when effectively received.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

c. Permanent assets

Permanent assets are recorded at cost, price level restated up to December 31, 1995, plus the following aspects:

- Property reevaluations carried out in December 2002 (each 4 years);
- Provisions for devaluations of other investments, when applicable;
- Depreciation of premises and equipment is provided using the straight-line method at rates that take into account the estimated useful lives of the assets, which are: real estate in use - 4%, equipment - 10%, vehicles - 20% and other assets in use - 10% to 20%; and
- Amortization of deferred charges is calculated using the straight-line method for a period of up to 5 (five) years.

d. Current and noncurrent liabilities

Current and noncurrent liabilities are recorded at known or estimated amounts, plus charges and daily “pro rata” monetary and exchange rate variations incurred.

The contribution to PASEP was calculated at the rate of 0.65%, and the contribution to COFINS was calculated at the rate of 4%, in accordance with specific applicable legislation. Until August 2003, the contribution to COFINS was calculated at the rate of 3%.

The provision for income taxes (IRPJ), was calculated at the rate of 15% of taxable income, plus a 10% surtax, as per the limit established in Law. The provision for social contribution (CSLL) was computed at the rate of 9%, on income adjusted before income tax.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

4 Interbank funds applied

Interbank funds applied are evaluated at cost value, plus income accrued to the balance sheet date, less eventual allowances for valuation, when applicable.

	2004	2003
Money market funds applied	<u>4,249,985</u>	<u>4,731,161</u>
Held position	<u>814</u>	<u>39,595</u>
Financial Treasury Bills	-	600
National Treasury Bills	814	38,995
Financed position	<u>4,249,171</u>	<u>4,691,566</u>
Financial Treasury Bills	50,015	2,873,651
National Treasury Bills	4,199,156	1,680,047
National Treasury Notes	-	63,935
Central Bank Notes	-	73,933
Interbank deposits	<u>-</u>	<u>200,000</u>
	<u>4,249,985</u>	<u>4,931,161</u>

5 Securities and derivative financial instruments

a. Summary of the classification of securities and derivative financial instruments

Category	2004	2003
Trading securities	28,100,816	23,054,404
Securities available for sale	7,423,066	8,199,020
Securities held to maturity	37,222,210	46,256,646
Derivative financial instruments	<u>87,778</u>	<u>15,882</u>
	<u>72,833,870</u>	<u>77,525,952</u>

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

b. Composition of securities

	2004	2003
Own portfolio	<u>62,276,222</u>	<u>47,138,521</u>
Fixed rate securities	<u>61,920,689</u>	<u>46,801,587</u>
Financial Treasury Bills	44,245,658	44,385,181
National Treasury Bills	9,552,103	35,776
National Treasury Notes	965,702	1,235,665
Central Bank Notes	37,490	41,760
Financial Treasury Certificates	53,148	459,274
Securitized Credits	6,997,452	579,473
Other securities	69,136	64,458
Investments fund quotas - FND	<u>342,711</u>	<u>320,749</u>
Investments fund quotas - Real Estate Fund	<u>12,822</u>	<u>16,185</u>
Securities subject to commitments	<u>10,469,870</u>	<u>30,371,549</u>
Subject to repurchase commitments	<u>9,829,234</u>	<u>29,545,642</u>
Financial Treasury Bills	9,000,518	23,124,911
National Treasury Bills	-	5,327,567
National Treasury Notes	777,290	867,616
Central Bank Notes	51,426	225,548
Deposited with Central Bank	<u>559,033</u>	<u>491,790</u>
Financial Treasury Bills		342,148
Financial Treasury Bills	559,033	149,642
Pledged as guarantees	<u>81,603</u>	<u>334,117</u>
Financial Treasury Bills		325,885
National Treasury Bills	81,603	8,232
Derivative financial instruments	<u>87,778</u>	<u>15,882</u>
	<u>72,833,870</u>	<u>77,525,952</u>

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

c. Consolidated classification by categories and maturity dates

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Up to 5 years	Book value	Accrued value	Market Value
Trading	<u>16,164,478</u>	<u>11,659,071</u>	<u>272,304</u>	<u>4,963</u>	<u>28,100,816</u>	<u>28,096,807</u>	<u>28,100,816</u>
Financial Treasury Bills	8,089,697	9,444,010	-	-	17,533,707	17,487,235	17,533,707
National Treasury Bills	7,712,885	2,164,689	-	-	9,877,574	9,934,580	9,877,574
National Treasury Notes	349,074	50,372	272,304	-	671,750	657,832	671,750
Petrobras Debentures	-	-	-	4,963	4,963	4,338	4,963
Variable Income Fund Quotas - Real Estate Fund	12,822	-	-	-	12,822	12,822	12,822
Available for sale	<u>2,892,369</u>	<u>3,657,386</u>	<u>18,728</u>	<u>854,583</u>	<u>7,423,066</u>	<u>7,196,923</u>	<u>7,423,066</u>
Financial Treasury Bills	2,027,014	3,165,992	-	307,964	5,500,970	5,382,836	5,500,970
National Treasury Bills	315,165	-	-	-	315,165	315,658	315,165
National Treasury Notes	156,054	398,579	18,728	433,608	1,006,969	911,790	1,006,969
Central Bank Notes	-	88,916	-	-	88,916	76,417	88,916
CFT	-	-	-	53,148	53,148	60,467	53,148
CVS	-	-	-	145	145	145	145
TBA	50,869	-	-	-	50,869	50,016	50,869
ELET	556	54	-	165	775	757	775
Petrobras Debentures	-	-	-	59,553	59,553	52,052	59,553
State Securities - Union	-	3,845	-	-	3,845	4,074	3,845
Investment fund quotas - FND	342,711	-	-	-	342,711	342,711	342,711
Held to maturity	<u>19,846,395</u>	<u>10,411,049</u>	<u>59,221</u>	<u>6,905,545</u>	<u>37,222,210</u>	<u>37,222,210</u>	<u>33,907,325</u>
Financial Treasury Bills	19,800,450	10,411,049	-	-	30,211,499	30,211,499	30,234,959
National Treasury Notes	-	-	59,221	5,052	64,273	64,273	44,719
CVS	-	-	-	6,900,493	6,900,493	6,900,493	3,581,942
SUNA	45,945	-	-	-	45,945	45,945	45,705
Derivative financial instruments	<u>87,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,778</u>	<u>87,778</u>	<u>87,778</u>
Total - 2004	<u>38,991,020</u>	<u>25,727,506</u>	<u>350,253</u>	<u>7,765,091</u>	<u>72,833,870</u>	<u>72,603,718</u>	<u>69,518,985</u>
Total - 2003	<u>28,143,703</u>	<u>43,752,495</u>	<u>4,244,094</u>	<u>1,385,660</u>	<u>77,525,952</u>	<u>77,045,095</u>	<u>77,581,793</u>

Although classified with a term of up to 1 year, the Variable Income Fund Quotas - Real Estate Fund and the Investment Funds Quotas - FND do not have a maturity date.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

The market value of the securities is determined in accordance with the market price at the balance sheet date. If there is no market price quotation, the values are estimated based on quotations by distributors, price definition models, quotation models or quotations of prices for instruments with similar characteristics.

On December 30, 2004, CAIXA received R\$ 6,264,088 from the National Treasury in A, B, C and D CVS securities, related to FCVS' debt novation contracts, the maturity of which is 2027, and the remuneration is based on Referential Rate (TR) variation plus annual interest of up to 6.17%. Based on Provisional Measure 2196-3 of August 14, 2001, the Union is authorized to exchange them for other securities issued by the National Treasury at updated face value. Aware that the exchange, whenever necessary, will be made and taking into consideration the financial capacity of CAIXA, the Management decided to classify these securities, as well as those already existing in stock in the amount of R\$ 634,891, in the category held to maturity and valued at their updated cost.

CVS securities in the value of R\$ 145 classified in the category available for sale are destined for the payment of CAIXA's obligations before the Fund for Compensation of Variations in Salary (FCVS) and the Higher Education Student Financing Fund (FIES), at their face value, which is why they are not marked to market value.

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Notes to the financial statements

(In thousands of Reais)

d. Adjustment to market value of securities and derivative financial instruments in the period

Securities available for sale	Positive adjustment	Negative adjustment	Net adjustment in shareholders' equity	Amount of equity
Financial Treasury Bills	1,047	66,472	(65,425)	118,133
National Treasury Bills	-	1,014	(1,014)	(494)
National Treasury Notes	-	29,908	(29,908)	75,080
Central Bank Notes	-	35,924	(35,924)	4,267
Petrobras Debentures	1,155	-	1,155	7,500
State Securities	154	-	154	(229)
Agricultural debt securities	-	41	(41)	18
CFT	29,429	223	29,206	(7,318)
ELETROBRÁS	-	1,357	(1,357)	852
CVS	-	87	(87)	-
Adjustments in affiliated companies	-	15	(15)	(6)
Derivative financial instruments (swap)	64,160	-	64,160	-
Taxes on market value	<u>35,102</u>	<u>-</u>	<u>35,102</u>	<u>(67,255)</u>
	<u>131,047</u>	<u>135,041</u>	<u>(3,994)</u>	<u>130,548</u>

- e. Securities with foreign exchange variance and the derivative financial instruments of swap related thereto, classified in category II - Securities available for sale, as a result of their market risk hedge characteristics had their adjustments to market value recorded in the income of the year, in the amount of R\$ 28,334. We present below the portfolio of derivative financial instruments designated as hedge and the respective hedged items.

Hedged item	Market value	
Assets	2004	2003
Securities indexed to the US dollar	<u>390,625</u>	<u>1,093,164</u>
NBC-E	51,427	225,548
NTN-D	339,198	867,616

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Notes to the financial statements

(In thousands of Reais)

Liabilities	Notional value	
	2004	2003
Derivative financial instruments	<u>367,491</u>	<u>1,024,825</u>
Swap contracts	367,491	1,024,825

The effective percentage ascertained for the hedge portfolio on December 31, 2004 was 108.24%. The methodology utilized was the weighted average, considering as the weighting factor the original value of the contracts.

f. Derivative financial instruments

CAIXA uses Financial Derivative Instruments, classifying the specific positions of future contracts negotiated at BM&F at “Destined for Hedge” of Market Risk, maintaining position in one-day DI futures contracts, aiming at protection from price oscillations of pre-fixed Government Securities own positions, thus ensuring the profitability of operations.

Derivatives	2004	2003
Futures contracts (DI)	<u>27,447</u>	<u>23,703</u>
Purchase commitments	27,447	23,703

A swap derivative instrument is utilized for protection of the exchange variation-indexed Government Securities’ own positions, with the objective of protecting them against price oscillations and exchange fluctuations.

The hedge strategies of equity positions are in consonance with macroeconomic analyses.

According to Circular 3082/02 of the Central Bank, CAIXA’s operations with Financial Derivative Instruments are considered as Market Risk Hedge.

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Notes to the financial statements

(In thousands of Reais)

2003 - Contracts - Hedge Instruments

All contracts were traded at the exchange (BM&F)

Swap contracts	Counterpart	Original amount	Curve value	Market value	Unrealized gains/losses	Maturity bracket
Asset leg						
CDI	Institution	-	-	-	-	Up to 30 days
CDI	Institution	188,335	274,421	274,844	423	From 31 to 60 days
CDI	Institution	94,359	141,000	141,304	304	From 61 to 90 days
CDI	Institution	-	-	-	-	From 91 to 180 days
CDI	Institution	147,094	216,518	219,232	2,714	From 181 to 360 days
CDI	Institution	265,525	<u>399,845</u>	<u>405,915</u>	<u>6,070</u>	From 1 to 5 years
			<u>1,031,784</u>	<u>1,041,295</u>	<u>9,511</u>	
Liability leg						
Dollar	Institution	-	-	-	-	Up to 30 days
Dollar	Institution	188,335	268,541	270,733	2,192	From 31 to 60 days
Dollar	Institution	94,359	133,925	135,827	1,902	From 61 to 90 days
Dollar	Institution	-	-	-	-	From 91 to 180 days
Dollar	Institution	147,094	220,441	243,269	22,828	From 181 to 360 days
Dollar	Institution	265,525	<u>401,918</u>	<u>452,045</u>	<u>50,127</u>	From 1 to 5 years
			<u>1,024,825</u>	<u>1,101,874</u>	<u>77,049</u>	

2004 - Contracts - Hedge Instrument

All contracts were traded at the exchange (BM&F)

Swap contracts	Counterpart	Original amount	Curve value	Market value	Unrealized gains/losses	Maturity bracket
Asset leg						
CDI	Institution	103,460	181,889	182,016	127	Up to 30 days
CDI	Institution	-	-	-	-	From 31 to 60 days
CDI	Institution	5,926	10,617	10,539	(78)	From 61 to 90 days
CDI	Institution	1,671	2,926	2,943	17	From 91 to 180 days
CDI	Institution	7,135	12,720	12,735	15	From 181 to 360 days
CDI	Institution	117,915	<u>210,237</u>	<u>212,527</u>	<u>2,290</u>	From 1 to 5 years
			<u>418,389</u>	<u>420,760</u>	<u>2,371</u>	
Liability leg						
Dollar	Institution	103,460	155,523	156,054	531	Up to 30 days
Dollar	Institution	-	-	-	-	From 31 to 60 days
Dollar	Institution	5,926	9,222	9,408	186	From 61 to 90 days
Dollar	Institution	1,671	2,562	2,632	70	From 91 to 180 days
Dollar	Institution	7,135	11,186	11,860	674	From 181 to 360 days
Dollar	Institution	117,915	<u>188,998</u>	<u>211,580</u>	<u>22,582</u>	From 1 to 5 years
			<u>367,491</u>	<u>391,534</u>	<u>24,043</u>	

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Notes to the financial statements

(In thousands of Reais)

CAIXA also uses a swap derivative instrument contracted in negotiation associated to a funding operation, whose valuation or devaluation arising from adjustment to market value is not recorded in the terms of Circular BACEN 3150/02. Swap contract notional values amount to R\$ 8,522,844, the differential receivable amounts to R\$ 54,369 and the differential payable to R\$ 67,752.

The guarantee margin of operations with derivative financial instruments required on December, 2004 amounts to R\$ 64,174, represented by National Treasury Bills due on April 1, 2005.

The main risks inherent to Derivative Financial Instruments are credit, market and operations risks, all similar to those related to other types of financial instruments.

The market risk is the probability of losses caused by the impact of fluctuations of prices, indexes or rates (interest, foreign exchange, shares, commodities, prices) on the financial instruments that constitute the equity of a company (increase in liabilities, decrease in assets).

The credit risk is the probability of losses arising from default by the counterpart of any financial instruments, which are recorded in a company's assets, generating lack of receipt from the other party. It is the risk of loss due to changes in the counterpart's capacity to perform contractual obligations with the creditor. The credit risk exposure in futures contracts is minimized due to daily cash adjustments. Swap contracts registered with CETIP and BM&F are subject to credit risk if the counterpart does not have the capacity or is not willing to perform its contractual obligations. The total credit exposure in swap at December 31, 2004 is R\$ 395,983 (2003 - R\$ 318,040).

Operational Risk is the possibility of losses arising from failures or inadequacy of systems, of operational processes, of people or of events outside CAIXA. It includes legal risks and excludes strategic and image risks.

The methodology for evaluation and measurement of the market value of derivative financial instruments uses as a parameter the net probable realization value obtained through the use of curves of future values of interest rates, foreign exchange rates, price indexes and currencies, divulged by BM&F, ANDIMA and the Central Bank of Brazil.

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Notes to the financial statements

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The market value measurement model acts on the assumption of the construction of interest rate curves for each identified risk factor, using the transaction prices or firm bids of a financial instrument or market prices of a financial instrument derived from some model or independent processing, and has the following sources of information: 1. Public prices or available prices open to all institutions and/or 2. Prices arising from private collections.

The values of the positions of those derivatives that are related to swap contracts are recorded in memorandum accounts and the adjustments in equity accounts. The referential value of these operations is R\$ 8,786,401 (2003 - R\$ 8,500,389). The differential payable at this date amounts to R\$ 71,936 (2003 - R\$ 184,845) and the differential receivable to R\$ 87,778 (2003 - R\$ 15,882).

6 Interbank accounts

a. Term deposits

- i.** The deposits made with BACEN are mainly comprised of compulsory payments that accrue monetary correction based on official indices and interest rates, except for those resulting from demand deposits.
- ii.** The “National Housing System - SFH” account includes prevalingly the residual values of terminated contracts to be paid by the FCVS, in the amount of R\$ 20,890,797, net of provisions, of R\$ 4,823,902, which are in the process of novation with that Fund. Currently, these contracts earn an annual interest rate of 6.17% plus monetary correction according to the variation of the Referential Rate (*TR*). Effective realization of these receivables depends on adherence to a set of rules and procedures defined in regulations issued by the FCVS. CAIXA management has been implementing a process for analyzing and checking the conditions and data of these contracts for conformity to such rules and procedures, which justified the establishment of criteria to estimate the probable losses arising from contracts that do not meet the rules and procedures defined by the FCVS. These estimates provided the provisioning for the amount of the difference existing between the expectations of receipt and the confirmed amount, following the rules of the FCVS for the contracts already authorized and homologated, and the application of the rate of 10% (based on the existing history of losses upon the occurrence of loan novations) for the balance of the contracts still not authorized.

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Notes to the financial statements

(In thousands of Reais)

Contract Status	Balance	Provision
Not qualified	3,615,149	1,441,896
Qualified and not homologated	4,428,372	2,432,939
Qualified and homologated	<u>12,847,276</u>	<u>949,067</u>
Balance - December 2004	<u>20,890,797</u>	<u>4,823,902</u>
Balance - December 2003	<u>25,650,024</u>	<u>4,844,250</u>

At December 31, 2004, the Union and CAIXA had entered into a FCVS debt novation contract, resulting in the receipt of CVS securities in the amounts of R\$ 6,264,088 and R\$ 357,999 in cash, totalizing an amount of R\$ 6,622,087 (see Explanatory Note no. 5(c)). In this novation a loss of R\$ 405,492 was recorded, corresponding to 5.77%, which was already duly provisioned.

Based on the same considerations for which the CVS securities are recorded in the securities portfolio in the category maintained until maturity and, consequently, are valued at the updated cost value, no provision was recorded to bring these credits to the market value (see Explanatory Note no. 5(c)).

7 Loans

a. Composition of loans per type of operation

Description	2004	2003
Financing, discounted loans and loans	10,643,199	8,054,746
Real estate financing operations	17,225,863	16,420,058
Infrastructure and development financing operations	1,110,018	793,459
Receivables on guarantees honored	12,352	-
Other receivables	<u>1,171,318</u>	<u>877,838</u>
	<u>30,162,750</u>	<u>26,146,101</u>

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Notes to the financial statements

(In thousands of Reais)

b. Breakdown of loans by activities

Description	2004	%	2003	%
Federal public sector	<u>968,714</u>	<u>3.21</u>	<u>936,133</u>	<u>3.58</u>
Government	<u>968,579</u>	<u>3.21</u>	<u>935,843</u>	<u>3.58</u>
Direct administration (1)	968,579	3.21	935,843	3.58
Business activities	<u>135</u>	<u>-</u>	<u>290</u>	<u>-</u>
Financial intermediaries	82	-	258	-
Other services	53	-	32	-
State public sector	<u>799,828</u>	<u>2.65</u>	<u>380,895</u>	<u>1.45</u>
Government - Direct administration	<u>494,946</u>	<u>1.64</u>	<u>130,224</u>	<u>0.50</u>
Business activities	<u>304,882</u>	<u>1.01</u>	<u>250,671</u>	<u>0.95</u>
Industry	292,277	0.97	238,878	0.91
Financial intermediaries	12,336	0.04	11,738	0.04
Other services	269	-	55	-
Municipal public sector	<u>150,083</u>	<u>0.50</u>	<u>96,163</u>	<u>0.37</u>
Government	<u>117,589</u>	<u>0.39</u>	<u>83,292</u>	<u>0.32</u>
Direct administration	117,454	0.39	83,276	0.32
Indirect administration	135	-	16	-
Business activities - Industry	<u>32,494</u>	<u>0.11</u>	<u>12,871</u>	<u>0.05</u>
Industry	32,417	0.11	12,740	0.05
Other services	77	-	131	-

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Notes to the financial statements

(In thousands of Reais)

Description	2004	%	2003	%
Private sector	<u>28,244,125</u>	<u>93.64</u>	<u>24,732,910</u>	<u>94.60</u>
Rural	4,230	0.01	3,927	0.02
Industry	227,577	0.75	123,604	0.47
Commerce	698,180	2.31	452,551	1.73
Financial Intermediaries	303,133	1.00	303,088	1.16
Other services	3,776,393	12.52	3,039,041	11.62
Individuals	6,865,421	22.76	5,113,815	19.56
Housing - Individuals/legal entities	<u>16,369,191</u>	<u>54.29</u>	<u>15,696,884</u>	<u>60.04</u>
	<u>30,162,750</u>	<u>100.00</u>	<u>26,146,101</u>	<u>100.00</u>

c. Concentration of main debtors

	2004	% of portfolio	2003	% of portfolio
Main debtor (1)	675,783	2,24	667,566	2,55
10 main debtors	1,925,292	6,38	1,586,040	6,06
20 main debtors	2,191,533	7,27	1,780,612	6,81
50 main debtors	2,517,130	8,35	2,006,339	7,67
100 main debtors	2,675,533	8,87	2,138,681	8,17

- (1) Refers to public sector financing related to refinancing Federal Government contracts, based on Law 8727/93, whereby the Union is responsible for their settlement. Provisional Measure 2181-45 (formerly Provisional Measure 2103-42), dated August 24, 2001, authorized the Union to settle these contracts in advance. The said contracts have an annual interest rate of 12% plus monetary correction according to the Referential Rate (TR) variation. These refinancing operations are guaranteed by the State and Municipality Participation Fund (*Fundo de Participação dos Estados e Municípios*).

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Notes to the financial statements

(In thousands of Reais)

d. Composition of loans according to maturity of operations

	2004			2003
	Public sector	Private sector	Total	Total
Current assets	<u>93,234</u>	<u>10.660,201</u>	<u>10.753,435</u>	<u>8,784,550</u>
0 to 90 days	27,938	4,423,988	4,451,926	3,556,283
91 to 360 days	65,296	6,236,213	6,301,509	5,228,267
Noncurrent assets	<u>1,825,217</u>	<u>16,255,793</u>	<u>18,081,010</u>	<u>15,936,169</u>
From 1 to 3 years	155,861	9,200,934	9,356,795	7,832,545
From to 5 years	396,590	4,718,886	5,115,476	4,610,489
From 5 to 15 years	715,391	2,333,506	3,048,897	3,084,119
More than 15 years	557,375	2,467	559,842	409,016
Total - Normal	<u>1,918,451</u>	<u>26,915,994</u>	<u>28,834,445</u>	<u>24,720,719</u>
Total - Overdue	<u>176</u>	<u>1,328,129</u>	<u>1,328,305</u>	<u>1,425,382</u>
Total	<u>1,918,627</u>	<u>28,244,123</u>	<u>30,162,750</u>	<u>26,146,101</u>

e. Classification according to modality and risk level

Risk level	Loans and discounted loans	Financing	Real estate financing	Other receivable	Total 2004	%	Total 2003	%
AA	632,954	690,904	591,288	896	1,916,042	6,35	1,731,226	6.62
A	2,797,800	413,868	5,461,361	31,432	8,704,461	28,86	8,186,366	31.31
B	1,321,220	401,596	1,991,783	481,288	4,195,887	13,91	3,580,044	13.69
C	1,714,349	109,526	3,273,821	22,787	5,120,483	16,98	3,799,786	14.53
D	1,239,319	168,211	4,897,213	248,931	6,553,674	21,73	5,409,634	20.69
E	98,767	18,235	479,572	9,213	605,787	2,01	544,338	2.08
F	83,313	39,972	300,987	1,862	426,134	1,41	412,798	1.58
G	112,822	13,226	185,794	646	312,488	1,04	245,820	0.94
H	<u>485,963</u>	<u>301,154</u>	<u>1,154,062</u>	<u>386,615</u>	<u>2,327,794</u>	<u>7,72</u>	<u>2,236,089</u>	<u>8,56</u>
	<u>8,486,507</u>	<u>2,156,692</u>	<u>18,335,881</u>	<u>1,183,670</u>	<u>30,162,750</u>	<u>100,00</u>	<u>26,146,101</u>	<u>100,00</u>

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f. Composition of the provision for doubtful loans by risk level

Risk level	Loans and discounted loans	Financing	Real estate financing	Other receivable	Total 2004	%	Total 2003	%
A	13,989	2,069	27,306	157	43,521	1,13	40,932	1.08
B	13,212	4,015	19,917	4,812	41,956	1,09	40,650	1.08
C	51,430	3,285	98,214	683	153,612	4,00	156,697	4.15
D	126,161	16,821	488,358	24,893	656,233	17,10	756,479	20.04
E	29,630	5,470	143,871	2,764	181,735	4,74	163,775	4.34
F	41,656	19,986	150,493	930	213,065	5,55	206,401	5.47
G	78,975	9,258	130,055	452	218,740	5,70	174,553	4.62
H	<u>485,963</u>	<u>301,154</u>	<u>1,154,062</u>	<u>386,615</u>	<u>2,327,794</u>	<u>60.67</u>	<u>2,236,089</u>	<u>59.23</u>
	<u>841,016</u>	<u>362,058</u>	<u>2,212,276</u>	<u>421,306</u>	<u>3,836,656</u>	<u>100.00</u>	<u>3,775,576</u>	<u>100.00</u>

CAIXA, in order to record a provision for doubtful debts, carried out stratification comprised of ninety-nine (99) levels with an interval of one point percentage between each of them, distributed between ratings A (0.5%) and H (100%). This year, due to the improvements in credit risk assessment models, the provision began to be made strictly in compliance with the risk levels provided in CMN Resolution 2682/99. This change in methodology generated a reduction of R\$ 211 million in provision stocks existing on December 31, 2004.

g. Movement of the allowance for possible loan losses

	2004	2003
Opening balance - December 2003/2002	3,775,576	3,454,303
Additions	844,678	1,403,462
Transfer to Loss	(444,797)	(940,771)
Other Write-offs	(338,801)	(141,418)
	<u>3,836,656</u>	<u>3,775,576</u>

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h. Renegotiated loans, posted as loss and recovered

	2004	2003
Total renegotiated loans for the year	997,458	631,341
Total loans entered as loss for the year	444,797	940,771
Total recovered loans for the year	9,800	13,424

8 Other receivable

a. Income receivable

“Income receivable” refers to amounts receivable for rendering of services.

	2004	2003
Dividends and interest on shareholders' equity receivable from - National Development Fund (FND)	328,044	249,854
FGTS	156,410	141,931
Unemployment insurance	61,600	52,381
General Budget of Brazil	151,167	121,637
INSS	59,067	507,169
Social register	143,665	136,212
Family allowance	31,777	-
EMGEA - <i>Empresa Gestora de Ativos</i> (Asset Management Company)	27,611	28,444
School grant program	12,053	11,084
PIS	66,666	33,892
FIES	27,315	6,718
Others	<u>13,854</u>	<u>40,551</u>
	<u>1,079,229</u>	<u>1,329,873</u>

- (i) INSS debt arising from GFIP collection, payment and information services, in the value of R\$ 614,542, was reclassified as “Advance on account of social security - Payments to be reimbursed - Other credits”, in consonance with Ordinance 441 of December 30, 2004 of the Ministry of Finance, which regulates the procedures regarding novation, by the Union, of debts of responsibility of federal government corporations.

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b. Others

	2004	2003
Sundry advances	495,904	274,579
Tax Credits (note 18)	1,665,893	1,704,894
Guarantee deposit debtors	1,450,422	1,066,754
Recoverable taxes and contributions	136,847	20,128
Payments to reimburse	662,061	47,863
Other receivable with characteristics of extension of credit	1,171,318	877,838
Debtors for purchase of securities and assets	66,854	91,847
Securities and credits receivable	1,104,464	785,991
Amounts receivable - BAMERINDUS (iii)	302,941	302,941
Credit card	584,783	475,550
Bahia State Government - EMBASA (ii)	213,930	
Other securities and credits receivable	2,810	7,500
Other receivable without characteristics of extension of credit	270,631	412,588
Securities and credits receivable	270,631	412,588
Pernambuco State Government - COMPESA (i)	241,884	213,286
Bahia State Government - EMBASA (ii)		184,032
Credit Card	28,747	15,270
Other debtors	751,662	662,889
Accrual - Loans and financing (iv)	535,512	409,449
Insurance receivable	150,269	197,413
Other debtors	65,881	56,027
Provision for losses - Sundry debtors	(203,398)	(328,340)
	<u>6,401,340</u>	<u>4,739,193</u>

(i) Refers to the advance of privatization funds to Bahia State Government (EMBASA) remunerated by the SELIC (Special System for Settlement and Custody) rate, and to the Government of the State of Pernambuco (COMPESA), remunerated by the TR plus 12% per annum which are fully provided for.

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- (ii) Refers to the debt confession agreement of the Bahia State Government (EMBASA), with rescission of the agreement of sale of shares caused by the reclassification of the operation, of Other Receivables Without Loan Extension Features to Other Receivables with loan Extension Features.
- (iii) Refer to credits with the bankrupt estate of Banco Bamerindus, originating preponderantly from the acquisition of property credits, which are totally provisioned.
- (iv) Refers mainly to values recorded as debits in real estate financing, not classified by the Financing Control System (*Sistema de Controle de Financiamentos - SIACI*), in the phase of identification for appropriation to the corresponding contracts. These amounts are correlated to creditor records of the same nature as indicated in Note 15(c).
- (v) It refers mainly to the provision for definitive net loss and housing financing claims for indemnity.

c. Provision for other receivable

In accordance with BACEN Circular Letter 3048/2002, credit securities receivable are classified as “with loan extension features” and “without loan extension features”, as follows:

	2004	2003
Provision - Other receivables with loan extension features (Note 7(f))	(421,306)	(383,650)
Provision - Other receivables without loan extension features	(241,884)	(39,732)
	<u>(663,190)</u>	<u>(423,382)</u>

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9 Other assets

The assets not for own use mainly refer to awarded properties, properties received as payments in kind for loans and also properties no longer used in CAIXA's operations. The provision for devaluation of these properties is recorded, based on an appraisal report prepared by a specialized company.

10 Permanent assets

a. Investments

The investments in subsidiaries are substantially formed by CAIXA SEGUROS S.A. and are value according to the equity method. The main information on the investee and the investment, as of December, 31, are presented as follows:

Investee	2004	2003
Shareholders' equity	980,428	879,124
Capital	360,000	360,000
Number of shares	16,930,108	16,930,108
Retained earnings reserve	233,196	-
Revaluation/retained earnings reserve	626	89,972
Gains and losses in the realization of securities	(13)	19
Goodwill reserve	218,448	285,252
Retained earnings in the year	168,171	143,881
Book value per share - R\$	57.91	51.93
Investment	2004	2003
Number of shares held	8,161,426	8,161,426
Participation (%)	48.20658	48.20658
Book value of the investment	367,323	288,022
Equity income	<u>79,318</u>	<u>67,171</u>
Total equity in earnings of subsidiaries and affiliated companies	<u>367,323</u>	<u>288,022</u>

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(In thousands of Reais)

b. Premises and equipment

	2004			2003
	Cost	Depreciation	Residual value	Residual value
Properties for own use	784,074	(54,100)	729,974	763,803
Buildings	138,144	(13,829)	124,315	130,734
Revaluation of buildings	433,201	(40,271)	392,930	418,188
Land	71,584	-	71,584	72,053
Revaluation of land	141,145	-	141,145	142,828
Fixed assets in progress	292,026	-	292,026	216,323
Furniture, fixtures and equipment in use	404,628	(226,302)	178,326	154,423
Communications system	49,591	(29,384)	20,207	24,798
Data processing system	1,244,207	(893,635)	350,572	378,099
Transport and security system	67,878	(26,762)	41,116	38,217
Other fixed assets	-	-	-	16
	<u>2,842,404</u>	<u>(1,230,183)</u>	<u>1,612,221</u>	<u>1,575,679</u>

Based on the power provided for in BACEN Circular 2824/98, CAIXA adopts the procedure of revaluating real estate in use. Hence, following the rules of the aforementioned circular, on December 2002 a revaluation of 100% of real estate in use was made.

c. Deferred charges

	2004	2003
Expenses on leasehold improvements	237,080	295,322
Expenses with logistical projects	601,231	593,572
Improvements to own property	134,739	179,452
Accumulated amortizations	(638,267)	(588,103)
	<u>334,783</u>	<u>480,243</u>

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d. Compliance with index of investment in fixed assets

The index of investment in fixed assets is 35.23%, thus CAIXA is in compliance with the limit defined by National Monetary Council (CMN) Resolution 2669/99, which establishes the limit of 50% as from December 31, 2002.

11 Deposits and money market repurchase commitments

- a. Time deposits include judicial deposits in the amount of R\$ 24,237,616 (2003 - R\$ 22,989,626), which are remunerated based on the Referential Rate (TR). On Judicial deposits of a labor and state nature there is also interest at 6% p.a. The deposits are distributed as follows:

	<u>2004</u>					<u>2003</u>
Deposits	Demand	Time	Savings	Others	Total	Total
Short-term	<u>5,969,669</u>	<u>28,693,446</u>	<u>48,963,863</u>	<u>23,770</u>	<u>83,650,748</u>	<u>73,870,326</u>
Without maturity	5,969,669	24,237,616	48,963,863	23,770	79,194,918	71,848,721
From 31 to 90 days	-	3,492,707	-	-	3,492,707	1,092,027
From 91 to 360 days	-	963,123	-	-	963,123	929,578
Long-term	<u>-</u>	<u>1,428,486</u>	<u>-</u>	<u>-</u>	<u>1,428,486</u>	<u>1,135,917</u>
	<u>5,969,669</u>	<u>30,121,932</u>	<u>48,963,863</u>	<u>23,770</u>	<u>85,079,234</u>	<u>75,006,243</u>
Money market and interbank funds						
From 31 to 90 days	-	-	-	-	9,801,607	29,424,846
From 91 to 360 days	-	-	-	-	4,249,171	4,691,558
More than 360 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,050,778</u>	<u>34,116,404</u>

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- b. Special deposits for funds and programs are composed of the Government Severance Indemnity Fund for Employees (*Fundo de Garantia do Tempo de Serviço - FGTS*) and deposits from other funds and programs, where the FGTS deposits are restated by the SELIC rate, and the other deposits in accordance with Resolutions 279 and 295 of the FGTS Trustee Council (*Conselho Curador do FGTS*), of February 17 and August 26, 1998, and the others - Special remunerated deposits, FAS, FISANE and PRODEC, are restated by the TR; the deposits of PROGER and FAT are updated by the SELIC rate and invested at the TJLP and the deposits of PIS, restated by extra-market interest, shown as follows:

	2004	2003
Deposits - FGTS	2,902,250	2,517,839
Deposits - Special with remuneration	883,121	828,496
Deposits - FAS	346,243	335,634
Deposits - PROGER	2,120,145	1,781,160
Deposits - FISANE	193,157	168,692
Deposits - PRODEC	27,373	24,237
Deposits - PIS	108,352	114,990
Deposits - FAT	2,697	101,375
Others	36,565	33,732
	<u>73,557</u>	<u>111,949</u>
	<u>6,693,460</u>	<u>6,018,104</u>

12 Mortgage note funds

Refer to funds from mortgage notes and property loan notes, on which there are financial charges equivalent to the Referential Rate (TR), IGP-M or INPC.

Average interest of 11.82% is added to the issues in TR (including all original operations with and without swap, weighted in accordance with the updated balance) and a minimum redemption term of 180 days.

Average interest of 10.84% and 10.93% per annum respectively is added to the issues in IGP-M and INPC, and a minimum redemption term of 5 years.

Average interest of 10.56% and 10.68% per annum is added to the issues of LCIs indexed to IGP-M and INPC, and a minimum redemption term of 3 years.

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13 Borrowings

Foreign loans are subject to interest of up to 5.32% per annum and exchange variation of the currency to which they are related, mainly U.S. dollars, with maturity dates until 2013.

14 Repass borrowings from public sector

They are mainly composed of funds transferred by the FGTS for investments in infrastructure, urban development and real estate loan operations. These obligations are subject to monetary correction in accordance with the Referential Rate (TR) variation and an average interest rate of 6.17% per year. The average term for maturity for these operations is 15 years.

15 Other liabilities

a. Taxes payable

	2004	2003
Taxes and contributions payable	<u>279,919</u>	<u>252,871</u>
COFINS	44,597	44,029
PASEP	7,240	7,106
On salaries	164,954	111,148
On services	63,128	90,588
Deferred taxes and contributions	<u>200,851</u>	<u>245,084</u>
Income tax on revaluation reserve - Buildings	98,232	104,946
Social contribution on revaluation reserve - Buildings	35,364	37,781
Income tax on adjustments to market value - Securities available for sale	49,452	75,263
Social contribution on adjustments to market value - Securities available for sale	17,803	27,094
Provision for tax risks	<u>996,744</u>	<u>847,638</u>
PASEP (i)	591,808	567,789
INSS (ii)	179,714	102,831
ISS (iii)	187,256	163,414
Other	<u>37,966</u>	<u>13,604</u>
	<u><u>1,477,514</u></u>	<u><u>1,345,593</u></u>

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- (i) CAIXA, on December 6, 1996, was notified by agents from the Federal Income Department (*Receita Federal* - SRF), on allegation of a shortage in the collection of PIS/PASEP, related to the period from January 1991 to December 1995, a period in which Decree Laws 2445 and 2449/1988 were in force, and offsetting, supposedly unjustified, of collections made in excess in the period from January 1992 to May 1993, in the amounts of R\$ 2,691,943 in principal, R\$ 2,011,254 in fines and R\$ 5,538,357 in interest, at December 31, 2004.

CAIXA presented an appeal to the Taxpayers Council, which evaluated the process on February 3, 1999, In accordance with the vote of the Counselor Relater, the elements brought to the proceeding by the agents do not permit identification of what exclusions of the taxable basis of PASEP were considered without basis and what the reason was for the tax authorities to make the disallowance. According to a resolution of the members of the Second Chamber of the Second Taxpayers Council, the judgment was converted into diligence at the Federal Income Department (SRF), so that the inspectors may clarify the facts and justify the disallowance made, informing CAIXA of the contents of this procedure and giving an adequate term to reply. The Federal Revenue Service in Brasilia advised CAIXA, on October 21, 1999, of the diligence report, in which the National Treasury maintained the same reasons reported in the assessment. CAIXA sent a pronouncement on the tax diligence report to the Second Taxpayers Council, which evaluated the process on November 7, 2000. According to the resolution of the members of the council, the judgment was converted into a new diligence to SRF. CAIXA was informed of the Tax Diligence Report, on April 26, 2001. In this report the tax authorities maintained the same reasons reported in the assessment, mentioning that an examination of the identification of the disallowance accounts would not be possible. On May 28, 2001, CAIXA sent a new pronouncement to the Second Taxpayers Council, where the process awaits a new judgment. If there are no more possibilities in the administrative sphere, there are still appeals in the judicial sphere. Based on the opinion of its legal and tax advisors, and considering the case laws already disclosed on the issue, and due to the possibilities of success, Management understands that the provision recorded in the amount of R\$ 591,808 (2003 - R\$ 567,789) is sufficient to cover possible unfavorable decisions on some parts of the proceedings.

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- (ii) CAIXA was assessed by the agents of the National Institute of Social Security (INSS) for the collection of social contributions on payments made to its employees, for the period from January 1982 to August 1999, which according to an INSS report, amount to R\$ 1,249,101 (2003 - R\$ 844,061) restated to December,31 2004.

CAIXA understands that the payments assessed are not subject to the collection of social contribution, due to their indemnificatory characteristics and the applicable legal dispositions, which is why the debits are being questioned legally.

In accordance with the opinion of its legal and tax advisors, Management, due to the possibility of success foreseen for the other proceedings, defined percentages of provision related to each action that, are separated in "Provision for contingencies - INSS" and amounted to R\$ 179,714 (2003 - R\$ 102,831).

- (iii) CAIXA was assessed by municipal agents in various municipalities of the Federation, on the allegation of lack of collection or insufficient collection of ISS, the total amount of which in June 30, 2004 corresponds to the amount of R\$ 187,256 (2003 - R\$ 163,414), which is totally provisioned.

b. Funds with specific destinations

They refer to obligations arising from funds from operations related to lotteries, obligations arising from funds or special programs generated by the company and resources from funds or special programs sustained with resources from the government or public entities, managed by the institution.

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(In thousands of Reais)

	2004	2003
Obligations from operations with lotteries	<u>291,828</u>	<u>218,904</u>
Obligations with funds and social programs	<u>1,176,361</u>	<u>1,154,797</u>
FGTS	345,575	302,847
Unemployment insurance		2,355
FISANE	35,801	42,426
School grants	73,870	154,681
Gas assistance	126,209	132,028
Food supplement	29,147	50,463
Housing subsidy program/PSH	355,388	272,281
Family allowance	125,111	150,934
Other funds and programs	85,260	46,782
Obligations with financial development funds	<u>1,357,392</u>	<u>527,819</u>
PIS	1,259,656	526,583
Others	<u>97,736</u>	<u>1,236</u>
	<u>2,825,581</u>	<u>1,901,520</u>
c. Others		
	2004	2003
Obligations for SFH contributions	17,088	72,302
Obligations for official agreements	27,107	83,564
Provision for payments to be made	<u>863,950</u>	<u>773,863</u>
Personnel expenses	726,287	606,600
Other administrative expenses	7,558	67,049
Other payments	130,105	100,214

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	2004	2003
Provision for contingent liabilities	<u>2,325,105</u>	<u>2,125,689</u>
PREVHAB - Technical Reserves (1)	324,808	299,740
Provision for contingencies (2)	2,000,297	1,825,949
FGTS funds	<u>1,701</u>	<u>1,924</u>
Capital subscriptions to pay in	<u>1,309</u>	<u>1,309</u>
Other creditors - Abroad	<u>-</u>	<u>881</u>
Other creditors - Domestic	<u>3,803,880</u>	<u>2,809,184</u>
Credit cards	635,988	488,613
Accounts payable	700,431	497,121
EMGEA - <i>Empresa Gestora de Ativos</i> (Asset management company)	970,087	737,869
Union		51,818
Acquired credits	899,696	399,432
Amounts to accrue - Loans and financing (Note 8 (b) (iv))	485,050	576,451
Other sundry creditors	<u>112,628</u>	<u>57,880</u>
	<u>7,040,140</u>	<u>5,868,716</u>

(1) PREVHAB - Technical Reserves

Due to the extinction of the National Housing Bank (BNH) determined by Decree 2291, dated November 21, 1986, CAIXA took on the employees of the extinct Bank, who were associated to the BNH Complementary Pension Plan (PREVHAB).

In compliance with the said Decree, in September, 1997, a voluntary adhesion process for active members from PREVHAB to FUNCEF (*Fundação dos Economistas Federais*) and for retired and pension members to the Special and Exclusive Benefit Plan of SASSE - Cia., Nacional de Seguros Gerais S.A., currently CAIXA SEGUROS S.A., was established.

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Of the 4,758 active members of PREVHAB, 4,571 (96%) signed terms of adhesion and assignment of rights relative to pension reserves, formally accepted by CAIXA, in the condition of sponsor, and by FUNCEF, in the condition of closed private pension entity, in conformity with the rights and obligations specified in the Private Instrument of Assumption of Obligations and Other Covenants, between CAIXA and FUNCEF, with mediation of PREVHAB. The mathematical reserves of PREVHAB relative to the active members were liquidated on December 2002 by means of the assignment of securities (LFT).

Of PREVHAB's 2,772 retired and pension members, 2,239 (80.77%) signed contracts to join CAIXA SEGUROS's Special and Exclusive Benefit Plan, governed by the Contract for Institution of a Special Benefit Plan between CAIXA and CAIXA SEGUROS, with mediation of PREVHAB, and the contract for Administration of the Securities Portfolio, both signed between CAIXA SEGUROS and CAIXA, in the amount of R\$ 625,689, related to the mathematical reserves appraised and positioned on October 1, 1998, and restated in the amount of R\$ 784,655 in June 2002, including provisions for legal matters.

On November 1, 2002, there was an agreement for dissolution between CAIXA and CAIXA SEGUROS, with regards to the contract of the Special Benefit Plan, transferring all the plan's guarantor resources to CAIXA.

As a result of the cancellation of the aforementioned contract, the total guarantor resources of the Special Benefit Plan were transferred by the insurance company to CAIXA, and to avoid a solution of continuity in the payment of the complementary benefits to the participants of that plan, the payment of the benefits was authorized by the Department of Complementary Pensions (SPC), through Notice 2099/SPC/CGAJ, of December 13, 2002, in an exceptional character, from November 2002, until the implementation of the necessary conditions for FUNCEF to be able to administer the plan(s) to be instituted for the aforementioned group of participants, when a provision is constituted to face the payments to retirees and pensioners until the full adhesion thereof to the existing plans or those to be instituted at FUNCEF.

As from April 15, 2003 the process for transfer of the retired and pension members originating from PREVHAB to FUNCEF was set in action, through adherence to the Benefit Plan (REB), and up to the present moment 1,899 members have already been transferred from that entity.

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The members that still continue to receive their pension from CAIXA will be transferred to a plan identical to that to which they belonged, a “Mirror” Plan, to be instituted by FUNCEF.

(2) Contingent liabilities

CAIXA has contingent liabilities from labor and civil lawsuits, lawsuits related to contestation of indexes applied to asset and liability operations, including those related to economic plans, lawsuits related to real estate financing, lotteries, losses and damages, tax lawsuits, amongst others. These claims are periodically evaluated and reviewed.

Management understands, based on reports from its legal advisors, that such proceedings adopted by CAIXA are in accordance with existing legal rules and such processes will not cause relevant losses, which exceed the provision for these contingencies, of R\$ 2,000,297 (2003 - R\$ 1,825,949), sufficient to cover eventual legal decisions, unfavorable to CAIXA.

16 Shareholders' equity

a. Capital

According to CAIXA's Executive Board Resolution 726, of February 4, 2004, and Decree 5210, of September 21, 2004, the paid-in capital stock was changed from R\$ 3,885,000 to R\$ 5,083,532, through incorporation of statutory and retained earnings reserves.

b. Compliance with levels required by Resolution 2099/94 (Basel Agreement)

In conformity with Resolution 2099/94 and later regulations, which establish the minimum levels of shareholders' equity for financial institutions, based on the volume of their operations, CAIXA has R\$ 6,663,640 at December 31, 2004, equivalent to 20.27% of the weighted assets, whereas the minimum required in Brazil is 11%.

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c. Revaluation reserves

On December 2002, CAIXA revalued 100% of its property for own use. The revaluation was performed by accredited engineering companies, specialized in the valuation of real estate, with monitoring and accompanying of the execution of the services by professionals from the staff of CAIXA.

d. Revenue reserves

The revenue reserve is formed by a legal reserve in the amount of R\$ 80,372 (2003 - R\$ 80,807) calculated at 5% of the net income, and a reserve for incorporation of capital arising from the income from the management of lotteries, in the amount of R\$ 87498 at December 31, 2004 (2003 - R\$ 68,645).

e. Dividends

The Union is guaranteed a minimum dividend as provided for in Decree 2673, dated July 16, 1998, of 25% of adjusted net income. In the year ended December 31, 2004, dividends in the amount of R\$ 524,816 (2003 R\$ 809,915) have been distributed, of which R\$ 512,904 (2003 - R\$ 498,924) is related to interest on shareholders' equity, calculated upon net equity, limited to *pro rata* variation on the day of the Long Term Interest Rate (TJLP), as provided for in article 9 of Law 9249 of December 26, 1995, which reduced the income tax and social contribution expense by approximately R\$ 174,387 in the period (2003 - R\$ 169,634).

17 Remuneration of employees and administrators

The remuneration paid to employees and administrators is demonstrated below, without deducting the payments disallowed addressed in Decree-Laws 2355/1987 and 8852/1994.

Remuneration in June 2004	Administrators	Employees
Highest	17,892.00	14,910.00
Average	17,892.00	3,817.31
Lowest	17,892.00	664.00

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18 Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)

a. Tax credits

Tax credits have as significant amounts:

- Credits from CSLL, related to the periods of verification ended before December 1998, calculated at the rate of 18%, based on article 8 of Provisional Measure 2158-35/2001;
- Credits from IR originating in accumulated tax losses and temporary differences with no statutory limitation; and
- Credits from CSLL originating from the negative calculation basis and temporary differences verified as from 1999.

The tax credit recognized is R\$ 4,782,575 (2003 - R\$ 5,070,975) for IRPJ and R\$ 1,138,507 (2003 - R\$ 1,219,386) for CSLL totaling R\$ 5,921,082 (2003 - R\$ 6,290,361) In keeping with Management's understanding, arising from studies with respect to the realization of the tax credits, provisions were recorded in the amount of R\$ 4,255,189 (2003 - R\$ 4,585,467) resulting in total tax credits net of provision of R\$ 1,665,893 (2003 - R\$ 1,704,894).

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*Origin of the tax credits

	2004		2003	
	IRPJ	CSLL	IRPJ	CSLL
Provision for doubtful loans	922,044	-	922,044	-
Provision SFH	645,333	232,319	645,333	232,319
Provision for contingencies	473,523	170,468	473,523	170,468
Others	<u>446,566</u>	<u>107,500</u>	<u>446,566</u>	<u>107,500</u>
Sub-total of temporary differences	2,487,466	510,287	2,487,466	510,287
Write-offs until the period	(376,132)	(359,886)	(117,948)	(298,121)
Temporary Differences Total Credit	2,111,334	150,401	2,369,518	212,166
Tax loss	2,890,572	-	2,890,572	-
Write-offs until the period	(219,330)	-	(189,115)	-
Negative basis until 2000	-	512,595	-	512,595
Negative basis 1998 - 18%	-	176,291	-	176,291
Temporary Differences 1998 - 18%	-	448,224	-	448,224
Write-offs until the period	=	(<u>149,004</u>)	=	(<u>129,890</u>)
Total tax credits	<u>4,782,575</u>	<u>1,138,507</u>	<u>5,070,975</u>	<u>1,219,386</u>

Expectations of realization of the tax credits

Book value:

Year	2005	2006	2007	2008	2009	Subtotal	2010 to 2014	Total
IRPJ	43,515	61,216	94,021	124,465	190,783	514,000	879,392	1,393,392
CSLL	<u>26,631</u>	<u>37,464</u>	<u>57,541</u>	<u>76,173</u>	<u>74,692</u>	<u>272,501</u>	-	<u>272,501</u>
	<u>70,146</u>	<u>98,680</u>	<u>151,562</u>	<u>200,638</u>	<u>264,475</u>	<u>786,501</u>	<u>879,392</u>	<u>1,665,893</u>

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Present value:

Year	2005	2006	2007	2008	2009	Subtotal	2010 to 2014	Total
IRPJ	39,876	51,942	74,558	92,243	141,593	400,212	651,528	1,051,740
CSLL	<u>24,404</u>	<u>31,788</u>	<u>45,629</u>	<u>56,453</u>	<u>55,356</u>	<u>213,630</u>	-	<u>213,630</u>
	<u>64,280</u>	<u>83,730</u>	<u>120,187</u>	<u>148,696</u>	<u>196,949</u>	<u>613,842</u>	<u>651,528</u>	<u>1,265,370</u>

The technical studies were made based on projected income, considering the targets and rules established for the institution's products, as well as the market prospects and evaluation of the projected economic indicators in keeping with the trends of the economic scenario of Brazil.

BACEN Resolution 3059/02 establishes that the portion of tax credits whose expectation of realization is more than five years should be excluded for the purposes of calculation of level I of the Reference Equity (PR), used as a parameter for definition of the operating limits of financial institutions, in accordance with the schedule defined by the Resolution. In compliance with article 1 of the aforementioned resolution, tax credits have not been constituted in the amount of R\$ 2,021,698 (2003 - R\$ 1,488,059).

The present value of the credits was calculated in compliance with BACEN Circular 3171/2002, taking into consideration the average funding rate, net of tax.

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b. Statement of IRPJ and CSLL

	2004		2003	
	IRPJ	CSLL	IRPJ	CSLL
Income before income taxes (IR and CS)	1,742,415	1,742,415	2,245,479	2,245,479
Total IRPJ and CSLL at the rates of 25% and 9%	(435,580)	(156,817)	(561,346)	(202,093)
Tax effects of the additions and inclusions	159,563	56,287	45,442	11,227
Provision for doubtful loans	(174,614)	(62,861)	(111,413)	(63,104)
Provision for SFH	5,087	1,831	(565,729)	(203,663)
Provisions for contingencies	(89,758)	(32,313)	(147,586)	(53,131)
FGTS expenses/revenues	396,353	142,687	318,538	114,674
Provision - Liability with FUNCEF	-	-	571,443	205,719
Others	22,495	6,943	(19,811)	10,732
Interest on own capital	128,226	46,161	124,731	44,903
Employee profit sharing	46,909	16,887	37,477	13,492
Deferred tax assets	30,216	19,116	106,116	67,561
Tax incentive	<u>3,385</u>	<u>-</u>	<u>6,741</u>	<u>-</u>
Total expenses with IRPJ and CSLL	(67,281)	(18,366)	(240,839)	(64,910)

c. Movement of tax credit

	Gross amount	Provision	Total
Balance at December 31, 2003	6,290,361	(4,585,467)	1,704,894
Realization of tax credit	(41,461)		(41,461)
Write-off of tax credit - Year 2002 MP 2158-35/01	(7,871)		(7,871)
Reversal	<u>(319,947)</u>	<u>330,278</u>	<u>10,331</u>
Balance at December 31, 2004	<u>5,921,082</u>	<u>(4,255,189)</u>	<u>1,665,893</u>

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Notes to the financial statements

(In thousands of Reais)

19 Other information

a. Service fee income

	2 nd semester	2004	2003
Administration of FGTS	791,823	1,354,159	1,361,562
Administration of FCVS	65,132	128,652	142,796
Administration of PIS	44,062	67,889	91,981
Administration of lotteries	211,374	414,349	360,857
FGTS - Tariffs	100,974	214,883	249,137
Unemployment insurance	14,930	30,940	110,942
Social register	4,705	7,453	120,122
General Budget of the Union - OGU	16,344	30,356	36,342
Family allowance	96,668	168,985	-
INSS - Tariffs	34,825	66,640	65,272
Administration of investment funds	193,596	347,904	261,140
Tariffs for agreements	352,530	659,933	605,003
Check and paper clearing services	50,338	100,620	112,511
Tariffs on current accounts	132,864	251,314	200,215
Collection of securities	110,726	219,931	205,037
EMGEA - Services rendered	156,939	304,683	348,890
Other services	<u>157,661</u>	<u>279,582</u>	<u>322,135</u>
	<u>2,535,491</u>	<u>4,648,273</u>	<u>4,593,942</u>

b. Administrative and personnel expenses

	2 nd semester	2004	2003
Personnel expenses			
Provisions	(1,662,567)	(3,045,107)	(2,589,959)
Benefits	(337,614)	(636,574)	(462,162)
Social charges:			
FGTS	(115,264)	(219,395)	(192,597)
Social security	(331,834)	(628,160)	(552,493)
Complementary social security	(59,551)	(115,209)	(115,274)
Other	<u>(50,890)</u>	<u>(95,129)</u>	<u>(117,715)</u>
	<u>(2,557,720)</u>	<u>(4,739,574)</u>	<u>(4,030,200)</u>

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

	2 nd semester	2004	2003
Administrative expenses			
Communications	(171,043)	(331,397)	(340,624)
Maintenance and preservation of assets	(150,497)	(285,672)	(236,159)
Water and electricity	(65,985)	(134,400)	(106,983)
Rents	(194,052)	(372,151)	(289,741)
Material expenses	(69,171)	(134,325)	(141,403)
Data processing	(658,637)	(1,184,663)	(952,812)
Promotions and public relations	(40,693)	(57,489)	(30,867)
Advertising and publicity	(130,825)	(163,831)	(76,288)
Financial system services	(83,029)	(172,795)	(156,048)
Third-party services	(148,242)	(276,094)	(240,386)
Specialized services	(62,958)	(111,602)	(377,187)
Vigilant and security services	(88,809)	(169,814)	(144,567)
Depreciation and amortization	(216,355)	(437,636)	(481,303)
Other administrative expenses	(<u>63,826</u>)	(<u>117,332</u>)	(<u>108,748</u>)
	<u>(2,144,122)</u>	<u>(3,949,201)</u>	<u>(3,683,116)</u>

c. Composition of Other operating income and expenses

	2 nd semester	2004	2003
Other operating income			
Commissions and taxes on operations	147,891	429,630	728,101
Expenses recovered	107,366	192,545	173,127
Credits with the Union	-	-	30,144
Interest and Monetary Correction upon INSS tariffs	-	-	88,595
Reversal of other operating income provision	266,482	332,901	1,151,264
Other credits income - COMPESA (Note 8 ((b) (i))	13,803	28,597	32,484
Other credits income - EMBASA (Note 8 (b) (ii))	15,911	29,898	34,832
Credit card income	65,188	129,888	109,580
Dividend income	18,743	72,021	109,690
Income from supply of magnetic files	-	-	51,260
Other operating income	<u>190,155</u>	<u>273,438</u>	<u>252,843</u>
	<u>825,539</u>	<u>1,488,918</u>	<u>2,761,920</u>

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Notes to the financial statements

(In thousands of Reais)

	2 nd semester	2004	2003
Other operating expenses			
Expenses with actuarial reserves - FUNCEF/PREVHAB	(19,296)	(35,949)	(456,676)
Expenses with FCVS receivable - Residual (Note 6(a))	(66,014)	(317,849)	(2,352,386)
Expenses with fund and program obligations	(89,124)	(157,452)	(191,103)
Remuneration - Lottery dealerships	(144,474)	(262,314)	(241,269)
Contingent provisions	(472,556)	(711,729)	(875,773)
EMGEA/UNION	(33,177)	(125,617)	(253,028)
Expenses - Lottery dealerships	(121,205)	(243,720)	(217,753)
Expenses - 24-hour ATMs	(45,874)	(87,932)	(86,811)
Expenses - Credit card	(93,097)	(160,982)	(162,538)
Expenses with automated services	(54,029)	(114,039)	(89,981)
Losses from fraudulent electronic withdrawals	(65,716)	(106,884)	(28,370)
Losses in judgment of financed real estate	(30,793)	(137,687)	(19,122)
Real estate expenses	(116,908)	(127,312)	(3,623)
Discounts on loans operations	(104,957)	(298,670)	(1,972)
Correspondent banks	(42,172)	(72,851)	(47,395)
Other operating expenses	(192,515)	(285,069)	(356,079)
	<u>(1,691,907)</u>	<u>(3,246,056)</u>	<u>(5,383,879)</u>

d. Administration of social entities

The shareholder's social funds and programs administrated by CAIXA are as follows.

	2004	2003
Entities		
PIS	21,021,995	19,181,060
FGTS	16,838,110	13,869,901
FAR	2,779,662	2,353,268
FDS	473,723	546,865
FAZ	364,673	366,944
PCE	263,055	272,720
FGS	41,664	
FIEL	<u>29,698</u>	<u>32,066</u>
	<u>41,812,580</u>	<u>36,622,824</u>
FCVS (i)	<u>(69,995,871)</u>	<u>(74,483,253)</u>

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Notes to the financial statements

(In thousands of Reais)

(i) The Union is exclusively liable for the coverage of FCVS's negative net equity.

e. Benefits for employees

(I) Benefit plan - private pension

CAIXA is the sponsor of the Bank's Employees' Foundation - *Fundação dos Economistas Federais* (FUNCEF), whose objective is the administration of pension funds, in accordance with their regulations, and there currently exist defined benefit and defined contribution plans.

In order to meet FUNCEF's objectives and in complementation to the contributions of the participants, CAIXA makes contributions in accordance with the percentage determined by actuarial formulas. The amount disbursed in the period totaled R\$ 115,209 (2003 - R\$ 115,274). The costing plan of the entity is considered a defined benefit plan for 42,448 members, while for 6,311 members it is a defined contribution plan.

CAIXA, as a sponsor, submitted to the appreciation of the Ministry of Finance and obtained its approval, as well as a favorable manifestation by the Department of Coordination and Control of State-Owned Companies (*Departamento de Coordenação e Controle das Empresas Estatais* - DEST), the amendment in the Regulation of the Benefit Plan of FUNCEF, with respect to (i) partial adaptation of Complementary Laws 108 and 109, both of May 29, 2001, (ii) the incorporation of new conditions for costing of the Plan by the participants and the sponsor; and (iii) the establishment of criteria for migration of the participants of the REPLAN/REB benefit plans to the new version of the defined contribution REB plan. To implement the migration process, CAIXA recorded a provision in the amount of R\$ 75,897 (2003 - R\$ 81,414).

The present value of the actuarial obligations of the plans, calculated by an independent actuary, is covered by the equity of the plans.

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Notes to the financial statements

(In thousands of Reais)

(II) Health plan - SAÚDE CAIXA

On August 1, 2002, SAÚDE CAIXA was launched. This is a health program instituted and administered by CAIXA, in a self-management modality, offering medical, hospital, dental, psychological, and nutritional assistance; physiotherapy, phono-audiology, occupational therapy and social and nutritional services, with attendance provided by an accredited network with national coverage. It is a benefit granted by CAIXA to opting titleholders and respective inscribed beneficiaries. By titleholders are understood employees and retired persons linked to FUNCEF, PREVHAB, CAIXA SEGUROS, PMPP Fund or INSS.

As a result of extensive discussions between CAIXA, retirees' associations and employees' representatives, in July 2004 various changes were implemented in the CAIXA health program.

The changes include several aspects of the benefit and aim at promoting an approximation between users and the company through the creation of a user council, which will follow up the program's performance, ensuring more transparency for CAIXA Health management.

Thus, CAIXA participates with 70% of assistance expenses, with a minimum of 3.5% upon personnel payroll expenses and the holder beneficiary contributes with 30% of assistance expenses, through a monthly payment of 2% of his/her base-remuneration, by family group, plus co-participation of 20% upon utilization of assistance, limited to reinsurance.

e. Net non-operating result

Refers mainly, to the income from transactions with assets which are not for own use.

g. Guaranties provided to third parties

The amount of R\$ \$ 64.900 (2003 - R\$ 65.312), is recorded, related to real estate equity pledged in guaranties provided to third parties, related to judicial processes against CAIXA.

f. Employee profit sharing

An amount of R\$ 187,634 (2003 - R\$ 149,909) was destined for the payment of Profit and Income Sharing (PLR), and a payment of 60% was made in 2004.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

h. FGTS

The credit risk of operations contracted as of June 1, 2001 is incumbent upon CAIXA in the capacity of Operating Agent, whereas the Federal Government assumes the risk in investments made until that date, as established in article 9 of Law 8036, of May 11, 1990, amended by article 12 of Provisional Measure 2196-3, of August 24, 2001.

20 Subsequent event

On December, 2004, CAIXA and Bank BMG S.A. executed an agreement providing the purchase of financial flow of 49,625 contracts, the nominal value of the installments reaching R\$ 397,755, where R\$ 302,116 is the actual assignment value. Hence, CAIXA is the sole and legitimate owner of the assigned credits and their corresponding accessory rights, as from financial settlement in January 2005.

21 Related parties

The operations are executed in the context of CAIXA's operational activities and attributions established thereof in a specific regulation.

Operations/entities	2004		2003	
	Assets/ liabilities	Income/ expenses	Assets/ Liabilities	Income/ expenses
Interest on shareholders' equity/dividends received				
Caixa Seguros	69,91	21,370	34,576	31,328
Tariffs receivable				
STN - National Treasury Department	254,89	245,778	185,400	159,444
PIS	4,49	67,889	4,923	91,982
PCE	1,74	3,416	3,888	6,848
FIEL	2,43	413	2,018	452
FGTS	140,21	1,141,411	127,795	1,188,934
FCVS	27,60	128,653	6,299	143,246
FAS	7	877	67	696
FAR	4,91	49,595	2,964	26,766
FDS		11,644		10,074
EMGEA	27,61	304,684	28,444	348,891
CAIXA SEGUROS		8,289	-	8,321

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

Operations/entities	2004		2003	
	Assets/ liabilities	Income/ expenses	Assets/ Liabilities	Income/ expenses
Deposits of remunerated funds and programs				
SH	(1,06	(273)	(6,217)	(650)
PIS	(90,62	(127,186)	(107,639)	(53,689)
PCE	(2,09	(281)	(14)	(9)
FIEL	(36,56	(2,739)	(33,733)	(3,369)
FGTS	(2,902,16	(352,470)	(2,516,813)	(501,484)
FGS	(37,06	(2,192)	(176)	(450)
FCVS	(68	(169)	(29)	(108)
FAZ	(345,94	(6,149)	(334,998)	(14,791)
FAR	(10,46	(4,030)	(22,176)	(5,691)
Repass borrowings from public sector				
FGTS	(10,393,82	(393,297)	(7,713,991)	(361,934)
Resources with specific destination				
STN - National Treasury Department	(649,86	(91,093)	(511,550)	(68,545)
PIS	(1,184,41	-	(500,442)	-
Sundry creditors - Local				
EMGEA	(270,20		(249,810)	48,932

22 Cash flow statement

The Cash Flow Statement was prepared based on the indirect method and in accordance with the definitions of the Accounting Chart for institutions of the National Financial System (COSIF), whose objective is to clarify and to more adequately inform users of financial statements.

Operational activities	2 nd semester 2004	2004	2003
Net income	796,057	1,419,802	1,616,145
Adjustments to reconcile net income with net cash			
Originating from (applied in) operational activities:			
Allowance for possible loan losses	167,863	505,877	1,262,044
Depreciation and amortization	216,354	437,636	481,302
Equity in the earnings of subsidiary and associated companies	(22,920)	(71,372)	(64,610)

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

Operational activities	2 nd semester 2004	2004	2003
Changes in assets and liabilities:			
Decrease (increase) in short-term interbank investments	8,830,531	681,176	1,666,303
Decrease (increase) in securities and derivative financial instruments	5,983,167	4,692,082	(20,158,474)
Decrease (increase) in interbank relations	6,007,777	4,772,318	(624,887)
Decrease (increase) in intercompany relations	244,645	13,943	7,285
Decrease (increase) in loans	(2,142,305)	(3,687,393)	(2,533,618)
Decrease (increase) in other receivables	(472,232)	(1,182,408)	(629,475)
Decrease (increase) in other assets	(17,667)	6,199	15,473
Write-off of allowance for possible loan losses	(167,863)	(505,877)	(946,021)
Increase (decrease) in other liabilities	(110,094)	2,246,787	(2,909,058)
Net cash originating from (applied in) operating activities	18,517,256	7,908,968	(24,433,736)
Investments			
Increase (decrease) in compulsory deposits at Central Bank of Brazil	(1,671,036)	(2,513,197)	(611,245)
Disposal of investments	328	9,856	757
Disposal of property and equipment and leased assets	-	160,683	133,215
Purchase of investments	-	(9,663)	(289)
Purchase of property and equipment and leased assets	(430,100)	(443,309)	(303,861)
Decrease in deferred charges	-	20,003	6
Deferred charges	(42,284)	(85,154)	(156,824)
Interest on shareholders' equity/dividends received - associated companies	-	20,155	41,039
Net cash originating from (applied in) investments	(2,143,092)	(2,840,626)	(897,202)
Loans			
Increase (decrease) in deposits	7,934,637	10,748,347	4,418,041
Increase (decrease) in deposits received under security repurchase agreements	(25,548,525)	(20,065,626)	15,179,545
Increase (decrease) in funds from issuance of securities	(614,440)	803,865	1,842,129
Increase (decrease) in derivative financial instruments	(71,347)	(112,909)	(12,130)
Increase (decrease) in borrowings and onlendings	1,513,108	2,802,334	2,737,524
Dividends distributed from prior years	-	-	(64,183)
Dividends	(11,912)	(11,912)	(310,991)
Interest on shareholders' equity paid and/or provisioned	(255,055)	(512,904)	(498,924)
Adjustment to market value	(24,666)	(3,994)	391,272
Net cash originating from (applied in) loan activities	(17,078,200)	(6,352,799)	23,682,283
Increase (decrease) in funds available, net	<u>92,021</u>	<u>135,345</u>	<u>(32,510)</u>
Modifications in funds available, net			
Beginning of the period	608,536	565,212	597,722
End of the period	<u>700,557</u>	<u>700,557</u>	<u>565,212</u>
Increase (decrease) in funds available	<u>92,021</u>	<u>135,345</u>	<u>(32,510)</u>

Caixa Econômica Federal

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