

(A free translation of the original in Portuguese)

**Caixa Econômica
Federal - CAIXA**
Financial Statements
at June 30, 2007 and 2006
and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

To the Board of Directors and Stockholders
Caixa Econômica Federal - CAIXA

- 1 We have audited the balance sheets of Caixa Econômica Federal - CAIXA as of June 30, 2007 and 2006, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the six-month periods then ended. These financial statements are the responsibility of CAIXA's management. Our responsibility is to express an opinion on these financial statements.
- 2 Except for the matter described in the following paragraph, we conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of CAIXA, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 As mentioned in Note 21 to the financial statements, CAIXA is the sponsor of a defined contribution benefit plan REG/REPLAN of the Fundação dos Economiários Federais (CAIXA Employees Foundation) - FUNCEF, which is currently under review and being adapted to new criteria and conditions, including the partial enrollment of the participants in a new defined contribution plan, which was completed on November 30, 2006. Moreover, in 2002 CAIXA established a healthcare plan called SAÚDE CAIXA in respect of which it has certain obligations in accordance with the conditions of the plan. In this context, CAIXA has not yet carried out the studies and calculations required by Accounting Standard and Procedure (NPC) 26 of The Institute of Independent Auditors of Brazil (IBRACON), which determines specific criteria for calculating the costs to provide benefits to employees of sponsors of a private pension plan of a defined benefit nature. Accordingly, we were unable to conclude as to the effects on the financial statements of CAIXA arising from the application of this standard.

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- 4 In our opinion, except for the effects of possible adjustments which could arise from the matter referred to in the preceding paragraph, the financial statements audited by us present fairly, in all material respects, the financial position of Caixa Econômica Federal - CAIXA at June 30, 2007 and 2006, and the results of its operations, the changes in stockholders' equity and the changes in its financial position for the six-month periods then ended, in accordance with accounting practices adopted in Brazil.
- 5 Our audits were conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The statement of cash flows, which is presented in Note 24 to provide supplementary information on Caixa Econômica Federal - CAIXA, is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.
- 6 As described in Note 18 (a), at June 30, 2007 CAIXA had R\$ 9,040 million (June 30, 2006 - R\$ 8,598 million) of income tax and social contribution on net income credits calculated on tax losses, temporary differences and social contribution on net income for offset, and a valuation provision for loss of these credits of R\$ 7,831 million (June 30, 2006 - R\$ 7,229 million). The net amount of R\$ 1,209 million (June 30, 2006 - R\$ 1,369 million), recorded as an asset, refers to the management estimate that realization will occur within the next five years. The amount to be used in the future for offset against taxable income is subject to the generation of taxable income and may vary from the current management estimate.
- 7 As described in Note 1 to the financial statements, the financial and economic management of CAIXA is considered within the decisions of the Federal Government. In this context, as described in Note 6, CAIXA has credits receivable from the Salary Variation Compensation Fund (FCVS) of R\$ 24,036 million (June 30, 2006 - R\$ 24,427 million). Housing loans already signed with coverage of the FCVS, but awaiting approval, amount to R\$ 8,044 million (June 30, 2006 - R\$ 7,078 million) and their effective realization depends on the adherence to a set of rules and procedures defined in regulations issued by the FCVS. CAIXA established criteria to estimate the losses arising from transactions that do not comply with these rules and recorded a provision therefor of R\$ 3,172 million (June 30, 2006 - R\$ 3,192 million). The realization of the credits relating to housing loans already approved by the FCVS, in the net amount of R\$ 15,356 million (June 30, 2006 - R\$ 16,501 million), is subject to a securitization process, as prescribed by Law 10150/00.

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- 8 As described in Note 20 (c), CAIXA was assessed R\$ 11,279 million (June 30, 2006 - R\$ 10,916 million) by the Federal Revenue authorities on the allegation of underpayments and improper offsets of Social Integration Program/Public Service Employee Savings Program (PIS/PASEP) contributions, on which it recorded a provision of R\$ 654 million (June 30, 2006 - R\$ 634 million). Also, CAIXA was assessed R\$ 1,183 million (June 30, 2006 - R\$ 1,172 million) by inspectors from the National Institute of Social Security (INSS), claiming non-payment of social security contributions on certain payments made to its employees, on which a provision of R\$ 217 million (June 30, 2006 - R\$ 220 million) was recorded. Based on a study carried out and on the opinion of its legal and tax advisors, CAIXA believes that it is not necessary to record additional provisions for contingencies related to these matters.

Brasília, August 23, 2007

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We hereby present the Management Report and Financial Statements of Caixa Econômica Federal (CAIXA) related to the first half of 2007, according to the terms established by the Brazilian Central Bank (BACEN).

1 Introduction

The Growth Acceleration Program (PAC), launched by the federal government this year establishes itself as one of the most daring development projects in Brazil. CAIXA is important in this broad national growth process, as it is responsible for financing investments in social –housing and sanitation – and urban infrastructure. It will participate in all actions to stimulate credit and financing, responding for around 20% of total investments.

The results shown in this report reaffirm CAIXA’s role as the largest operating executor of the federal government’s public policies. The first half of the year was characterized by the positive results seen in credit management, urban development, income transfer and payment of benefits to workers.

Caixa maintained its position as market leader in raising savings, increasing its share in every period. The success of the 2007 award-winning “Poupançudos” (Big Savers) advertising campaign strengthened the position of Caixa’s Savings as the largest in the market and the top-of-the-mind one among Brazilians.

In this six-month period, the Own House CAIXA Fair was organized for the third time. The volume of transactions carried out was higher than in the first two events. The most wanted products were the operations with funds from FGTS, operations with funds from CAIXA and adjudicated real estate properties. In the same place, customers had access to agents from the whole housing chain: from constructor to broker, to notary offices and technicians responsible for analyzing and releasing financing, generating billions of Brazilian reais in transactions.

In order to play its role as an instrument of public policies and credit leverage in the economy, the Company is making progress in the implementation of a consistent corporate governance structure, providing a socially responsible management that adds value to society.

2 Economic and Financial Performance

Net income in the first half of 2007 was R\$ 1.716 billion, with the allocation of R\$ 386 million to the federal government as dividends and interest on capital. In addition to the amounts passed on from the lotteries, taxes and charges collected, the amount allocated to the National Treasury rises to R\$ 3.1 billion. Return on stockholders' equity was 35.26%. Stockholders' equity at June 30, 2007 is equivalent to 33.36% of the risk-weighted assets, and fixed assets represent 13.35% of stockholders' equity.

Income from financial intermediation totaled R\$ 14.6 billion. Loan transactions grew 6.19% from 2006 and their share in revenues from intermediation was 30.96% in the first half of 2007.

Profitability and Performance Indicators (%)

Indicators	2 nd Qtr 06	3 rd Qtr 06	4 th Qtr 06	1 st Qtr 07	2 nd Qtr 07
Gross margin	34.34	40.47	39.62	35.71	41.63
Operating margin	9.79	13.89	9.45	13.35	15.36
Net margin	9.66	8.35	6.35	11.13	12.31
Efficiency	74.57	63.10	66.55	67.03	58.40
Personnel expenses coverage	88.40	93.41	84.97	99.56	100.01

3 Carrying out Social Policies and Supporting Public Administration

CAIXA Fácil Account

The CAIXA Fácil [Easy CAIXA] account, which accounts for the inclusion of thousands of Brazilians in the banking system, totaled, in June 2007, 5.19 million accounts opened, showing a growth of 10.49% in relation to December 2006. Of the total transactions carried out by customers, 93.03% used alternative channels such as self-service terminals, lottery shops, banking correspondents, and purchases with debit cards, the latter accounting for 22.64% of the transactions.

Social interest and market housing programs

With respect to the implementation of the federal government's housing policy, CAIXA's priority is to serve the low-income population, reduce the housing deficit and narrow social and regional differences, as well as create new jobs.

The contracts signed by way of the many housing programs totaled, in the period, R\$ 6.97 billion, including the amounts related to the CAIXA consortium.

With respect to the programs secured with funds from the FGTS, aimed at families with an income of up to 5 minimum salaries, CAIXA contracted in the period the amount of R\$ 3.64 billion, which include housing subsidies, benefiting over 161,000 families all over Brazil and creating 348,000 new jobs.

CAIXA contracted with its own funds a total amount of R\$ 2.5 billion, which corresponds to a monthly contracting average of R\$ 422 million, representing a growth of 40% in relation to the amount contracted in the same period of 2006. In the total amount of CAIXA's contracts, R\$ 232 million related to the Construcard is included.

The table below shows a summary of housing contracting by source of funds, in the ambit of all the programs conducted by CAIXA.

Source of Funds/ Program	Amounts in R\$ thousand / Quantities in units			
	Amounts contracted	Housing units	Population benefited	Jobs created
FGTS and Subsidies ⁽¹⁾	3,640,198	161,046	644,184	348,092
FAT	4,738	475	1,900	450
FAR/Residential Leasing	454,978	14,585	58,340	44,715
CAIXA ⁽²⁾	2,532,947	48,112	192,448	241,437
FDS ⁽³⁾	22,120	1,430	5,720	2,500
Onlent from OGU	58,500	5,388	49,005	6,692
CAIXA Consortium	231,989	4,183	16,732	22,114
	6,945,470	235,219	968,329	666,000

Notes: ⁽¹⁾ Includes PSH and Pro-Housing; ⁽²⁾ Includes Construcard.

⁽³⁾ Loans (22.12 million) plus Guarantee Fund (1.88 million) = Amounts Contracted 24 million

Due to the importance of the housing programs that serve the population with income of up to 5 minimum salaries, it is worth noting that housing subsidies worth R\$ 1.01 billion were granted with funds of the FGTS, aimed at complementing the purchasing capacity of beneficiaries and covering a portion of the financial costs associated with the financing granted with funds from that Fund.

Technological innovations in urban development

In the period, over 1,200 issues of the HABITARE and PROSAB Programs were distributed to various CAIXA units all over Brazil, as well as to education institutions and universities, and state and local public bodies. Books that are part of the Habitare Program Publicizing Plan were published: “Municipal Directive Plans: Strategic Regional Integration” and “Social Housing in Brazilian Metropolises”. The following book was also published: “Yellow Book: the Encounter of Families and Assistants – organizing groups for rural housing”, one of the final products of the research contracted (UFSCar/USP): “Building Rural Housing with Local and Renewable Resources and Increasing Work and Income Opportunities.”

Support to urban development

CAIXA made available on the Internet, <http://www.caixa.gov.br>, information related to urban development to municipal and state governments in order to make accessible specific information on products, tools, systems, publications and technological innovations in this area, and the Urban Board report, which was launched during the 10th March of Mayors in April 2007.

CAIXA best practices in local management program

CAIXA’s Best Practices in Local Management Program contributed to achieve the objectives of the Habitat Agenda in Brazil by widely publicizing successful and sustainable local management experiences with a tangible and visible impact on the improvement of people’s quality of life.

By publicizing these experiences, CAIXA makes it possible for federal public bodies, local administration offices, closely-held companies, universities and nongovernmental organizations to use the knowledge provided by these initiatives in their local issues.

The methodology of the Thematic Workshops developed by CAIXA to disseminate successful practices and two projects awarded by CAIXA were published in the book named “50 Brazilian Ways of Changing the World”, edited by the United Nations Volunteers program in Brazil (UNV Brazil) in both Portuguese and English with 5,000 copies and launched in April 2007 in Salvador, State of Bahia, as a contribution to the Millennium Development Goals.

Sanitation and infrastructure programs

At the end of the period, CAIXA had signed contracts amounting to R\$ 910.5 million, totaling 123 transactions, 122 of which use as source of funds the Employees Severance Indemnity Fund (FGTS), related to the Sanitation For All Program.

The amount of the contracts signed in environmental sanitation in the first half of 2007 was R\$ 1.01 billion.

Of the total transactions contracted in the period, the amount of R\$ 368.6 million, corresponding to 40 transactions, refers to operations in the sphere of the Growth Acceleration Program (PAC) announced by the federal government.

With respect to the disbursement of funds related to financing and onlending operations, the total amount of R\$ 671 million was recorded in the period.

Carrying out Social Policies and Supporting Public Administration

CAIXA is committed to support the improvement of public administration and the completion of projects of government’s interest aimed at implementing programs and systems that support restructuring, tax adjustment and modernization of state and municipal administration. Accordingly, it contributes to the equilibrium of the public finances, as well as the improvement of the service to citizens,

whether by means of financing for that purpose or by the support given as manager and co-manager of these programs and systems.

In this period, the Company contracted for the National Program for the Support to Administrative and Fiscal Management of Brazilian Municipalities (PNAFM) the amount of R\$ 37.63 million. In the same period, the benefited municipalities received R\$ 10.30 million related to previously signed contracts.

In the first half of 2007, the implementation of the Tax Administration and Basic Industry Management Program (PMAT) and the signature of an agreement with BNDES were approved. The program's objective is to support the modernization of tax administration and the improvement of the quality of public expenditures from the local sustained development point of view with an aim to increase the level of efficiency of tax collection and improve management in social areas.

At the end of the period, CAIXA had ratified the delivery – relating to 2006 – of 86.41% of the balance sheets and budgets of the municipalities and 100% of the balances of the states and Federal District.

CAIXA has signed a Technical Cooperation Agreement with the Ministry of Cities to carry out the National Program of City Training, which aims at improving the performance of city administration offices in tasks under their responsibility in urban, sanitation and housing development projects.

CAIXA Hospitals

In the first half of 2007, 163 transactions totaling R\$ 171 million were contracted.

Onlendings and transfers of funds from the General Federal Government Budget (OGU)

In the first half of 2007, 132 transactions were contracted in the amount of R\$ 184.46 million, which will allow for the creation of 19,990 jobs for a benefited population of 143,679 people.

With regard to the disbursements from the account of signed onlending contracts, drawdowns in the amount of R\$ 591 million were approved, a 21.24% increase in relation to the same period of 2006.

Employees Severance Indemnity Fund (FGTS)

In the first half of 2007, CAIXA recorded the amount of R\$ 20.2 billion in receipts of contributions to FGTS, a nominal growth of 13.32% in relation to the same period of 2006.

Withdrawals from all FGTS accounts totaled R\$ 19.4 billion, representing an increase of 32.04% in relation to the same period of 2006.

As a result of a decision of the Federal Supreme Court, retirement is no longer seen as a cause for the termination of an employment agreement. For this reason, this type of withdrawal accounted for R\$ 3.8 billion and was the main cause for the increase in withdrawals in the period with a higher frequency in April, May and June.

The total number of payments made from the FGTS was 13.3 million, a growth of 12.05% in comparison with the same period of 2006 and 550,611 of these payments related to retirement.

Additional Credits of the FGTS

In the period, the last payment to workers of the installments provided for by Complementary Law nº 110/2001, which addressed credits due from “Collor” and “Verão” (Summer) Plans, was made, closing a cycle that involved the following entities: - Ministry of Labor and Employment, Ministry of Cities, Ministry of Planning, Budget and Management, Ministry of Finance, Brazilian Central Bank, CAIXA, Labor Union Force, Unitary Labor Confederation, General Labor Confederation, Social Labor Union Democracy, National Confederation of Industries, National Confederation of Financial Institutions, National Confederation of Commerce and National Confederation of Transportation.

Housing Insurance of the National Housing System (SH/SFH)

The SFH's Housing Insurance is one of the instruments for protecting the funds invested in the housing area and its policy guarantees the housing transactions contracted in the ambit of the SFH in situations of death or permanent disability of the borrower and/or physical damage to the properties.

In the first half of 2007, receipts of premiums totaled R\$ 128 million and the payment of claims amounted to R\$ 140 million, which is equivalent to serving approximately 7,500 families that had their properties refurbished or settled in advance as a result of death or permanent disability of the borrower.

Social Development Fund (FDS)

The Social Development Fund (FDS) has funds in the amount of R\$ 800 million to be invested in housing finance aimed at the low-income population. In the period, a portion of these funds was used in investments in the Cooperative Credit Program, which aims to serve families with an income of up to three minimum salaries.

The Cooperative Credit Program offers special and subsidized conditions. It is the only housing financing in the market that does not charge interest, as the Fund takes on the expenses with the management fee, the transaction equilibrium fee and the risk fee of the financial agent.

In the first half of 2007, the FDS granted to CAIXA a loan to be invested in the Cooperative Credit Program in the amount of R\$ 22.12 million plus R\$ 1.88 million to be allocated to the Guarantee Fund. In this period, 1,430 housing units were built in 25 municipalities and approximately 2,500 direct jobs were created. Therefore, 1,430 families, or around 5,720 Brazilian citizens with average income of 2 minimum salaries, had access to regular dwelling, making of the Cooperative Credit Program an important program of social inclusion.

National Social Interest Housing Fund (FNHIS)

Law No. 11,124, of 6/16/2005 created The National Social Interest Housing System (SNHIS) and The National Social Interest Housing Fund (FNHIS), which aims at facilitating the raising of funds from different sources on a permanent basis for social interest housing. CAIXA is the operating agent. The funds of the FNHIS will be invested in a decentralized way through the states, municipalities and the Federal District that opted to join the SNHIS.

By the end of this period, 1,832 instruments of participation by municipalities had been published in the Federal Official Gazette. All states have joined, except for São Paulo. The amount of R\$ 1 billion will be allocated pursuant to the Growth Acceleration Plan.

Residential Leasing Fund (FAR)

This Program is aimed at the leasing of real estate properties for families with a monthly income of up to R\$ 1,800.00 and provides the purchase option. In January 2007, the Provisional Measure No. 350, later converted into Law No. 11,474, was approved, authorizing the early acquisition of properties by lessees by way of the use of funds from the FGTS as well. In this period, the funds from the Fund invested in housing totaled 455 million, resulting in 44,715 jobs created and 14,585 housing units.

Environmental compensation

The Environmental Compensation is a legal obligation in accordance with article 36 of Law No. 9,985/2000 for the developments that have a significant immitigable environmental impact in the form of a financial indemnification to be invested in the National System of Nature Preservation Units (SNUC).

The creation of this indirect type of performance of the environmental compensation actions arose from an association between IBAMA and CAIXA, which was formalized with the signature of a Cooperation Agreement in March 2006, which allowed for the creation of a model for investing, monitoring and executing the environmental compensation funds by CAIXA.

The transactions contracted so far cover six developments and another 11 are under negotiation to be contracted in 2007.

Income transfer programs and delegated services

As an operating agent of the Income Transfer and Delegated Services programs managed by the federal government, CAIXA made more than 83 million payments of benefits in the first half of 2007. The volume of funds involved totaled R\$ 10.9 billion, an increase of 21% in the volume of funds in relation to the first half of 2006:

Programs	Amounts in R\$ thousand / Quantities in Units			
	1 st half of 2006		1 st half of 2007	
	Quantity	Amount	Quantity	Amount
Income transfer	70,869,790	3,417,694	68,181,094	4,203,969
Delegated services	14,555,847	5,626,506	15,708,853	6,731,927
	85,425,637	9,044,200	83,889,947	10,935,896

By means of the Income Transfer Programs, CAIXA paid 68.1 million benefits, in all Brazilian municipalities, amounting to R\$ 4.2 billion:

Programs	Amounts in R\$ thousand / Quantities in Units			
	1 st half of 2006		1 st half of 2007	
	Quantity	Amount	Quantity	Amount
Family Allowance	48,635,125	3,038,948	63,667,357	4,047,843
Agreement	516,567	21,573	579,494	26,636
School Allowance	7,907,059	118,606	212,365	3,185
Food Allowance	97,261	1,459	3,118	47
Gas Allowance	11,812,292	88,592	2,360,500	17,704
Food Card (Zero Hunger)	366,004	18,300	168,684	8,434
PETI	641,513	25,648	414,098	17,516
Young Agent	15,915	1,034	112,889	7,338
Student Allowance	7,695	231		
Crop Guarantee	551,726	65,953	349,665	33,565
Back Home	13,219	3,181	15,488	3,442
Pro-Youth	302,012	30,115	274,944	28,582
Athlete Allowance	3,402	4,054	5,740	7,082
Factory School			16,344	2,452
Brazilian Cultural Tradition Promotion Initiative			408	143
	70,869,790	3,417,694	68,181,094	4,203,969

In the first half of 2007, the volume of funds distributed to the beneficiaries of the Family Allowance program increased over 33%. This increase is a result of the migration of families from the remaining programs and the achievement of the target of 11.1 million families served in June 2006, and the maintenance of the rate at these levels since. Accordingly, over 63.6 million Family Allowance program benefits were paid, showing a growth of over 30% in relation to the same period of 2006.

In the provision of services delegated by the federal government, Unemployment Insurance, Salary Bonus and PIS Quotas and Earnings, approximately R\$ 6.7 billion was paid, with the distribution of over 15.7 million benefits, as shown below:

Programs	Amounts in R\$ thousand / Quantities in Units			
	1 st half of 2006		1 st half of 2007	
	Quantity	Amount	Quantity	Amount
Salary Bonus	819,155	270,442	890,202	323,645
PIS Earnings	1,494,822	57,374	1,383,730	57,146
PIS Quotas	253,701	221,121	241,228	228,710
Unemployment Insurance	11,988,169	5,051,521	13,193,693	6,122,426
	14,555,847	5,600,458	15,708,853	6,731,927

On June 30, 2007, the 2006/2007 financial year of the Salary Bonus program ended and by that date CAIXA had paid benefits to 9.46 million workers, totaling R\$ 3.25 billion. Accordingly, CAIXA recorded a 95.17% payment effectiveness rate in relation to the number of identified workers entitled to the benefit, exceeding the rate of the previous year of 94.69% and setting a new record for the 14th consecutive time.

Based on the same 2006/2007 financial calendar year, benefits of the Social Integration Program (PIS) were paid, namely:

- Earnings benefits were paid in the first half of 2007, totaling over R\$ 551 million, to approximately 1.38 million workers, raising the total number of workers benefited in the financial year to 14.22 million.
- The quotas paid around R\$ 228.7 million to 241,200 participants of the Program, raising the total number of payments to 514,150 in the financial year to R\$ 488.79 million.

Centralized Registry

To serve the income transfer programs of the federal government, CAIXA manages the registration of low-income citizens by means of the Centralized Registry. In the first half of 2007, 1.08 million families to benefit from the income transfer social programs were registered, raising the total number of families in the registry to 20 million. This increase was due to the migration of the School Allowance Program registry to the Centralized Registry of the federal government.

Lottery administration

The products that make up the portfolio of CAIXA Lotteries raised the amount of R\$ 2.4 billion, representing an increase of 16.14% in relation to the same period of the previous year. Of this total, R\$ 1.16 billion (47.6% of the receipts, including income tax) was passed on to the federal government and to nongovernmental entities to be invested in programs in the areas of social security, education, culture, sport and security.

Allocation	Amounts in R\$ thousand	
	1 st half of 2006	1 st half of 2007
National Culture Fund – FNC	60,297	70,030
Social Security	357,510	416,229
Higher Education Investment Fund - FIES	148,817	173,843
Ministry of Sport	88,891	103,106
National Penitentiary Fund - FUNPEN	63,148	73,341
Brazilian Olympic Committee - COB	34,168	39,684
Brazilian Paralympic Committee - CPB	6,030	7,003
Special Examinations	324	542
Soccer Clubs	3,627	3,217
Income Tax	236,202	275,036
Total passed on	999,014	1,162,031
Cost Defrayal and Maintenance Expenses	405,881	470,369
Net Premium	696,895	808,602
Total Receipts	2,101,790	2,441,002

Student Financing Program (FIES)

The Student Financing Program (FIES) is a program of the Ministry of Education (MEC) created in 1999 to replace the former Education Credit Program and is intended to finance the graduation in higher education of students who are regularly enrolled with institutions that are not free and who are not in a condition to bear the costs of their education.

By means of the FIES, the federal government meets one of the basic prerogatives for the development of any nation: educational qualification, which results in citizens prepared to enter the increasingly competitive labor market. The amendments are the semiannual renewals of the FIES contracts, which are mandatory for the maintenance of the financing. In the period, there was an increase of 15.63% in the amounts invested in the program in relation to the same period of last year. The program has benefited 450,000 students, corresponding to R\$ 4.47 billion in financing.

4 CAIXA Service Channels

Present in all Brazilian municipalities, in June 2007, the service network had 21,161 points of service, and carried out 2.46 billion banking transactions, distributed as follows:

Physical Network – Type of Unit	Quantity of Units (in units)	Quantity of Banking Transactions (in millions)
Branches	2,030	223,512,761
Banking Service Stations - PAB	450	9,343,962
Electronic Service Station - PAE	1,037	25,813,182
Banking Correspondents – Lottery Shops	8,860	1,692,681,035
Banking Correspondents – Other	6,744	37,749,611
Self-Service Halls	2,040	473,068,232
	21,161	2,462,168,783

Of the 1.69 billion transactions processed in the Lottery Shops, 1.09 billion related to the various lottery games and 597.01 million, to banking services, with a note, for its social relevance, to the growing preference of the Brazilian population for this channel for paying their electricity, water and telephone bills, and for receiving the federal government's benefits:

Types of Transactions	Quantities in units / Amounts in R\$ thousand	
	1 st half of 2007	
	Quantity	Amount
Bank payment slips	57,981,249	7,666,588,96
Agreements	124,428,113	20,690,747,66
Withdrawals, deposits and consultations	307,385,221	20,005,522,47
Social benefits	105,897,006	13,613,138,87
Other transactions	1,320,079	30,215,57
Games	1,095,669,367	2,457,344,51
	1,692,681,035	64,463,558,04

The other banking correspondents, which make CAIXA's presence feasible in all 5,564 Brazilian municipalities, recorded 37.7 million transactions, amongst which are the payments of the various social benefits of the federal government in the amount of R\$ 3.43 million.

In the sharing of CAIXA and Banco do Brasil terminals, at the end of the first half of 2007, CAIXA offered 9,000 points of services, 238 of which in Electronic Service Stations (PAEs), and Banco do Brasil made available 4,126 points of service. As a result of the association, in the period, 2.73 million Banco do Brasil's transactions were carried out on CAIXA network and 6.16 million CAIXA's transactions were carried out on Banco do Brasil network.

Virtual service channels

In the first half of 2007, the CAIXA portal on the Internet, <http://www.caixa.gov.br/>, received a monthly average of 1.7 million individual visitors. The main services sought were Lottery, Internet Banking and FGTS. The Electronic Bank – CAIXA Internet Banking, totaled 4.5 million accounts registered, with 116.5 million transactions.

The telemarketing network made 42.48 million calls to Brazilians, 6.4 million of which related to the federal government's social programs.

5 Loan transactions

Grant of loans and financing

In the first half of 2007, CAIXA increased by 14.08% the volume of commercial transactions contracted in relation to the same period of the previous year, totaling R\$ 24.93 billion compared with R\$ 21.85 billion in the same period of 2006.

In June 2007, the balance of its portfolios showed an overall growth of 8.47% in the total volume of loan transactions with individuals and legal entities. In June 2007, they amounted to R\$ 17.26 billion compared with R\$ 15.91 billion in June 2006.

Individuals

In June 2007, the balance of loans to individuals totaled R\$ 10.09 billion, representing a growth of 9.22% in relation to the same period of 2006.

Contracts with individuals increased 17.91% in the period in relation to the amounts contracted in the same period of 2006. It is worth noting the increase in products of consignment credit, pawn, and overdraft-secured checks, which together totaled R\$ 10.25 billion in June 2007, representing 79.43% of the total volume contracted.

The Pawn product is a loan to individuals with the guarantee of jewels and precious metals, and this operation is one of the safest and agile in the market. It has a service network represented by over 431 branches qualified to operate with this product and it is present in all Brazilian states. It is one of the operations with the highest amounts of short-term funds disbursed due to its accessible rates and simplicity. The balance of its portfolio grew 15.57% in the first half of 2007 in relation to the same period of 2006.

Legal entities

At the end of the period, the balance of commercial loan transactions with legal entities totaled R\$ 7.17 billion, compared with R\$ 6.67 billion in the same period of 2006.

The balance of transaction with legal entities grew 10.24% in the period to a total of R\$ 12.01 billion, compared with R\$ 10.9 billion in the same period of 2006.

CAIXA granted to the segment of micro and small companies R\$ 10.8 billion in lines of credit I. This amount represents over 87.8% of funds made available in the period, establishing CAIXA's role as one of the main promotion agents for the segment.

In the first half of 2007, there were transactions at substantial amounts with the energy sector – FURNAS and CEB in the amount of R\$ 212 million, representing the entry of CAIXA into this industry.

The Giro and Investments credit types also grew, with a special note to investment transactions, which recorded a growth of 24.55% in relation to the same period of the previous year.

The publication of BNDES's ranking in April 2007 shows CAIXA as first in the number of funds granted from BNDES Automatic transactions in relation to other banks. Of the total amount granted by the institution, 81.8% was allocated to micro, small and medium companies.

Administration and recovery of loans

In the first half of 2007, the renegotiation of commercial loan contracts amounted to R\$ 204.7 million related to 34,347 contracts. In the same period of 2006, R\$ 113.1 million relating to 23,251 contracts, was renegotiated; therefore, an increase of 80.93% and 47.72%, respectively, was seen in relation to the total amount and number of contracts.

With respect to the amounts recovered in cash, CAIXA recovered R\$ 353.4 million in the period, an increase of 11.31% from the R\$ 317.5 million recovered in the same period of 2006.

In the first half of 2007, 166,683 contracts arising from the housing portfolio financing and/or loans that were in default for over 60 days were paid, renegotiated or fully settled, totaling R\$ 2.61 billion of total debt (R\$ 213 million referred to overdue debt).

The payment of the commercial and housing loans provided for the increase in funds to be allocated to new financing, once again allowing for the social inclusion of citizens by means of access to loans for the acquisition of consumer goods, chattels and/or real estate properties, as well as the creation of new jobs and generation of income.

Administration of third party loans and loans linked to the FCVS

In its capacity as service provider, CAIXA administers contracts in which the creditors are the Asset Management Company (EMGEA) Employee Severance Indemnity Fund (FGTS), Credit Guarantee Fund (FGC), Brazilian Central Bank (BACEN), Hydroelectric Company of the São Francisco (CHESF), National Institute of Social Security (INSS) and federal government Property Secretariat (SPU), in addition to contracts for the functional properties of the federal government. The administration of these contracts includes the maintenance, collection, early settlement, renegotiation, execution, recovery, realization of FCVS, management of outsourced companies, administration of fiduciary agents and the creation of rules. The FCVS realization activities also encompass CAIXA's own credits whose contracts provide for covering the residual balance by the FCVS.

In the first half of 2007, R\$ 927.7 million was received and passed on to creditors, relating to 501,512 contracts, generating a revenue in fees of R\$ 143.8 million for the provision of services.

Credit recovery actions totaled 34,613 contracts. 2,454 agreements were signed in settlement hearings with the inflow of funds amounting to R\$ 82 million.

The FCVS realization activities encompass CAIXA's credits whose contracts provide for covering the residual balance by the FCVS and the provision of this service to EMGEA, FGTS and FGC. For the mortgage collateral of the contracts linked to the FCVS to be released by means of the issue and delivery to the borrower of an official letter of quittance, the FCVS has to ratify and recognize the fund's balance.

In the first half of 2007, 11,947 contracts amounting to R\$ 519.9 were ratified, whereas in the same period of 2006, 21,009 contracts amounting to R\$ 621.2 million were ratified.

Also, 57,743 mortgages were written off, showing the importance of CAIXA as executor of the federal government's social policies and reaffirming its role in the grant of housing financing, making it possible the fulfillment of the dream of own house to thousands of Brazilian families.

6 Funding and Management of Funds

Asset management

At the end of the period, CAIXA had 121 products under its responsibility, including mutual funds and managed portfolios, 61 of which are fixed-income funds, 14 equity funds, 1 real estate fund, 3 credit right funds, 6 social funds, 17 private pension funds and 19 managed portfolios. 8 new products were launched in the period, including 1 credit right fund, 5 branch network funds and 2 exclusive funds.

Among the branch network funds launched in the first half of 2007 to meet the demand for products with more diversified portfolios, 2 new products were created with the following characteristics: CAIXA FIC ESTRATÉGICO MIL MULTIMERCADO LP, classified as a Variable-income Hedge Fund by the National Association of Investment Banks (ANBID); CAIXA FIC LONG-SHORT MULTIMERCADO LP, classified as Long and Short – Variable by ANBID; in addition to a stock exchange fund, the CAIXA FI AÇÕES IBOVESPA ATIVO fund, classified as Ibovespa Shares by ANBID.

The CAIXA FIC PRÓ OLÍMPICO BRASIL DI LP, which is a socially responsible investment fund was also launched to contribute to the development of sports in Brazil. A portion of its management fee is allocated to the Brazilian Olympic Committee (COB) to be used in the “Permanent Olympic Teams Project”, prioritizing the increase in the number of athletes in addition to improving their technical skills. This fund comes to add to the CAIXA FIC FOME ZERO CP, which is another socially responsible fund created in February 2003 and which passes 50% of the management fee onto programs of the federal government to combat hunger. In the period, the total amount passed on by these funds was R\$ 117,000.

The total net equity under management, including investment funds and portfolios, grew 9.03%, going up from R\$ 167.46 billion in December 2006 to R\$ 182.58 billion in June 2007. When comparing June 2006 with the same period of 2007, CAIXA recorded a growth of 16.84% in equity under management.

In the ranking of investment fund managers of ANBID, CAIXA recorded a growth of 11.03% in net equity, which rose from R\$ 53.51 billion in December 2006 to R\$ 59.41 billion in June 2007, maintaining itself in 4th place in the ranking.

CAIXA has been recognized and given awards for its investment fund management by various publications: The Best Investment Funds and The Best Managers – *ValorInveste* magazine – April; The Funds with the Best Return and the Best Managers – *GazetaInvest* magazine – May.

At the beginning of 2007, Moody’s Investors Service America Latina, one of the most regarded and broadly referenced to ratings, research and risk analysis agencies in the world, assigned to Caixa an MQ1 Investment Manager Quality rating. Accordingly, Moody’s noted the high degree of professionalism and consistency given to the investment decision-making process based on committees, effective risk management structure and quality of customer service.

Transactions with Securities

In the first half of 2007, CAIXA acquired R\$ 49.64 billion in Securities, as follows: R\$ 42.63 billion purchased on the primary and secondary markets, and R\$ 7.01 billion received in operations of exchange, acquisition due to renewal and assumption of debt with the National Treasury. In the same period, R\$ 7.22 billion in Federal Government Securities matured and R\$ 18.59 billion was sold, R\$ 12.12 billion of which in transactions on the secondary market and R\$ 6.47 billion delivered in operations of exchange, resale, payment of dividends and other settlements with the National Treasury, which, added to interest and trading on the secondary market totaling R\$ 6.74 billion, less cashed funds arising



from payments of amortization and interest totaling R\$ 860 million, generated an increase of R\$ 29.71 billion in the position of its Securities portfolio in relation to December 31, 2006.

CAIXA reinforces its intention to hold to maturity the securities from the CAIXA portfolio classified in category III, pursuant to article 8 of BACEN Circular Letter No. 3,068/01.

CAIXA's activity as a BACEN dealer

CAIXA has been qualified as a primary dealer (one of the 12 institutions authorized to operate directly with the Central Bank's trading desks) since March 2002. Due to its performance as trader on the secondary market of Government Securities, CAIXA was qualified as specialist.

As a dealer, in the first half of 2007, CAIXA intermediated the onlending of R\$ 148.25 billion in funds to other institutions.

Capital market transactions

CAIXA was the Leading Coordinator of the Public Distribution of the Third Commercial Paper Issue of CEMIG Distribuição S.A. and the financial liquidation of which took place on June 29.

40 Commercial Papers issued by CEMIG Distribuição S.A. (CEMIG D) were offered, totaling R\$ 400 million, which will be subject to interest of 101.60% of the daily average rate of interbank deposits called "Taxa DI over extra-grupo" for a period of 180 days.

This operation is one of the largest ever carried out by CAIXA with companies from the electric energy industry, reinforcing the Company's intention to support an industry that is extremely important to the growth of Brazil and, also, to the success of the federal government's Growth Acceleration Program (PAC).

Funding products

Savings deposits showed a positive net funding of R\$ 4.34 billion, totaling R\$ 66.7 billion at the end of the first half of 2007. In this period, the balance of the portfolio increased by R\$ 6.7 billion, which represents a 11.12% increase in relation to the same period of 2006. CAIXA has been maintaining its position as market leader with a share of 32.66%.

In June 2007, the balance of the LH and LCI CAIXA products totaled R\$ 7.53 billion, representing a growth of 4.51% from the R\$ 7.20 billion seen in June 2006.

Cash deposits, seen as an access to customers and promoters of the expansion of customers' base, totaled R\$ 8.47 billion, a growth of 17.52% when compared to the balance in the same period of 2006, and representing 8.20% of the market.

In the period, net funding from Judicial Deposits amounted to R\$ 380.5 million. With respect to deposits in labor courts, net funding totaled R\$ 211.8 million. Deposits with regular courts totaled R\$ 10.3 million in the period.

CAIXA International

CAIXA International is the operation strategy that aims at strengthening CAIXA's relationship with Brazilians residents abroad, providing the opening of accounts and remittance of funds to Brazil.

To do so, CAIXA International operates the Remittance Program, by means of the e-Account, its partner banks (through agreements), and correspondent banks (SWIFT). In the first half of 2007, through the Remittance Program, CAIXA received a total of US\$ 28.85 million and paid in international remittances the amount of R\$ 55.41 million, showing an average of R\$ 9.08 million per month, which represents a growth of over 55% in relation to the average seen in the same period of 2006.

With the CAIXA e-Account, which uses a simplified current account on the Internet, Brazilian citizens resident abroad who hold a credit card with the Visa brand can make transfers of their savings to Brazil, in an agile and secure manner and with low fees. In the period, CAIXA turned over a total of R\$ 912,610 in 4,628 e-Accounts.

The first half of 2007 stood as a landmark in CAIXA's history and, particularly, in its international operations, with the inauguration of its first office abroad: The International Representation Office in Japan, inaugurated in the city of Hamamatsu, province of Shizuoka.

In the first half of 2007, CAIXA certified a total of 456 external employees and customers in the course of "Training of Foreign Trade Agents – Networkagents". The institution's target is to train two thousand employees and a thousand representatives from civil society within a period of five years. The content of the course was developed by the Ministry of Industry and Trade Development (MDIC) in association with CAIXA and aims at familiarizing the functional personnel with the Export/Foreign Trade theme and, at the same time, providing for the growth of foreign trade with the corporate community in Brazil.

As the CAIXA brand is more well known abroad, the Company received invitations from several international bodies interested in getting to know its services. The events abroad to publicize CAIXA's international operations resulted in the visit of international groups who seemed to be satisfied with the Company's excellence in its different operation areas.

7 Cards, insurance and banking services

Card Administration – Credit and Debit

At the end of the first half of 2007, CAIXA had 3.39 million credit cards, representing a 15% growth in relation to the same period of 2006. In this period, over 39 million transactions were carried out, totaling R\$ 3.1 billion.

In the first half of 2007, CAIXA's debit card base, with the MasterCard Maestro and VISA Electron brands, totaled 39.74 million cards. Total electronic transactions grew 27%, to 87 million in the period. The volume was 33% higher than in the same period of 2006, totaling R\$ 4 billion.

CAIXA accredited 15,339 commercial establishments, showing a growth of 15% in relation to the same period of 2006. CAIXA ended the period with 221,377 active commercial establishments accredited, which represents an increase of 18% in relation to June 2006.

CAIXA INSURANCE Group

CAIXA offers in its branch network insurance, private pension plan and capitalization products and the real estate consortium of the affiliated company CAIXA SEGUROS S/A, with a view to expanding the portfolio of products offered and meeting the needs of its customers.

It is worth noting the following achievements in the first half of 2007:

- Growth of 13% in the amount related to private pension plan products, reflecting the effort to increase average contributions;
- Increase of 312.7% in the amounts collected from Corporate Group Life Insurance, a result that reflects the simplification of the product and the commercialization process.

Quantities in Units / Amounts in R\$ thousand

Products	1 st half of 2006		1 st half of 2007	
	Quantity	Amount	Quantity	Amount
Insurance	1,032,197	143,467	1,017,970	154,758
Private Pension Plans *	74,317	360,080	60,860	406,725
Capitalization	626,886	138,420	654,485	152,072
Housing Consortium	28,655	1,389,562	27,793	1,414,338
Auto Consortium **			4,736	115,615
	1,762,055	2,031,529	1,765,844	2,243,508

* The quantity and amount in Private Pension Plans refer to sales in the month

** Traded as from July 2006

Banking services

CAIXA distinguishes itself in the provision of banking services, offering society various types of services, such as salary credits, bank collections, receipts of taxes, social security (GPS) and public utility payment forms, and payments of INSS benefits, amongst others. In the first half of 2007, transactions totaled R\$ 118.07 billion, as shown below:

Services	Amounts in R\$ thousand	
	1 st half of 2006	1 st half of 2007
Receipts of public utility bills	19,602,174	18,970,790
Receipts of taxes	10,037,839	10,395,887
Receipts of Union Dues ⁽¹⁾		1,142,422
Receipts of FGTS	17,824,791	20,199,548
Receipts of GPS	5,117,959	6,223,385
Payments of INSS Benefits	10,555,726	13,288,807
Bank Collections	27,980,362	31,273,836
Payrolls	10,971,802	12,690,717
Sundry Receipts	5,303,377	3,886,968
	107,394,030	118,072,360

(1) Due to the inconsistency in the new Union Dues payment system, we were not able to present the quantity and amount for 2006.

In compliance with the federal government's policy to make a sustainable adjustment to public accounts, CAIXA provided, in the segment of social security for states and municipalities, consultancy services for structuring or restructuring their own social security systems with the objective of ensuring their solvency in the long term.

8 Personnel Management

In June 2007, CAIXA had the following workforce:

Employees	Quantities in units	
	1st half of 2006	1st half of 2007
Employees admitted after entrance examination	69,938	74,054
Trainees	11,822	11,615
Service providers (*)	15,904	11,659
Adolescent apprentices (*)	3,277	3,787
	100,941	101,115

(*) Situation in May/2007 for the first half of 2007.

It is worth noting that 2,645 employees passed the entrance examination for admission in the period.

The table below evidences the priority afforded to the measures to qualify its workers, in particular with respect to the competences necessary for offering a qualified service to its customers.

Activities	Quantities in units	
	1st half of 2006	1st half of 2007
Courses at the Corporate University	94,173	130,244
Professional and Academic Postgraduate Studies	36	69
Higher Education	325	407
Workshops and seminars	3,948	43,720
	98,482	174,440

Since the beginning of 2007, seminars and workshops have been recorded in a decentralized way, showing, also, internal training activities conducted in the different work areas.

We list below the activities with the related number of participants and participation ratio in the first half of 2007 and 2006, thus providing a comparative analysis:

Type of activity	1st half of 2006			1st half of 2007		
	Number of participants	Number of activities	Participation ratio	Number of participants	Number of activities	Participation ratio
Courses at the Corporate University	31,359	94,173	3.00	34,488	130,244	3.78
Workshops and seminars	3,632	3,948	1.09	40,293	43,720	1.09

This table shows the number of activities and the number of employees who participated in these activities. The participation ratio shows, on average, the number of activities carried out per employee.

CAIXA offers to its employees the CAIXA Health Program, which, in the first half of 2007, had 232,407 beneficiaries, including employees and their dependents.

The concern with people management led the Company to create several programs, including the Quality of Life Program, with the following initiatives:

- Nutritional Guidance: 5,493 employees were served in 501 units;
- Smoke-free Environment (ALF): Enrollment of 838 employees for treatment to stop smoking;

- Anti-flu Vaccination Campaign: 35,586 dosages were injected in employees, 734 in adolescent apprentices and 636 in retired employees.

In line with the Growth Acceleration Program (PAC), the Housing Learning Program (PAH) was launched with an aim to train employees and business partners, seeking to increase CAIXA's share in the real estate credit market and to establish its role as the main agent of the housing policy.

9 Risk Management

In the first half of 2007, the Risk Committee approved the Operational Risk Policy and the first review of CAIXA's Risk Policy, improving risk management and governance practices.

The capital adequacy ratio was stable at a rate higher than the 11% required by BACEN. In June, CAIXA completed the funding of R\$ 5.2 billion with the federal government by means of a Capital and Debt Hybrid Instrument, increasing its margin of loan contracting for the public sector.

In the whole Network, 47.9 million risk analysis were performed for the purposes of granting commercial and real estate loans, representing an increase of 18.3% from the 40.5 million analysis performed in the same period of 2006. This figure reflects the continuous growth of demand for loans with CAIXA and represents the approval of credit limits in the amount of R\$ 132.9 billion in the period.

The operating risk area assumed the management of the Business Continuity Plans and handed out an impact analysis questionnaire in order to review the existing plans and prepare new ones, when necessary.

10 Governance and Corporate Sustainability

Structure of governance

All levels of authority established by CAIXA's Bylaws, approved by Decree No. 6,132 of 6/22/07 and available on www.caixa.gov.br, have now been installed and are operating regularly.

CAIXA's overall guidance on business is provided by the Board of Directors.

CAIXA's strategic decisions are made collectively, by means of the Management Board, and their execution is coordinated by the Executive Board. The monitoring and control of the company's actions are performed by the following authorities: Ministry of Finance, Central Bank, State-Owned Companies Coordination and Control Department, Federal Audit Court, Comptroller-General's Office of the federal government, Public Attorney's Office of the federal government and, by means of requirements and information, the National Congress.

CAIXA has committees, commissions and councils that make tactical, operational and administrative decisions: Ethics Commission; Credit Commission; Head Office Credit and Renegotiation Committee; Audit Committee; Strategic Funding and Investment Committee; Strategic Management of Funds, Programs and Services Delegated by the federal government Committee; Strategic Third Party Asset Management Committee; Purchasing and Contracting Committee; Risk Committee; Prevention of

Money Laundering Crimes Committee; Business Security Council; Disciplinary Councils; Business Social Responsibility Committee; and CAIXA Health Users Council.

To fulfill its role as an instrument of public policies and to provide leverage for credit in the economy, CAIXA is making progress in the implementation of a consistent structure of corporate governance, with the adoption of a set of practices that ensures Senior Management the construction of a process focused on corporate sustainability, fostering management with social responsibility and creation of value for society.

Internal control system

During the first half of 2007, CAIXA continued to invest in the improvement of its controls, promotion of compliance and development of the compliance culture (state of adherence to the compliance with standards and procedures), aiming at the effectiveness of the Internal Control Systems.

The control notes, identified based on reports of Regulatory and Inspection Bodies, Internal Councils and Committees, Internal and Independent Audits, Work of Review and Evaluation of Control Procedures and Direct Information from the Managing Units (also by means of Internal Control Reports) showed a reduction of 8% in total unaddressed notes.

The objective compliance practice is not only to stop financial institutions from being used for illegal practices (such as money laundering), but also conduct the controlled management of risks and ensure the integrity of the institution, customers, shareholders and employees.

Prevention of Money Laundering

Invited by BACEN, CAIXA received in April the delegation of representatives of the Intelligence Financial Units and Central Banks of the Mercosur countries – Argentina, Uruguay, Paraguay and Venezuela – whose visit to Brazil aimed at the exchange of knowledge among the supervision bodies regarding the prevention of money laundering crimes. At the time, CAIXA provided information about its operations with respect to this process and clarified on the legislation that regulates the matter.

CAIXA also participated in the 2nd phase of evaluation of the Organisation for Economic Co-operation and Development (OECD) related to the implementation in Brazil of the [Convention on Combating Bribery of Foreign Public Officials in International Business Transactions](#). Themes such as awareness and training; guidelines, typology and compliance policies; procedures for denouncing suspicious transactions; identification of customers; relation with the Intelligence Financial Unit and supervision bodies; banking secrecy and access to bank records, among others, were discussed in panel 13 – Combating Money Laundering – made up by banks and other financial institutions.

Program to rationalize expenditure and eliminate waste (PROGED)

The program to rationalize expenditure and eliminate waste (PROGED) was created by CAIXA in 2003 and its operation is based on two points: One aimed at economic and financial efficiency gains and the other one, more emblematic, aimed at the dissemination of the culture of rationalization and innovation of expenditure management so as to provide balance between disbursements and the real capability of generating operating revenues.

The expenditure reduction target for 2007 is R\$ 242 million. In the period, CAIXA saved R\$ 143.6 million, corresponding to 59.3% of the target for the year.

Since its creation, the PROGED has recorded savings in the amount of R\$ 1.94 billion.

11 Social Responsibility

CAIXA Zero Hunger

Reaffirming its commitment to contribute to the Zero Hunger Program of the federal government and the Millennium Development Goals (MDG), CAIXA develops social initiatives aimed at women, children and adolescents that are socially at risk.

CAIXA donated R\$ 117,000 to the Fund for Combating and Eradicating Poverty, an amount that corresponds to 50% of the management fee of CAIXA FIC FOME ZERO CP sold in the period.

The 4th Women's Week event benefited over 200,000 women with the free issue of Individual Taxpayer's Registry (CPF) cards to celebrate the International Women's Day, showing a reduction of 11% in relation to the previous campaign. The reduction in the number of women benefited arises from an increase in the rates of low-income population with access to basic civil documentation.

In the period, a Technical Cooperation Agreement with the Ministry of Agrarian Development (MDA) and with the National Institute of Colonization and Agrarian Reform (INCRA), which provides for the free issue of CPFs for female rural workers by itinerant collective effort groups to be promoted by the National Program for Documenting Female Rural Workers (PNDTR), in 628 Brazilian municipalities. CAIXA increased its share by 42% in relation to the number of municipalities served in the cooperation agreement signed in the previous year. In this period, CAIXA participated in 99 collective efforts, benefiting over 8,000 female rural workers with free CPFs and providing them with access to public policies related to the agrarian reform, family agriculture, social security and banking inclusion.

The "With Your Help this Yearning Can End" campaign promoted the issue of 1,350,000 federal lottery tickets with pictures of 60 missing children and adolescents in a nationwide effort to locate these people. The purpose of this campaign is to develop initiatives aimed at promoting the right to family and community life of children and adolescents, in particular the initiatives of the National Network for Identifying and Locating Missing Children and Adolescents (ReDESAP), coordinated by the Special Human Rights Department of the Presidency of the Republic (SEDH) and the National Council of the Rights of Children and Adolescents (CONANDA).

The second "Warming Hearts" clothes' donation campaign event, conducted in May and June, collected 89,194 warm clothes, blankets and garments in general, benefiting around 510 entities. The performance of this year's campaign excelled by over 100% the performance of last year's.

Launched in August 2006, the purpose of the CAIXA Millennium Development Goals (MDG) Project is to promote the development of social projects for inclusion, creation of jobs and generation of income in municipalities with lower HDI-M, communities of pickers of recyclable material, descendents of runaway slaves, indigenous people and low-income communities. This Projects currently serves 85 communities in all regions of Brazil. In this period, CAIXA made available sponsorships for the social projects in the amount of R\$ 805,000.

Environmental policy

In the environmental segment, in the first half of 2007, CAIXA conducted celebration events such as the Water Week and Environment Week, with a special note the signature of a Technical Cooperation Instrument with the Ministry of the Environment (MMA) for environmental management in Brazil, according to which the Company undertakes to expand its related activities to the infrastructure, sanitation and sustainable development sectors.

The plantation of 3,106 seedlings in residential developments contributed to the global effort to reduce the environmental impact caused by carbon dioxide emission into the air, an initiative that resulted in some associations, such as donations of seedlings, and recommendations from CAIXA for the plantation of trees is included in residential development projects.

Sociocultural and Marketing Activities

Having as its main focus painting, theater, music, dance and photography, in addition to supporting literary meetings and launches, and cinema and video exhibitions, the sponsorship policy mainly considers events in CAIXA Cultural venues located in Brasília, Curitiba, Rio de Janeiro, Salvador and São Paulo.

CAIXA also sponsors other cultural initiatives, programs and projects performed at third parties' venues, which are considered of strategic interest and good opportunities, based on the quality, relevance to the segments traditionally supported by the company and which have a potential for return with respect to public, as well as media and reviews.

Sports sponsorships

Operating as an executor of public policies, CAIXA invests in sports in Brazil and its objectives are the development and social inclusion and, also, the improvement of the quality of life of Brazilian citizens. To this end, CAIXA sponsors the Brazilian Athletics Confederation (CBAt), Brazilian Paralympic Committee (CPB), Brazilian Gymnastics Federation (CBG) and started to sponsor the Brazilian Confederation of Associated Fighting Styles (CBLA). These sponsorships aim at the implementation of long-term programs and initiatives for the development of sports in Brazil.

Ombudsman's Office

Caixa's Ombudsman's Office was implemented five years ago and has now achieved its target: the institutionalization of banking ombudsmanships, determined by the CMN Resolution No. 3,477/07.

One of the first in large banks as CAIXA, the Ombudsman's Office started its work without a established model to use as reference. Its profile was developed and defined based on the interaction with the many audiences that relates with CAIXA and was an example to the other banking institutions.

Accordingly, CAIXA's customers were given the right to have, in the financial institution, a manifestation channel that ensures more transparent relationships between the bank, the customer and society.

An example of this relationship is the number of complaints registered with the Central Bank: 1,796 complaints in the first half of 2007. The most recurrent complaint was about the issue/forwarding of savings account statements with 300 occurrences.

The reason "Contested Withdrawal from Current Account" corresponded to 63 occurrences, representing a reduction of 51% in relation to the same period of 2006.

PROCON received 701 complaints and 142 of which generated settlement hearings.

In the first half of 2007, the External Ombudsman's Office received 107,790 occurrences, an average reduction of 3% in relation to the same period of 2006.

The complaints accounted for 93.51% of the total occurrences recorded in the channel, representing a reduction of 2% in relation to 2006. The compliments come next, with 3,471 occurrences (3.22%), followed by suggestions, with 2,597 (2.41%), requests, with 514 (0.48%) and denouncements, with 409 occurrences (0.38%).

In the first half of 2007, the Internal Ombudsman's Office received 18,558 occurrences, an average reduction of 19% in relation to the same period of 2006.

12 Information Technology

Digital inclusion

In line with the federal government's efforts towards digital inclusion, CAIXA is an active member of the Technical Digital Inclusion Committee of the Ministry of Planning, Budget and Management and the Executive Committee of the Casa Brasil Project established in the ambit of the Chief of Staff Office of the Presidency of the Republic.

As an effective measure, CAIXA donated over 40,000 personal computers to nonprofit entities, in particularly to those engaged in digital inclusion programs. This equipment, workstations that no longer meet corporate needs, are donated with operating system software and free office suite.

Digital certification

CAIXA is the only financial institution qualified as ICP-Brasil Certifying Authority (CA) and works with public entities to disseminate this technology as an instrument of rationalization and reduction of costs in operational administrative processes. In the first half of 2007, CAIXA recorded the highest number of certifications issued, 4,381, since the creation of CA CAIXA in 2003.

By means of its branches' service structures, CAIXA is the CA with the largest flow in Brazil, qualifying itself to become the largest Certifying Authority in the country.

DATACENTER PROJECT

The objective of this project is to create a High Availability Environment (AAD) for critical mission solutions that support CAIXA's activities and the implementation of which is being conducted in association with Banco do Brasil.

13 Awards

Midas Awards

The film "Síndrome" (Syndrome), created by Fischer and produced by Open Filmes, to strengthen CAIXA's image as a sports supporter, was awarded the Gold Midas, under Sponsorship, at the 2007 Midas Awards. The Midas Awards is part of the New York Festival, one of the largest and most important international advertising and marketing awarding events. This event, which had competitors from 53 countries, only accepts pieces produced for financial institutions.

New York Film Festival

"Síndrome" also won a Bronze award at the New York Film Festival, under Promotion of Peace & Human Rights. The New York Film Festival is an awarding event of the International Awards Group (IAG), which recognizes the best advertising campaigns in the world. This award is granted annually and it is recognized over 65 countries that participate in the exhibition/competition.

Datacenter Project

The Datacenter Project, development by CAIXA in association with Banco do Brasil was awarded by CG/LA Infrastructure, an institution headquartered in the United States that promotes and supports infrastructure developments, as one of the 50 best infrastructure projects in Latin America and Caribbean. The awarding event took place during the 5th Annual Latin American Leadership Forum in Santo Domingo, Dominican Republic.

The Top Ten in Tourism

CAIXA won the "The Top Ten in Tourism" award, under Financial Institution – Incentive to Tourism Development, a recognition of the Brasil Travel News magazine. The award was granted to ten companies and people that distinguished themselves in the tourism industry in 2006. The event of the award, which is in its 21st year, took place in São Paulo.

X About Award of Integrated and Directed Communication

CAIXA's Gente magazine won the first prize for Specialized Communication. Other pieces produced for the Company were also awarded: Gold for Institutional and Corporate with the film "Síndrome", produced by Open Filmes; Silver for Integrated and Directed Communication with the "Cadeira de Rodas" (Wheelchairs) banners, created by Agência Click; Bronze for Financial Institutions – Bank with the "Elevador" (Elevator) radio spot, produced by Fischer América.

National Public Management Award

CAIXA received the National Public Management Award for its excellence in managing the Employees Severance Indemnity Fund (FGTS). Established in 1998, this contest organized by the federal government and coordinated by the Ministry of Planning, annually awards organizations that shows high institutional performance with quality in management. The award received by CAIXA is for



state-owned company and Quasi-public Corporation, 2006 cycle. This was the first time that the company participated in this contest and received the Silver Award.

XII Top of Mind

CAIXA won, in Belo Horizonte, two awards at the “XII Top of Mind” as the top of the mind institution when it comes to safekeeping finances. The excellence award was granted under Savings Account. The leadership award was granted under Consigned Credit.

ANATEC Award

The InfoGEO Cidades magazine, sponsored by CAIXA and distributed to mayors and secretaries of more than 5,000 Brazilian cities, won the first prize under “Segmented Publication of the Year” at the III ANATEC Award. This awarding event is promoted by the National Association of Publications Editors.

E-finance Award

CAIXA’s Curupira project was awarded for Impression Management during the 6th E-finance Award which aims to award the most innovative infrastructure and application solution implementations in the information technology (IT) and communication technology (Telecom) and which contributed to increase the quality of services provided by the financial institutions that operate in Brazil.

14 Acknowledgments

The results now reported reflect the professional posture and commitment of the employees and other workers to comply with CAIXA’s guidelines. More than this, they come from the dedication of those who believe that CAIXA’s work is a lever for Brazil’s development.

Caixa Econômica Federal - CAIXA

Balance Sheet At December 31

(in thousands of reais)

(A free translation of the original in Portuguese)

Assets	2007	2006
Current Assets	141,688,197	106,096,671
Cash and Cash Equivalents	1,691,816	1,252,471
Short-Term Interbank Investments		
Money market investments	9,969,527	15,301,430
	9,969,527	15,301,430
Securities and Derivative Financial Instruments (Note 5)		
Own portfolio	48,252,184	25,609,937
Subject to repurchase agreements	31,976,758	19,482,123
Pledged in guarantee	31	22
Deposited with to the Brazilian Central Bank		39,176
Derivative financial instruments (Note 5(f))	36,770	88,784
	80,265,743	45,220,042
Interbank Accounts		
Payments and receipts pending settlement	523,730	602,621
Restricted deposits - Brazilian Central Bank deposits (Note 6(a))	24,207,872	20,171,100
Correspondent banks	190,556	96,654
	24,922,158	20,870,375
Interdepartmental Accounts		
Third party funds in transit	61	97
Internal transfers of funds	70,111	55,309
	70,172	55,406
Loan Operations (Note 7)		
Loans, bills discounted and financing	13,796,741	11,549,860
Real estate financing	5,695,523	5,689,135
Infrastructure and development financing	280,116	171,121
Allowance for loan losses (Note 7(f))	(2,358,907)	(2,154,852)
	17,413,473	15,255,264

Caixa Econômica Federal - CAIXA

Balance Sheet At December 31

(in thousands of reais)

(continued)

Other Receivables		
Receivables from guarantees honored	19,999	13,995
Foreign exchange portfolio	22	5,699
Income receivable (Note 8(a))	701,016	1,011,354
Negotiation and intermediation of securities	318	
Specific credits	84,285	79,590
Sundry (Note 8(b))	5,708,709	6,061,197
Provision for other losses (Note 8(c))	(51,160)	(60,331)
	6,463,189	7,111,504
Other Assets (Note 9)		
Other assets	1,105,660	1,214,977
Provision for losses	(258,313)	(297,519)
Prepaid expenses	44,772	112,721
	892,119	1,030,179
Non-current Assets	95,829,944	93,455,287
Long-term Receivables	93,285,444	91,350,444
Securities and Derivative Financial Instruments (Note 5)		
Own portfolio	35,928,882	37,443,165
Subject to repurchase agreements	5,907,771	6,730,720
Pledged in guarantee	293,217	405,213
Deposits with the Brazilian Central Bank	1,592,802	1,996,314
	43,722,672	46,575,412
Interbank Accounts		
SFH - National Housing System (Note 6(b))	20,395,283	20,552,023
	20,395,283	20,552,023
Loan Operations (Note 7)		
Loans, bills discounted and financing	4,164,917	5,076,629
Real estate financing	23,220,491	17,710,215
Infrastructure and development financing	2,630,560	1,825,700
Allowance for loan losses (Note 7(f))	(2,457,334)	(2,269,709)
	27,558,634	22,342,835

Caixa Econômica Federal - CAIXA

Balance Sheet At December 31

(in thousands of reais)

(continued)

Other Receivables		
Income receivable (Note 8(a))	404,948	271,042
Sundry (Note 8(b))	1,777,494	2,188,869
Provision for other losses (Note 8(c))	(573,587)	(579,737)
	1,608,855	1,880,174
Permanent Assets	2,544,500	2,104,843
Investments		
Investments in subsidiary and associated companies	549,505	482,951
. Domestic (Note 10(a))	539,982	469,767
. Foreign	9,523	13,184
Other investments	53,414	54,450
Provision for loss	(11,081)	(11,081)
	591,838	526,320
Property and Equipment (Note 10(b))		
Properties in use	186,787	208,508
Revaluations of properties in use	830,251	574,837
Other property and equipment in use	2,217,612	2,026,936
Accumulated depreciation	(1,598,829)	(1,429,941)
	1,635,821	1,380,340
Deferred Charges (Note 10(c))		
Organization and expansion costs	564,431	979,083
Accumulated amortization	(247,590)	(780,900)
	316,841	198,183
	237,518,141	199,551,958

Caixa Econômica Federal - CAIXA

Balance Sheet At December 31 (in thousands of reais)

(continued)

Liabilities and Stockholders' Equity	2006	2005
Current Liabilities	192,091,596	165,050,068
Deposits (Note 11)		
Demand deposits	8,471,179	7,215,839
Savings deposits	66,742,601	54,384,115
Time deposits	41,832,497	42,635,367
Special deposits and deposits of funds and programs (Note 11(b))	10,357,763	7,622,418
Other deposits	107,999	42,090
	127,512,039	111,899,829
Deposits Received Under Security Repurchase Agreements (Note 11)		
Own portfolio	37,874,077	25,688,761
Third party portfolio	8,520,005	10,256,631
	46,394,082	35,945,392
Funds from Acceptances and Issue of Securities (Note 12)		
Mortgage notes		111,831
Real estate credit notes	1,178,650	172,213
	1,178,650	284,044
Interbank Accounts		
Receipts and payments pending settlement	555,722	585,519
Correspondent banks	2,559	1,413
	558,281	586,932
Interdepartmental Accounts		
Third party funds in transit	167,480	152,478
Internal transfers of funds	37,660	44,187
	205,140	196,665

Caixa Econômica Federal - CAIXA

Balance Sheet At December 31 (in thousands of reais)

(continued)

	<u>2006</u>	<u>2005</u>
Derivative Financial Instruments (Note 5(f))		
SWAP transactions	8,560	95,651
	8,560	95,651
Other Liabilities (Note 15)		
Collection and payment of taxes and social contributions	492,263	508,275
Foreign exchange portfolio	22	5,699
Social and statutory	610,473	706,601
Taxes and social security contributions (Note 15(a))	1,940,897	1,565,654
Negotiation and intermediation of securities	101	9,052
Funds with specific purposes: (Note 15(b))		
Lottery operations	344,979	366,700
Social funds and programs	1,609,954	1,510,118
Financial development funds	1,596,112	1,588,800
Sundry (Note 15(c))	9,640,043	9,780,656
	16,234,844	16,041,555
Non-current liabilities	45,426,545	34,501,890
Long-Term Liabilities	34,901,941	26,146,492
Deposits (Note 11)		
Time deposits	79,728	65,288
	79,728	65,288
Funds from Acceptances and Issue of Securities (Note 12)		
Mortgage notes	572,420	2,918,632
Real estate credit notes	5,776,586	4,000,319
	6,349,006	6,918,951
Borrowings (Note 13)		
Foreign borrowings	19,022	25,269
	19,022	25,269

Caixa Econômica Federal - CAIXA

Balance Sheet At December 31

(in thousands of reais)

(continued)

Local Onlendings - Official Institutions (Note 14)		
Federal Treasury	412,438	419,377
National Bank for Economic and Social Development (BNDES)	641,288	566,125
Government Severance Indemnity Fund for Employees (FGTS)	17,184,420	13,671,339
Other	380,962	299,176
	<u>18,619,108</u>	<u>14,956,017</u>
Other liabilities (Note 15)		
Taxes and social security contributions (Note 15(a))	198,045	124,684
Sundry (Note 15(c))	463,046	412,357
Hybrid Instruments of Capital and Debt - Eligible to Capital (Note 15(e))	5,200,000	
Hybrid Instruments of Capital and Debt - Non-eligible to capital	22,207	
Subordinated debts - Eligible for capital (Note 15(d))	3,439,717	3,439,717
Subordinated Debt - Non-eligible to capital	512,062	204,209
	<u>9,835,077</u>	<u>4,180,967</u>
Stockholders' Equity (Note 16)		
Capital - local residents	6,556,161	5,917,080
Revaluation reserve	614,531	383,853
Revenue reserves	720,344	513,748
Adjustment to market value - securities and derivative financial instruments	120,944	55,651
Retained earnings	2,512,624	1,485,066
	<u>10,524,604</u>	<u>8,355,398</u>
	<u>237,518,141</u>	<u>199,551,958</u>

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

Caixa Econômica Federal - CAIXA

Statement of Income

(in thousands of reais)

(A free translation of the original in Portuguese)

	<u>Years ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Income from Financial Intermediation		
Loans	4,522,743	4,259,140
Securities	8,072,551	7,775,214
Derivative financial instruments	(55.788)	(84,098)
Foreign exchange, net	821	12,331
Compulsory deposits	2,065,668	1,830,440
	14,605,995	13,793,027
Expenses from Financial Intermediation		
Deposits and money market funding	(7.009.729)	(7,150,794)
Borrowings and onlendings	(918.658)	(714,557)
Allowance for loan losses (Note 7(g))	(1.011.031)	(500,802)
	(8,939,418)	(8,366,153)
Net Financial Intermediation Income	5.666.577	5,426,874
Other Operating Income (Expenses)		
Service fees (Note 19 (a))	3.353.136	2,746,018
Personnel expenses (Note 19 (b))	(3.360.429)	(3,044,859)
Other administrative expenses (Note 19 (b))	(2.266.730)	(2,149,185)
Taxes	(587.029)	(529,824)
Equity in the earnings of subsidiary and associated companies	125.053	42,786
Other operating income (Note 19 (c))	1.502.619	1,377,223
Other operating expenses (Note 19 (c))	(2.330.056)	(2,390,012)
	(3,563,436)	(3,947,853)
Net Operating Income	2.103.141	1,479,021
Non-Operating Expenses, Net (Note 19 (d))	(60.529)	2,718
Profit Before Taxation and Profit Sharing	2.042.612	1,481,739

Caixa Econômica Federal - CAIXA

Statement of Income

(in thousands of reais)

(continued)

Income Tax and Social Contribution on Net Income (Note 18(b))		
Income tax	(130,268)	(28,573)
Social contribution on net income	(33,438)	(7,149)
Deferred tax	(94,638)	(21,760)
	<u>(258,344)</u>	<u>(57,482)</u>
Profit Sharing (Note 19(e))	<u>(68,702)</u>	<u>(80,279)</u>
Net Income for the Six-month Period	<u>1.715.566</u>	<u>1,343,978</u>

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

Caixa Econômica Federal - CAIXA

Statement of Changes in Stockholder's Equity

(in thousands of reais)

(A free translation of the original in Portuguese)

	<u>Capital</u>	<u>Revaluation reserve</u>	<u>Revenue reserves legal and other</u>	<u>Adjustment to market value</u>	<u>Retained earnings</u>	<u>Total</u>
At December 31, 2006	6,556,161	623,548	541,852	107,182	1,353,727	9,182,470
Adjustments to market value - Securities and derivative financial instruments				13,762		13,762
Tax effects on realization of revaluation reserve		3,407				3,407
Payment of taxes on revaluation reserve					(4,184)	(4,184)
Revaluation reserve in associated / subsidiary companies		(119)				(119)
Realization of reserves		(12,305)			12,305	
Net income for the six-month period					1,715,566	1,715,566
Appropriations of net income (Note 16)						
Legal reserve			85,778		(85,778)	
Lottery reserve			92,714		(92,714)	
Interest on own capital					(274,808)	(274,808)
Dividends					(111,490)	(111,490)
At June 30, 2007	6,556,161	614,531	720,344	120,944	2,512,624	10,524,604
At December 31, 2005	5,917,080	389,599	416,666	76,469	1,152,128	7,951,942
Adjustments to market value - Securities and derivative financial instruments				(20,818)		(20,818)
Tax effects on realization of revaluation reserve		2,961				2,961
Payment of taxes on revaluation reserve					(2,974)	(2,974)
Realization of reserves		(8,707)			8,707	
Prepaid dividends					(293,376)	(293,376)
Net income for the six-month period					1,343,978	1,343,978
Appropriations of net income (Note 16)						
Legal reserve			67,199		(67,199)	
Lottery reserve			29,883		(29,883)	
Interest on own capital					(321,115)	(321,115)
Dividends					(305,200)	(305,200)
At June 30, 2006	5,917,080	383,853	513,748	55,651	1,485,066	8,355,398

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

Caixa Econômica Federal - CAIXA

Statement of Changes in Financial Position

(in thousands of reais)

(A free translation of the original in Portuguese)

	<u>2007</u>	<u>2006</u>
Financial Resources Were Provided By	36,816,480	16,987,881
Adjusted Net Income		
Net income	1,715,566	1,343,978
Depreciation and amortization	213,481	227,985
Equity in the earnings of subsidiary and associated companies	(125,053)	(42,786)
	<u>1,803,994</u>	<u>1,529,177</u>
Adjustments to market value - Securities and Derivative Financial Instruments	<u>13,762</u>	
Funds Originating From	34,923,358	15,349,058
Increase In Liabilities		
Deposits	6,201,275	5,065,529
Deposits received under security repurchase agreements	12,782,036	3,633,365
Funds from acceptances and issue of securities	725,958	
Interbank accounts	495,588	535,634
Local onlendings - official institutions	1,572,328	2,556,776
Derivative financial instruments	1,980	
Other liabilities	5,129,775	1,812,270
	<u>26,908,940</u>	<u>13,603,574</u>
Decrease In Current Assets And Long-Term Receivables		
Interbank investments	6,896,238	
Securities		1,665,054
Interdepartmental accounts	3,227	53,549
Other receivables	1,034,272	
Other assets	80,681	26,881
	<u>8,014,418</u>	<u>1,745,484</u>
Sale of Assets and Investments		
Investments	75,366	43,950
Property and equipment		65,696
	<u>75,366</u>	<u>109,646</u>
Financial Resources Were Used For	36,839,987	16,671,120
Adjustment to Market Value - Securities and Derivative Financial Instruments		<u>20,818</u>

Caixa Econômica Federal - CAIXA

Statement of Changes in Stockholder's Equity (in thousands of reais)

(continued)

Investments In		
Property and equipment	211,611	96,630
	<u>211,611</u>	<u>96,630</u>
Increase In Deferred Charges	<u>89,335</u>	<u>56,828</u>
Financial Resources Were Used For	<u>36,152,743</u>	<u>15,577,153</u>
Increase in Current Assets and Long-Term Receivables		
Short-term interbank investments		5,563,425
Securities	30,307,889	
Interbank accounts	1,826,834	2,187,105
Loan operations	3,752,154	4,175,313
Other receivables		518,577
	<u>35,886,877</u>	<u>12,444,420</u>
Decrease in Liabilities		
Funds from acceptances and issue of securities		2,791,496
Interdepartmental accounts	262,000	275,070
Borrowings	3,866	4,392
Derivative financial instruments		61,775
	<u>265,866</u>	<u>3,132,733</u>
Prepaid dividends		293,376
Proposed Dividends	111,490	305,200
Interest On Own Capital	274,808	321,115
Increase/(Decrease) in Cash and Cash Equivalents	<u>(23,507)</u>	<u>316,761</u>
Changes in Cash and Cash Equivalents		
At the beginning of the period	1,715,323	935,710
At the end of the period	<u>1,691,816</u>	<u>1,252,471</u>
Increase/(Decrease) in Cash and Cash Equivalents	<u>(23,507)</u>	<u>316,761</u>

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

(A free translation of the original in Portuguese)

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements

at **June 30, 2007 and 2006**

All amounts in thousands of reais unless otherwise indicated

1 Operations

CAIXA is a financial institution established by Decree-Law 759, dated August 12, 1969, a government company formed in accordance with commercial law, linked to the Ministry of Finance and subject to the general rules, decisions and regulations issued by the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN). The capital of CAIXA belongs to the Federal Government and, within the macroeconomic context, CAIXA's economic-financial management occurs within the decisions of the Federal Government.

Areas of activity

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 obtains its funding through savings accounts, mortgage notes, judicial deposits, demand and time deposits, including making investment in loans mainly linked to housing, including onlending of funds from the Government Severance Indemnity Fund for Employees (Fundo de Garantia do Tempo de Serviço -FGTS).

CAIXA also administers investment funds, lotteries, funds and programs, which include the Government Severance Indemnity Fund for Employees (Fundo de Garantia do Tempo de Serviço - FGTS), the Salary Variation Compensation Fund (Fundo de Compensação de Variações Salariais - FCVS), the Social Integration Program (Programa de Integração Social - PIS), 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, maintaining their own accounting records and presenting their results of operations in separate financial statements.

2 Presentation of the Financial Statements

The financial statements are the responsibility of management and are presented and prepared in accordance with accounting practices adopted in Brazil and the rules and regulations of the BACEN.

The classification between current and non-current assets and liabilities is carried out in accordance with the Corporation Law, considering a 360-day term.

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements at June 30, 2007 and 2006

All amounts in thousands of reais unless otherwise indicated

3 Significant Accounting Policies

The significant accounting policies are summarized as follows:

(a) Net income

Net income is determined on the accrual basis of accounting.

(b) Current assets and long-term receivables

These are recorded at cost plus accrued income and, when applicable, adjusted to market or realizable values.

Securities - BACEN Circular No. 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 purchased with the objective of being frequently and actively traded, and adjusted to market value with a contra entry to income or expense for 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 with a contra entry to a separate account in stockholders' equity, denominated "Adjustment to market value - securities and derivative financial instruments", net of tax, when applicable. Gains and losses, when realized, are recorded as income or expense for the period.
- . Securities held to maturity - securities which management intends and has the financial capacity to hold to maturity, and stated at cost of purchase plus accrued income.

Regardless of the category in which they are classified, the income from securities is recorded in a statement of income account.

Derivative financial instruments - in accordance with BACEN Circular 3082/02 and subsequent regulations, the Derivative Financial Instruments are classified on the date of their acquisition in accordance with Management's intention of hedging or not.

The transactions carried out by CAIXA involving derivatives aim to meet its own and its customers' needs and, also, to reduce market, currency and interest rate risks. The management of these risks is carried out by defining operating strategies, establishing a system of internal controls and determining limits for the positions. The exposures to be hedged are classified as hedges in accordance with their nature:

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements at June 30, 2007 and 2006

All amounts in thousands of reais unless otherwise indicated

- . Market risk hedge - the financial assets and liabilities, as well as the respective related derivative financial instruments are adjusted to market value and the realized and unrealized gains and losses recorded directly as income or expense for the period.
- . Cash flow hedge - the effective amount of the hedge of financial assets and liabilities, as well as the respective related financial instruments, is adjusted to market value and the realized and unrealized gains and losses, net of tax, when applicable, recorded in a specific stockholders' equity account. The non-effective portion of the hedge is recorded directly as income or expense for the period.

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

Loan operations and allowance for loan losses - loans are classified observing: the parameters established by CMV Resolution 2682/99, which requires their classification in nine levels, from "AA" (minimum risk) to "H" (maximum risk); and assessment by management as to the risk level. This assessment, carried out periodically, takes into consideration the economic situation, past experience and the specific and overall risks in relation to the transactions, the debtors and guarantors. Also, the periods of arrears for attribution of the levels of classification are taken into consideration, as follows:

Period in arrears		Classification of the customer
Regular term	Special term (i)	
. from 15 to 30 days	. from 30 to 60 days	B
. from 31 to 60 days	. from 61 to 120 days	C
. from 61 to 90 days	. from 121 to 180 days	D
. from 91 to 120 days	. from 181 to 240 days	E
. from 121 to 150 days	. from 241 to 300 days	F
. from 151 to 180 days	. from 301 to 360 days	G
. more than 180 days	. above 360 days	H

(i) The terms comprise operations which mature in over 36 months, according to Resolution No. 2682/99.

The interest accrued on loans overdue up to 60 days is recorded as income from loans, and as from the 61st day as 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 allowance and controlled, for a further five years, in memorandum accounts, no longer being recorded in the balance sheet.

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements at June 30, 2007 and 2006

All amounts in thousands of reais unless otherwise indicated

(c) Tax Credits

Deferred income tax and social contribution on net income calculated on tax losses and on temporary differences are recorded as tax credits and valuation allowances are also recorded based on the expectation of generating future taxable income, in accordance with the rules established by BACEN.

(d) Permanent Assets

Investments

Investments in subsidiary and associated companies and those equivalent to associated companies are recorded on the equity method of accounting, plus goodwill and less negative goodwill, when applicable.

The other permanent investments are stated at the cost of acquisition, less provision for loss, when applicable.

Property and equipment

Property and equipment is stated at cost plus price-level statements up to December 31, 1995, combined with the following aspects:

- . Revaluations of properties (every four years), the last one having been made in December 2006;
- . Provisions for loss of other investments, when applicable;
- . Depreciation of property and equipment is calculated on the straight-line method at rates that take into account the estimated useful lives of the assets, as follows: properties in use - 4%; equipment - 10%; vehicles - 20%; and other assets in use - 10% to 20%.

Deferred charges

Deferred charges are recorded at cost of acquisition and formation less amortization calculated on the straight-line method in up to five years.

(e) Current and Long-term Liabilities

These are recorded at known or estimated amounts plus accrued charges and daily "pro rata" monetary and exchange rate variations incurred.

The contribution to Public Services Employees Savings (PASEP) was calculated at the rate of 0.65% and that to Social Contribution on Revenues (COFINS) at the rate of 4%, in accordance with specific applicable legislation.

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements at June 30, 2007 and 2006

All amounts in thousands of reais unless otherwise indicated

The provision for corporate income tax (IRPJ) was calculated at the rate of 15% plus an additional 10% on taxable income above a specific limit. The provision for social contribution on net income (CSLL) was calculated at the rate of 9% on taxable income.

(f) Contingent assets and liabilities

(i) Contingent assets - these are not recognized in the financial statements unless management has evidence that there are collateral guarantees or favorable legal decisions against which no further appeals are possible.

(ii) Contingent liabilities - these are recognized in the financial statements when, on the basis of legal opinions, the risk of loss in judicial or administrative proceedings is considered as probable, considering the nature of CAIXA's activities.

4 Short-term Interbank Investments

The short-term interbank investments are stated at cost plus income accrued to the balance sheet date, less eventual provisions for loss, when applicable.

	<u>2007</u>	<u>2006</u>
Held position		
Financial Treasury Bills	701	3
Federal Treasury Bills	1,418,816	4,028,998
Federal Treasury Notes	30,005	1,515,798
	<u>1,449,522</u>	<u>5,544,799</u>
Financed position		
Financial Treasury Bills	513,566	970,995
Federal Treasury Bills	7,784,705	8,785,636
Federal Treasury Notes	221,734	
	<u>8,520,005</u>	<u>9,756,631</u>
	<u>9,969,527</u>	<u>15,301,430</u>

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5 Securities and Derivative Financial Instruments

(a) Summary of the classification of Securities and Derivative Financial Instruments

Category	2007	2006
Trading securities	63,775,413	28,380,297
Securities available for sale	2,223,715	6,992,310
Securities held to maturity	57,952,517	56,334,063
Derivative financial instruments	36,770	88,784
	123,988,415	91,795,454

(b) Analysis of the securities portfolio

	2007	2006
OWN PORTFOLIO	84,181,066	63,053,102
Fixed income securities	83,766,806	62,677,784
Financial Treasury Bills	22,874,072	35,523,190
Federal Treasury Bills	8,388,406	13,744,323
National Treasury Notes	44,726,537	9,564,237
BACEN Notes		65,151
Financial Treasury Certificates	63,137	53,707
Securitized credits - CVS	7,027,727	3,658,469
Other securities	686,927	68,707
Shares in investment fund	401,498	361,558
Shares in real estate fund	12,762	13,760
SECURITIES SUBJECT TO COMMITMENTS	39,770,579	28,653,568
Securities subject to repurchase agreements	37,884,529	26,212,843
Financial Treasury Bills		
	26,249,873	25,712,903
National Treasury Bills	11,634,656	499,940
Deposits with BACEN - Federal Treasury Notes	1,592,802	2,035,490
Pledged in guarantee	293,248	405,235
Federal Treasury Notes		299,238
Financial Treasury Bills	293,248	105,997
DERIVATIVE FINANCIAL INSTRUMENTS	36,770	88,784
	123,988,415	91,795,454

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(c) Consolidated classification by categories and maturities

Securities	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Book Value	Cost plus accrued income	Market value
TRADING SECURITIES	14,144,908	23,294,953	18,656,248	7,679,304	63,775,413	62,571,980	63,775,413
Financial Treasury Bills	3,066,309	6,077,154			9,143,463	9,098,832	9,143,463
Federal Treasury Bills	10,768,932	9,254,130			20,023,062	19,592,932	20,023,062
National Treasury Notes	309,667	7,963,669	18,656,024	7,660,825	34,590,185	33,862,354	34,590,185
Agricultural debt securities (TDA)			224		224	225	224
Petrobrás debentures				5,717	5,717	4,875	5,717
Shares in real estate fund				12,762	12,762	12,762	12,762
SECURITIES AVAILABLE FOR SALE	391	490,342	96,311	1,636,671	2,223,715	2,040,465	2,223,715
Financial Treasury Bills		314,067		328,123	642,190	638,028	642,190
Federal Treasury Bills		176,275	95,138	564,491	835,904	663,232	835,904
CFT				63,137	63,137	64,516	63,137
TDA				228	228	187	228
Mortgage backed securities				60,175	60,175	62,195	60,175
Petrobrás debentures				68,597	68,597	58,470	68,597
Cyrela debentures				102,392	102,392	102,896	102,392
Vale do Rio Doce debentures				48,030	48,030	47,949	48,030
BNDP debentures			1,173		1,173	1,101	1,173
State Government securities	391				391	393	391
Shares in investment fund - FND				401,498	401,498	401,498	401,498
SECURITIES HELD TO MATURITY	16,453,169	29,243,394		12,255,954	57,952,517	57,952,517	55,658,677
Financial Treasury Bills	16,053,169	23,578,371			39,631,540	39,631,540	39,820,793
Federal Treasury Notes		5,665,023		5,228,227	10,893,250	10,893,250	11,067,153
Promissory Note - CEMIG	400,000				400,000	400,000	400,000
CVS				7,027,727	7,027,727	7,027,727	4,370,731
DERIVATIVE FINANCIAL INSTRUMENTS	36,770				36,770	36,770	36,770
Total - 2007	30,635,238	53,028,689	18,752,559	21,571,929	123,988,415	122,601,732	121,694,575
Total - 2006	30,041,242	39,626,015	17,188,674	4,939,523	91,795,454	91,393,996	90,790,853

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The market value of the securities is based on quoted prices 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.

The CVS securities, relating to the FCVS debt renewal contracts, mature in 2027 and earn income based on the Referential Interest Rate (TR) plus annual interest of up to 6.17%. Based on Provisional Measure 2196-3 of August 24, 2001, the Federal Government is authorized to exchange them for other securities issued by the Federal Treasury at updated face value. Aware that the exchange, whenever necessary, will be made and taking into consideration the financial capacity of CAIXA, management decided to classify these securities in the held to maturity category.

(d) Adjustment to market value of securities in the six-month period

<u>Securities available for sale</u>	<u>Opening balance</u>	<u>Positive adjustment</u>	<u>Negative adjustment</u>	<u>Net adjustment to stockholders' equity</u>	<u>Balance in stockholders' equity</u>
Financial Treasury Bills	25,809		21,648	(21,648)	4,161
Federal Treasury Notes	136,099	36,573		36,573	172,672
BNDES debentures		73		73	73
Petrobrás debentures	6,756	3,370		3,370	10,126
CYRELA debentures			505	(505)	(505)
CVRD debentures		82		82	82
State Government securities	(6)	4		4	(2)
Agricultural debt securities	36	5		5	41
CFT	(6,280)	4,921		4,921	(1,359)
CVS			2,020	(2,020)	(2,020)
Adjustments in associated companies	(12)		1	(1)	(13)
	162,402	45,028	24,174	20,854	183,256
Taxes on the market value adjustment	(55,220)		7,092	(7,092)	(62,312)
	107,182	45,028	31,266	13,762	120,944

(e) Securities held to maturity

CVM Resolution 3181/04 establishes, in its article 1, that sales of Federal Government Securities classified as securities held to maturity simultaneously with the purchase of new securities of the same nature, with a longer maturity and in an amount equal to or higher than that of the securities sold, do not imply any change in the financial institution's intention as to their classification in this category.

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According to the 2007 Annual Plan for Financing the Public Debt, the strategy of the Federal Treasury is to extend the average terms of the Federal Government Securities and to substitute the "securities remunerated by the Selic rate and by the foreign exchange rate variation by securities with post-fixed income or income linked to price indices".

CAIXA has adopted the strategy of "rolling over" Federal Government Securities, in this case exchanging NTN-B securities with maturities in 2007 for NTN-B with maturities due in 2009, with the objective of reducing the volume of maturities to occur during 2007, and consequently extending the maturity profile.

Amount of TPF held to maturity sold in the 1 st six-month period of 2007					
Event	Security	Maturity	Quantity	Unit price	Final amount
Secondary sale	NTN-B	5/15/07	1,101,476	1,638.97157686	1,805,288
Secondary purchase	NTN-B	5/15/09	1,140,568	1,582.79769078	1,805,288
Total quantity sold			1,101,476	Total amount sold	1,805,288
Total quantity purchased			1,140,568	Total amount acquired	1,805,288

(f) Derivative financial instruments

(f.1) Derivatives classified as a Hedge

CAIXA uses Derivative Financial Instruments as a hedge and classifies the own positions of future contracts negotiated at BM&F as "Destined for Hedge" of Market Risk. One-day DI futures contracts aim to protect from price oscillations of the own positions of pre-fixed Government Securities, thus ensuring the profitability of the transactions.

DERIVATIVES	2007	2006
Futures contracts (DI)	9,594	9,052
Purchase commitments	9,594	9,052

Swap derivative instruments restricted to own positions of Federal Public Securities indexed to the exchange variation have also been used as a hedge against risks of price oscillations and foreign exchange fluctuations. The last positions of contracts - hedge instruments of these securities fell due in October 2006.

(f.2) Derivatives not classified as a Hedge

The positions of these derivatives, which refer to swap contracts, have their notional amounts recorded in memorandum accounts and the adjustments in balance sheet accounts. The notional amount of these transactions is R\$ 7,572,160 (2006 - R\$ 19,142,768). The differential payable at this date amounts to R\$ 8,560 (2006 - R\$ 95,651) and the differential receivable to R\$ 36,770 (2006 - R\$ 88,784).

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(f.3) Guarantee margin

The guarantee margin on transactions with derivative financial instruments required at June 30, 2007 is as follows:

	2007	2006
Government securities		
Federal Treasury Notes	442,500	299,238
Financial Treasury Bills	113,404	105,975
	555,904	405,213

(f.4) Risks and evaluation of the derivative financial instruments

The main risks inherent to derivative financial instruments are credit, market and operational risks, all similar to those related to other types of financial instruments.

The credit risk exposure in futures contracts is minimized due to the daily cash adjustments. Swap contracts registered with CETIP and BM&F are subject to credit risk if the counterparty does not have the capacity or is not willing to perform its contractual obligations. The total credit exposure in swaps at June 30, 2007 is R\$ 213,251 (2006 - R\$ 179,757).

The methodology for valuing and measuring the market value of derivative financial instruments uses as a parameter the net probable realizable value obtained through the use of curves of future values of interest rates, foreign exchange rates, price indexes and currencies, disclosed by BM&F, ANDIMA and BACEN.

The market value measurement model uses the assumption of the construction of interest rate curves for each identified risk factor, using the transaction prices or firm bids for 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 surveys.

6 Interbank accounts - restricted deposits

- (a) The deposits with the Brazilian Central Bank mainly comprise compulsory deposits which are updated monetarily by official indices and interest rates, except those relating to demand deposits.

	2007	2006
On demand deposits	2,602,059	2,165,483
On savings deposits	13,295,312	10,853,907
Additional requirement	8,310,501	7,151,710
	24,207,872	20,171,100

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- (b) The "National Housing System - SFH" account includes predominantly the residual amounts of terminated contracts to be reimbursed by the FCVS, totaling R\$ 24,035,965, and provisions of R\$ 3,807,700, as per the following table, which are in the process of renewal with the Fund. These contracts currently accrue interest of up to 6.17% a year and are updated monetarily according to the Referential Interest Rate (TR). The effective realization of these credits depends on adherence to a set of rules and procedures defined in regulations issued by the FCVS. CAIXA's management has implemented a process for analyzing and checking the conditions and details of these contracts as to their qualifying under the 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.

Based on the same reasons for which the CVS securities are recorded in the securities portfolio in the held to maturity category and are, as a consequence, stated at updated cost, no provision was recorded to adjust these credits to market value (see Note 5(c)).

Contracts status	Balance	Provision
Not qualified (i)	2,485,568	(428,344)
Qualified and not approved (ii)	5,558,382	(2,743,322)
Qualified and approved (iii)	15,992,015	(636,034)
Total 2007	24,035,965	(3,807,700)
Total 2006	24,426,993	(4,039,641)

(i) Contracts not yet submitted to approval by the FCVS as they are under process of qualification by CAIXA.

(ii) Contracts already qualified by CAIXA and under analysis by CAIXA and/or FCVS for final approval of the FCVS.

(iii) Credits qualified and approved represent the contracts already analyzed and accepted by the FCVS and depending on the process of securitization, as prescribed by Law 10150/00, for their realization.

The provision for credits with the FCVS is based on half-yearly statistical studies and takes into account the history of loss due to negative coverage attributed by this Fund.

In the 1st six-month period of 2007, the Federal Government and CAIXA entered into an FCVS debt renewal agreement, which resulted in the receipt of CVS securities in the amounts of R\$ 1,964,889 and R\$ 204,498 in cash, of which R\$ 30,247 is in accordance with Provisional Measure No. 2.181-45/01 art. 51, and R\$ 174,251 refers to interest, totaling R\$ 2,169,387.

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7 Loan portfolio

(a) Analysis of the loan portfolio by type of transaction

Description	2007	2006
Loans, bills discounted and financing	17,961,658	16,626,489
Real estate financing	28,916,014	23,399,350
Infrastructure and development financing	2,910,676	1,996,821
Other receivables	1,550,212	1,360,145
	51,338,560	43,382,805

(b) Analysis of loans by sector of activity

Description	2007	%	2006	%
FEDERAL GOVERNMENT	1,068,864	2.08	1,027,835	2.37
Government - Direct and indirect administration	1,063,734	2.07	1,024,159	2.37
Business activities	5,130	0.01	3,676	
Industry	547	0.00	477	
Commerce	3,235	0.01	2,057	
Other services	1,348	0.00	1,142	
STATE GOVERNMENT	2,040,341	3.97	1,589,173	3.66
Government - Direct and indirect administration	1,069,316	2.08	946,439	2.18
Business activities	971,025	1.89	642,734	1.48
Industry	951,829	1.85	626,183	1.44
Financial intermediaries	14,137	0.03	13,439	0.04
Other services	5,059	0.01	3,112	
MUNICIPAL GOVERNMENT	451,848	0.88	278,373	0.64
Government - Direct and indirect administration	376,757	0.73	219,273	0.50
Business activities	75,091	0.15	59,100	0.14
Industry	72,022	0.14	57,535	0.14
Other services	3,069	0.01	1,565	
PRIVATE SECTOR	47,777,507	93.06	40,487,424	93.33
Individuals	10,987,922	21.40	9,948,660	22.93
Housing - Individuals/Companies	27,944,854	54.43	22,339,288	51.50
Rural	9,327	0.02	7,701	0.02
Industry	653,698	1.27	614,656	1.41
Commerce	1,556,435	3.03	1,517,438	3.50
Financial intermediaries	303,244	0.59	303,344	0.70
Other services	6,322,027	12.31	5,756,337	13.27
	51,338,560	100.00	43,382,805	100.00

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(c) Concentration of the main debtors

	<u>2007</u>	<u>% of the portfolio</u>	<u>2006</u>	<u>% of the portfolio</u>
Main debtor (*)	694,343	1.35	686,330	1.58
10 largest debtors	2,739,638	5.34	2,851,644	6.57
20 largest debtors	3,555,192	6.92	3,501,622	8.07
50 largest debtors	4,404,857	8.58	4,017,119	9.26
100 largest debtors	4,776,282	9.30	4,218,884	9.72

(*) Refers to financing to the public sector of refinancing of Federal Government contracts, based on Law 8727/93, whereby the Federal Government is responsible for their settlement. Provisional Measure No. 2.181-45/01 authorized the Federal Government to prepay these contracts. The contracts have an annual interest rate of 12%, plus monetary restatement according to the Referential Interest Rate (TR). These refinancing operations are guaranteed by the State and Municipality Participation Fund (Fundo de Participação dos Estados e Municípios).

(d) Analysis of loan operations and other receivables with loan characteristics, by maturity

	<u>2007</u>		<u>2006</u>	
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Total</u>
Current	280,116	17,226,560	17,506,676	15,598,176
From 0 to 90 days	77,886	7,024,087	7,101,973	6,487,273
From 91 to 360 days	202,230	10,202,473	10,404,703	9,110,903
Long-term	3,278,142	28,285,242	31,563,384	25,679,638
From 1 year to 3 years	504,651	14,861,912	15,366,563	13,415,961
From 3 years to 5 years	477,334	8,065,191	8,542,525	6,526,772
From 5 years to 15 years	921,787	4,698,220	5,620,007	4,139,341
Over 15 years	1,374,370	659,919	2,034,289	1,597,564
Total normal	3,558,258	45,511,802	49,070,060	41,277,814
Total overdue	2,795	2,265,705	2,268,500	2,104,991
Total	3,561,053	47,777,507	51,338,560	43,382,805

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(e) **Classification by type and risk level of loan operations and other receivables with loan characteristics**

<u>Risk level</u>	<u>Loans and bills discounted</u>	<u>Financing</u>	<u>Financing for real estate, infrastructure and development</u>	<u>Other receivables</u>	<u>Total in 2007</u>	<u>%</u>	<u>Total in 2006</u>	<u>%</u>
AA	971,908	694,574	1,018,452	8,334	2,693,268	5.25	2,256,868	5.20
A	6,753,464	1,401,627	13,121,743	444,225	21,721,059	42.30	17,504,301	40.35
B	2,370,460	784,822	5,433,327	317,755	8,906,364	17.35	6,490,815	14.96
C	1,432,264	257,662	8,310,649	102,513	10,103,088	19.68	8,432,614	19.44
D	841,550	204,006	1,341,472	307,208	2,694,236	5.25	3,822,900	8.81
E	246,151	43,571	251,003	24,619	565,344	1.10	763,982	1.76
F	188,688	38,169	179,976	8,127	414,960	0.81	379,202	0.87
G	327,825	156,701	126,193	17,297	628,016	1.22	386,240	0.89
H	778,000	470,216	2,043,875	320,134	3,612,225	7.04	3,345,883	7.72
	13,910,310	4,051,348	31,826,690	1,550,212	51,338,560	100.00	43,382,805	100.00

(f) **Analysis of the allowance for loan losses by risk level and for other receivables with loan characteristics**

<u>Risk Level</u>	<u>Loans and bills discounted</u>	<u>Financing</u>	<u>Financing for real estate, infrastructure and development</u>	<u>Other receivables</u>	<u>Total in 2007</u>	<u>%</u>	<u>Total in 2006</u>	<u>%</u>
A - 0.5	33,767	7,008	65,609	2,221	108,605	2.09	87,519	1.81
B - 1.0	23,705	7,848	54,333	3,178	89,064	1.71	64,905	1.35
C - 3.0	42,968	7,730	249,320	3,075	303,093	5.83	252,978	5.24
D - 10.0	84,155	20,401	134,147	30,721	269,424	5.18	382,301	7.93
E - 30.0	73,817	13,065	75,357	7,363	169,602	3.26	229,192	4.75
F - 50.0	94,345	19,084	89,988	4,063	207,480	3.99	189,600	3.93
G - 70.0	229,477	109,691	88,335	12,108	439,611	8.46	270,367	5.61
H - 100.0	778,000	470,216	2,043,875	320,134	3,612,225	69.48	3,345,883	69.38
	1,360,234	655,043	2,800,964	382,863	5,199,104	100.00	4,822,745	100.00

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(g) **Movement of the allowance for possible loan losses in loan operations and other receivables with loan characteristics.**

	<u>2007</u>	<u>2006</u>
Opening balance - December 2006/2005	4,878,808	4,163,950
Additional allowances	1,011,031	500,802
Loans transferred to loss for the six-month period	<u>(690,735)</u>	<u>157,993</u>
	<u>5,199,104</u>	<u>4,822,745</u>

(h) **Loans renegotiated, written off and recovered**

	<u>2007</u>	<u>2006</u>
Loans renegotiated in the six-month period	722,106	582,039
Loans written off and recovered in the six-month period	190,417	197,802

8 Other Receivables

(a) **Income receivable**

Income receivable refers to amounts receivable for services rendered.

	<u>2007</u>	<u>2006</u>
Dividends and interest on own capital receivable from the National Development Fund (FND)	404,948	271,042
FGTS	160,742	148,628
Unemployment insurance	38,228	76,828
General Federal Government Budget	184,701	197,299
INSS	65,450	66,499
Social Register	9,204	157,821
Family allowance	69,977	130,075
EMGEA - Empresa Gestora de Ativos (Asset Management Company)	24,027	26,358
School grant program	9,664	9,857
PIS	5,485	88,447
FIES	56,898	50,110
Others	<u>76,640</u>	<u>59,432</u>
	<u>1,105,964</u>	<u>1,282,396</u>

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(b) Sundries

	<u>2007</u>	<u>2006</u>
Advances	227,200	320,933
Tax credits (Note 18)	1,208,783	1,369,140
Receivables from guarantee deposits (Note 20(a))	3,016,844	2,632,733
Taxes and contributions to offset	127,752	145,749
Payments to be reimbursed	4,772	25,257
Prepaid profit sharing		642,649
Other receivables with loan characteristics (Note(b.1))	1,530,213	1,346,151
Other receivables without loan characteristics (Note(b.2))	991,695	721,102
Sundry debtors (Note(b.3))	594,224	1,235,269
Provision for losses - Sundry (i)	(215,280)	(188,917)
	<u>7,486,203</u>	<u>8,250,066</u>

- (i) Mainly the provision for definitive net loss and indemnity claims for housing financing.

(b.1) Securities and credits receivable

Receivables from sale of assets and rights	15,401	20,753
Securities and credits receivable	1,514,812	1,325,398
Amounts receivable - Bamerindus (ii)	302,941	302,941
Credit cards	982,465	750,866
Government of the State of Bahia - EMBASA (iii)	226,596	268,781
Other securities and credits receivable	2,810	2,810
	<u>1,530,213</u>	<u>1,346,151</u>

- (ii) Credits with the bankrupt estate of Banco Bamerindus, originating preponderantly from the acquisition of real estate credits, which are fully provided.

- (iii) Debt confession contract with the Government of the State of Bahia (EMBASA), with agreement for the rescission of the purchase and sale of shares.

(b.2) Securities and credits receivable

Government of the State of Pernambuco - COMPESA (iv)	241,884	241,884
Credit cards	33,468	18,787
Provisioning fund - VISANET	35,897	35,897
PAMS and Saúde CAIXA Health Care Plan (v)	680,446	424,534
	<u>991,695</u>	<u>721,102</u>

- (iv) Advance of privatization funds to the Government of the State of Pernambuco (COMPESA), which is fully provided.

- (v) Amounts paid by CAIXA to those accredited under the CAIXA healthcare Plan (SAÚDE CAIXA), as a result of discussions of the criteria for classification and of the update of the databases of the new management system and control of the contributions and expenses of the healthcare plan. Payroll discounts from users of the plan already began to be made in the 1st six-month period of 2007.

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(b.3) Sundry debtors

Amounts to allocate - Loans and financing (iv)	316,510	930,263
Insurance receivable	134,015	134,923
Other debtors	53,291	61,885
Credits purchased	90,408	108,198
	594,224	1,235,269

- (iv) Mainly amounts recorded as debits to real estate financing, not classified by the SIACI - Sistema de Controle de Financiamentos, being identified for allocation to the corresponding contracts. These amounts relate to credits of the same nature, explained in Note 15(c).

(c) Provision for loss of other receivables

In accordance with BACEN Circular 3048/02, securities and credits receivable are classified as "with loan characteristics" - R\$ 382,863 (2006 - R\$ 398,184) and "without loan characteristics", R\$ 241,884 (2006 - R\$ 241,884).

	<u>2007</u>	<u>2006</u>
Provision with loan characteristics	375,008	373,823
Receivables from honored guarantees	1,735	12,172
Receivables on purchase of assets	6,120	12,189
Provision without loan characteristics - COMPESA	<u>241,884</u>	<u>241,884</u>
	<u>624,747</u>	<u>640,068</u>

9 Other assets

- (i) The assets not in use mainly refer to adjudicated properties, properties received as payments in kind for loans and also properties no longer used in CAIXA's own operations. The provision for loss of these properties is recorded based on appraisal reports prepared by specialized companies.
- (ii) The amount relating to "Prepaid expenses" - R\$ 44,772 (2006 - R\$ 112,721) refers mainly to goodwill on the purchase of INSS consignment credits of R\$ 10,448 (2006 - R\$ 56,275), updated on the basis of the maturity of the credits purchased, in up to 35 months, and R\$ 16,212 (2006 - R\$ 43,191) of advertising and publicity costs for the 2007 Pan-American Games.

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10 Permanent assets

(a) Investments

The investments in subsidiaries substantially relate to CAIXA SEGUROS S.A. and are recorded on the equity method of accounting. The main details of the investee and investment at June 30, 2007 are presented as follows:

	<u>2007</u>	<u>2006</u>
Stockholders' equity (A)	1,250,770	1,236,382
Capital	400,000	400,000
Capital increase under approval	200,000	200,000
Number of shares (B)	16,930,108	16,930,108
Retained earnings	260,182	271,733
Revaluation reserve/retained earnings	248	406
Unrealized gains and losses with securities	(28)	(1)
Goodwill reserve	130,630	174,539
Net income for the period	259,738	189,705
Book value per share (A/B) - R\$	73.88	73.03
Investment		
Number of shares held	8,161,426	8,161,426
Shareholding interest (%)	48.20658	48.20658
Book value of the investment	539,982	469,767
Equity in earnings	125,330	49,345
Dividends proposed - 2007	89,128	43,955
Reversal of dividends - 2006	(17,985)	
Total of investments in associated companies	<u>539,982</u>	<u>469,767</u>

(b) Property and equipment in use

	<u>Cost</u>	<u>Depreciation</u>	<u>2007 Net</u>	<u>2006 Net</u>
Properties in use	1,017,038	(21,538)	995,500	694,647
- Buildings	116,183	(3,863)	112,320	116,051
- Revaluation of buildings	600,161	(17,675)	582,486	366,719
- Land	70,604		70,604	70,254
- Revaluation of land	230,090		230,090	141,623
Construction in progress	3,463		3,463	103,954
Furniture, installations and equipment in use	427,823	(284,287)	143,536	182,868
Communications system	56,166	(41,058)	15,108	18,609
Data processing system	1,639,157	(1,204,963)	434,194	331,273
Transport and security system	91,003	(46,983)	44,020	48,989
	<u>3,234,650</u>	<u>(1,598,829)</u>	<u>1,635,821</u>	<u>1,380,340</u>

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Based on the option provided in BACEN Circular 2824/98, CAIXA adopts the procedure of revaluing property in use (every four years). Accordingly, all of the properties in use were revalued in December 2006 in accordance with this rule.

(c) Deferred charges

	<u>2007</u>	<u>2006</u>
Expenses with leasehold properties	268,044	227,176
Expenses with logistical projects	187,239	646,783
Improvements to own properties	109,148	105,124
Accumulated amortization	<u>(247,590)</u>	<u>(780,900)</u>
	<u>316,841</u>	<u>198,183</u>

(d) Compliance with the capitalization ratio

The capitalization ratio is 13.36% and CAIXA is therefore in compliance with the limits defined by CMN Resolution 2669/99, which establishes the limit of 50% as from December 31, 2002.

11 Deposits and deposits received under security repurchase agreements

- (a) Time deposits include judicial deposits totaling R\$ 29,187,487 (2006 - R\$ 27,758,969), which are remunerated based on the Referential Interest Rate (TR). They also include deposits in CDB FLEX, of R\$ 10,702,187 (2006 - R\$ 12,828,554), which, despite of having a maturity of over 360 days, are classified as having no maturity since they have the option of early redemption. The judicial deposits of a labor and state government nature also incur interest of 6% p.a. The deposits are distributed as follows:

<u>Deposits</u>					<u>2007</u>	<u>2006</u>
	<u>Demand</u>	<u>Time</u>	<u>Savings</u>	<u>Others</u>	<u>Total</u>	<u>Total</u>
Current	8,471,179	41,832,497	66,742,601	107,999	117,154,276	104,277,411
No maturity	8,471,179	39,889,674	66,742,601	107,999	115,211,453	102,229,567
From 31 to 90 days		976,820			976,820	1,272,739
From 91 to 360 days		966,003			966,003	775,105
Long-term		<u>79,728</u>			<u>79,728</u>	<u>65,288</u>
	<u>8,471,179</u>	<u>41,912,225</u>	<u>66,742,601</u>	<u>107,999</u>	<u>117,234,004</u>	<u>104,342,699</u>

The deposits received under security repurchase agreements of R\$ 46,394,082 (2006 - R\$ 35,945,392), are guaranteed by federal government securities, and these transactions are carried out in the short term.

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- (b) The special deposits and deposits of funds and programs comprise those of the Fundo de Garantia do Tempo de Serviço - FGTS and of other funds and programs. The FGTS deposits are restated by the SELIC rate and the other deposits in accordance with Resolutions 279 and 295/98 of the FGTS Trustee Council. Special remunerated deposits, FAS, FISANE and PRODEC, are restated by the TR. The PIS deposits are updated based on a rate calculated by BACEN.

	<u>2007</u>	<u>2006</u>
Deposits - FGTS	5,033,228	3,069,021
Deposits - Special with remuneration	843,894	792,735
Deposits - FAS	2,526	5,318
Deposits - FAT (*)	3,236,756	2,906,635
Deposits - FISANE	267,495	236,503
Deposits - PRODEC	33,189	30,580
Deposits - PIS	193,850	150,624
Deposits - FIEL	45,116	41,661
CAIXA Health Care Program	599,853	369,893
Others	101,856	19,458
	<u>10,357,763</u>	<u>7,622,418</u>

(*) 76.62% of the resources of the Fund for Workers' Assistance (FAT) is intended for the Program for Generating Employment and Income (PROGER), in the amount of R\$ 2,480,007 17.78% for Housing, in the amount of R\$ 575,635 and 5.60% for Other Lines of Credit (Digital Inclusion and BCD - Durable Consumer Goods and infrastructure), in the amount of R\$ 181,114, The resources free for investment, updated on the basis of the SELIC rate, in the amount of R\$ 234,156 correspond to 7.23% of the total resources. The balance of the resources invested, of R\$ 3,202,600 equivalent to 92.77% of the total of funds, is updated by the TJLP.

12 Funds from Acceptances and Issue of Securities

Paper	Index	Minimum redemption term				2007	2006
		3 months	12 months	3 years	5 years		
LH	IGPM			9,337	373,284	382,621	479,098
LH	INPC				8,366	8,366	8,875
LH	TR			1,454	179,979	181,433	2,542,490
LCI	IGPM				36,629	36,629	154,227
LCI	INPC	47,995	1,327	28,951		78,273	74,201
LCI	TR	330,801	798,527	5,711,006		6,840,334	3,944,104
		378,796	799,854	5,750,748	598,258	7,527,656	7,202,995

These refer to funds from mortgage notes and real estate credit notes which are restated by the Referential Interest Rate (TR), or the IGP-M or INPC inflation indexes.

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The issues in TR (including all original transactions with and without swap, weighted in accordance with the updated balance) also incur average interest of 7.5% per annum and have a minimum redemption term of three months.

The issues of LH in IGP-M and INPC also incur average interest of 10.96% and 11.20% per annum, respectively, and have a minimum redemption term of three months.

The issues of LCIs indexed to the IGP-M and INPC also incur average interest of 10.95% and 10.77% per annum, respectively, and have a minimum redemption term of three months.

13 Borrowings

Foreign borrowings incur interest of up to 5.32% per annum and exchange variation of the currency to which they are stated, mainly U.S. dollars, with maturity dates up to 2013.

14 Local Onlendings - Official Institutions

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

	<u>2007</u>	<u>2006</u>
FGTS	17,184,420	13,671,339
BNDES	641,288	566,125
UNIÃO	27,185	18,148
PIS	407,087	421,046
INCRA	226,678	205,841
PRODEC	15,953	15,440
Other institutions	116,497	58,078
	<u>18,619,108</u>	<u>14,956,017</u>

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15 Other Liabilities

(a) Taxes and social security

	<u>2007</u>	<u>2006</u>
Taxes and contributions on profits	65,597	52,042
Income tax	4,385	
Social contribution on net income	875	
COFINS	51,989	44,944
PASEP	8,348	7,098
Taxes and contributions payable	230,875	234,472
On salaries	206,258	198,193
On services	24,374	36,068
Others	243	211
Deferred taxes and contributions	690,167	297,482
Income tax (IR) on revaluation reserve - Buildings	145,622	91,680
Social contribution (CS) on revaluation reserve - Buildings	52,424	33,004
IR on adjustments to market value - Securities available for sale	45,817	21,080
CS on adjustments to market value - Securities available for sale	16,494	7,589
IR on adjustments to market value - Trading securities	300,858	79,285
CS on adjustments to market value - Trading securities	108,309	28,542
Public Service Employees' Saving Program - PASEP	20,643	36,302
Provision for tax risks (Note 20 (c))	1,152,303	1,106,342
PASEP	654,473	633,674
INSS	216,943	220,460
ISS	237,343	210,429
Others	43,544	41,779
	<u>2,138,942</u>	<u>1,690,338</u>

(b) Funds with specific purposes

These refer to liabilities arising from funds from operations related to lotteries, liabilities arising from fund resources and social programs administered by the Institution and fund resources or special programs provided with Government or public entity funds, administered by the Institution.

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	<u>2007</u>	<u>2006</u>
Lottery operations	344,979	366,700
Social funds and programs	1,609,954	1,510,118
FGTS	992,906	675,422
FISANE	15,307	24,475
School grants	2,493	74,070
"Bolsa Família" (Family Grant)	163,445	196,848
"Bolsa Renda" (Basic Income Grant)		14,400
Food supplement	459	24,423
Gas subsidy	3,721	86,470
Housing Subsidy Program (PSH)	342,504	349,070
Others funds and programs	89,119	64,940
Financial development funds	1,596,112	1,588,800
PIS	1,481,592	1,525,837
Others	114,520	62,963
	<u>3,551,045</u>	<u>3,465,618</u>

(c) Sundry

	<u>2007</u>	<u>2006</u>
Contributions to the SFH	19,695	18,544
Official agreements	45,109	37,656
Accrued expenses (c.1)	1,240,792	1,294,664
Provision for contingent liabilities (c.2)	4,827,591	4,299,227
Post-employment benefits (1)	688,195	688,195
Funds linked to loans (3)	19,781	96,240
FGTS funds for amortizations	1,838	1,841
Capital subscriptions payable		1,309
Sundry creditors - overseas	455	9
Sundry creditors - Brazil (c.3)	3,259,633	3,755,328
	<u>10,103,089</u>	<u>10,193,013</u>
(c.1)		
Personnel expenses	1,106,759	958,428
FUNCEF (Note No. 21 (a))	1,361	142,489
Other administrative expenses	6,685	4,668
Other payments	125,987	189,079
	<u>1,240,792</u>	<u>1,294,664</u>
(c.2)		
PREVHAB - Technical reserves (2)	463,046	412,357
Provision for contingencies (Note No. 20 (a))	4,364,545	3,886,870
Labor	1,453,951	1,295,000
Civil lawsuits	2,517,278	2,174,301
Other	393,316	417,569
	<u>4,827,591</u>	<u>4,299,227</u>

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(c.3)		
Credit cards	1,036,170	781,378
Accounts payable	155,607	376,974
Empresa Gestora de Ativos (EMGEA) (4)	344,208	349,489
Receivables purchased	451,783	435,191
Unearned amounts - Loans and financing (Note No. 8 (b)(iv))	409,111	1,063,950
Other sundry credits	862,754	748,346
	3,259,633	3,755,328

(1) Post-employment benefit

Agreements to pay food allowances to retired employees, the amount of R\$ 688,194 was provided in 2005 and supplemented in 2006, as a post-employment benefit.

(2) 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 this Decree, a voluntary process was launched in September, 1997 for PREVHAB's active members to adhere to FUNCEF - Fundação dos Economistas Federais and for retired members and beneficiaries to a Special Benefits Plan under the auspices of SASSE - Cia. Nacional de Seguros Gerais S.A., currently CAIXA SEGUROS S.A.

The active members of PREVHAB signed terms of adherence and assignment of rights relative to pension reserves, formally accepted by CAIXA in its capacity of sponsor, and by FUNCEF in its capacity of a 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 Federal Treasury Bills.

The retired members and beneficiaries of PREVHAB 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, relating to the mathematical reserves appraised and recorded on October 1, 1998, and restated to R\$ 784,655 as of June 2002, including provisions for lawsuits. No further technical appraisal reports were made of these reserves after the date of record.

On November 1, 2002, a termination agreement was signed between CAIXA and CAIXA SEGUROS, with respect of the contract of the Special Benefit Plan, transferring all the plan's guaranteeing resources to CAIXA.

As a result of the cancellation of this contract, the total guaranteeing resources of the Special Benefit Plan were transferred by CAIXA SEGUROS to CAIXA, and to avoid a lapse in the payment of the complementary benefits to the participants of that plan, payment of the benefits was authorized by the Department of Complementary Pensions (SPC), through Notice

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2099/SPC/CGAJ, of December 13, 2002. Payment was authorized on an exceptional basis, from November 2002 until the implementation of the necessary conditions for FUNCEF to be able to administer the plan(s) to be instituted for this group of participants, at which time a provision was recorded for the payments to the retired members and beneficiaries until the full adherence thereof to the existing plans or those to be instituted at FUNCEF.

As from April 15, 2003, the process for transferring retired members and beneficiaries from PREVHAB to FUNCEF was launched, through adherence to the Benefit Plan (REB).

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

(3) Funds linked to loans

These refer to funds recorded in accounts linked to loans in the name of customers, not used by them, and remunerated with the same charges as those of the respective financing transactions.

(4) EMGEA - Empresa Gestora de Ativos

These refer to responsibilities of CAIXA arising from the management of contracts, in loans and assets not for use.

(d) Subordinated debt eligible for capital

Under the terms of CMN Resolution No. 2837/01, on October 11, 2005 part of the existing debt referring to loan liabilities of CAIXA with FGTS was converted into subordinated debt, used in the calculation of the Basel limits. This transaction was approved by BACEN in October 2005 and amounts to R\$ 3,439,717. The payment of the debt contracted will start as from March 20, 2013. The grace period of 88 (eighty-eight) months for the payment of the subordinated debt will extend up to February 20, 2013 and will be automatically renewed if CAIXA is no longer classified in respect of the minimum capitalization required by current legislation, as from March 20, 2013, or, in the event of the payment itself generating declassification. The total debt, during the grace or declassification period, will incur price-level restatement and capitalized monthly interest at the rate of 6.125%, corresponding to the effective rate of 6.300% p.a., which is equivalent to the average rate of the current agreements.

(e) Hybrid instruments of capital and debt eligible to capital

The Federal Government was authorized, through Provisional Measure 347/07, converted into Law 11485/07, to grant a loan to CAIXA of R\$ 5,200,000, at financial and contractual conditions that permit the transaction to be classified as a hybrid instrument of capital and debt, as defined by Resolution 3444/07 of the Monetary National Council (CMN), in order to increase its operating limits. The grant was formalized on May 24, 2007, through a loan agreement signed by the Federal Government and CAIXA, and the loan was paid on June 13, 2007. BACEN, through Deorf/Cofin Official Letter II 2007/5808, of July 2, 2007, authorized CAIXA to consider the funds contracted eligible to the level II of capital. The debt does not have a maturity date. Interest is added to the loan balance monthly at the average effective

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rate, as a percentage per annum, of the first stage (cash) of the auctions of Federal Treasury Notes, B series, falling due on May 15, 2045, weighted by the number of these securities negotiated by the National Treasury in the auctions immediately prior to the release date of each installment of the current loan, calculated on the nominal restated amount of the debt, with price-level restatement calculated based on the IPCA variation.

16 Stockholders' Equity

(a) Capital

CAIXA's capital amounts to R\$ 6,556,161 and is held exclusively by the Federal Government.

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

In conformity with Resolution of CMN 2099/94 and later regulations, which establish the minimum levels of referential equity for financial institutions, based on the volume of their operations, CAIXA shows the following position, whereas the minimum required in Brazil is 11%:

	2007	2006
A - Reference stockholders' equity - Tier I	9.350.484	7.732.187
Stockholders' equity	10.524.604	8.355.398
Revaluation reserves	(614.531)	(383.852)
Tax credits - CMN Resolution 3059 - after 5 years	(433.001)	(239.359)
Deferred assets - CMN Resolution 3444	(50.289)	
Mark-to-market adjustment - CMN Resolution 3444	(76.299)	
B - Reference stockholders' equity - Tier II	9.330.547	3.823.569
Revaluation reserves	614.531	383.852
Subordinated debts eligible to capital	3.439.717	3.439.717
Hybrid Instruments of Capital and Debt Eligible to Capital	5.200.000	
Mark-to-market adjustment	76.299	
C - Deductions from the Referential Equity	9.523	
Investment abroad - CMN Resolution 3444	9.523	
D - Required stockholders' equity (PLE)	6.156.044	5.029.639
Reduced risk - 20%	540.601	551.084
Reduced risk - 50%	1.637.106	1.328.442
Normal risk - 100%	2.896.822	2.584.055
Tax credits - 300%	256.009	372.827
Swap credit risk	42.650	35.951
Market risk - Interest rate	782.856	157.280
E - Sufficiency (A + B - C - D)	12.515.464	6.526.117
F - Classification index [(A+B-C)*11/D]	33.36%	25.27%

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(c) Revaluation reserves

In December 2002, CAIXA revalued 100% of its properties for own use. The revaluation was carried out by accredited engineering companies, specialized in the valuation of real estate, and was monitored and accompanied by CAIXA personnel.

(d) Revenue reserves

The revenue reserves comprise a legal reserve calculated at 5% of the annual net income, and a reserve for incorporation as capital arising from the income from the management of lotteries, equivalent in the 1st six-month period of 2007 to R\$ 85,778 (2006 - R\$ 67,199) and R\$ 92,714 (2006 - R\$ 29,883), respectively.

(e) Dividends and interest on own capital

The Federal Government is guaranteed a minimum dividend of 25% of adjusted net income in accordance with Decree 2673/98. During the six-month period, dividends of R\$ 386,298 (2006 - R\$ 626,315) have been distributed, of which R\$ 111,490 (2006 - R\$ 305,200) in dividends and R\$ 274,808 (2006 - R\$ 321,115) as interest on own capital, calculated on net equity based on the Long-Term Interest Rate (TJLP), as provided for in article 9 of Law 9249 of December 26, 1995. This latter amount, which is considered a tax-deductible expense, reduced corporate income tax and social contribution on net income expense by approximately R\$ 93,435 (2006 - R\$ 109,179) during the six-month period.

	2007	2006
Net income	1,715,566	1,343,978
Legal reserve	(85,778)	(67,199)
Realization of the revaluation reserve	8,121	5,733
Lottery reserve	(92,714)	(29,883)
Basis for the calculation of the dividends	1,545,195	1,252,629
Dividends proposed - 25%(2007) and 50%(2006)	386,298	626,315
Interest on own capital	274,808	321,115
Supplementary dividends	111,490	305,200

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17 Remuneration Paid to Management and Employees

The remuneration paid to management and employees is shown below, without the payments disallowed referred to in Decree-Law No. 2355/87 and Law No. 8852/94.

Remuneration	Management		Employees	
	2007	2006	2007	2006
Highest	28,517	21,204	16,178	14,786
Average	23,570	20,309	4,186	3,939
Lowest	19,642	19,414	894	758

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

(a) Tax credits

The principal amounts included in the "Tax credits" are:

- . CSLL credits, relating to the tax years ended up to December 1998, calculated at the rate of 18%, based on article 8 of Provisional Measure 2158-35/2001;
- . IR credits relating to accumulated tax losses, which do not prescribe, and temporary differences; at the rate of 25% and
- . CSLL credits relating to accumulated losses and temporary differences determined as from 1999, at the rate of 9%.

The tax credits recorded amount to R\$ 7,123,313 (2006 - R\$ 6,780,502) for IRPJ and R\$ 1,916,265 (2006 - R\$ 1,817,820) for CSLL, totaling R\$ 9,039,578 (2006 - R\$ 8,598,322). As a result of studies with respect to the realization of the tax credits, management decided to record valuation allowances of R\$ 7,830,795 (2006 - R\$ 7,229,182) resulting in total tax credits net of valuation allowances of R\$ 1,208,783 (2006 - R\$ 1,369,140).

Management is presently reviewing the conditions for realizing the tax credits, in the light of the results achieved in the last five years, the forecasts, and the premises provided for in CMN Resolution 3355/06.

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Origin of the tax credits

	2007		2006	
	IRPJ	CSLL	IRPJ	CSLL
Allowance for loan losses	1,616,197	76,941	1,412,168	23,824
Provision SFH	951,925	342,693	1,009,910	139,456
Provision for contingencies	412,971	151,356	1,242,290	447,179
Others	1,754,604	530,656	629,056	331,845
Subtotal of temporary differences	4,735,697	1,101,646	4,293,424	942,304
Tax losses	2,890,572		2,890,572	
Write-offs up to the period	(502,956)		(403,494)	
Tax losses up to 2000		512,595		512,595
Tax loss in 1998 - 18%		176,291		176,291
Temporary differences 1998 - 18%		448,223		448,223
write-offs up to the beginning of the period		(322,490)		(261,593)
Total tax credits	7,123,313	1,916,265	6,780,502	1,817,820

Expected realizations of the tax credits, net of valuation allowance

Book value

Year	2007 2 nd six- month period	2008	2009	2010	2011	2012 1 st six- month period	2012 2 nd six- month period to 2016	Total
IRPJ	1,657	103,715	69,781	120,163	143,486	129,712	541,251	1,109,765
CSLL	418	26,136	17,585	43,648	11,231			99,018
	2,075	129,851	87,366	163,811	154,717	129,712	541,251	1,208,783

Present value

Year	2007 2 nd six- month period	2008	2009	2010	2011	2012 1 st six- month period	2012 2 nd six- month period to 2016	TOTAL
IRPJ	1,559	92,537	59,267	97,419	111,291	96,252	384,245	842,570
CSLL	393	23,319	14,935	35,386	8,711			82,744
	1,952	115,856	74,202	132,805	120,002	96,252	384,245	925,314

The present value of the credits was calculated in compliance with BACEN Circular No. 3171/02 at the Long-term Interest Rate (TJLP).

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The technical studies were based on projected income, considering the targets and rules established for the Company's products, as well as the market prospects and evaluation of the projected economic indicators based on the trends of the Brazilian economic scenario.

(b) Calculation of IRPJ and CSLL

	2007		2006	
	IRPJ	CSLL	IRPJ	CSLL
Profit before IRPJ and CSLL	2,042,612	2,042,612	1,481,739	1,481,739
IRPJ and CSLL expense at the rates of 25% and 9%	(510,653)	(183,835)	(370,423)	(133,357)
Tax effects of the additions and deductions	232,255	87,483	225,067	81,047
Provision for SFH	84,772	30,518	19,389	6,980
Provision for contingencies	(94,505)	(34,022)	(100,734)	(34,054)
Allowance for loan losses	(123,699)	(44,532)	23,847	8,585
Result from the FGTS	307,588	110,732	341,113	122,801
Others	58,099	24,787	(58,548)	(23,265)
Realization of the revaluation reserve			2,172	782
Interest on own capital	68,702	24,733	80,279	28,900
Profit sharing	17,175	2,226	20,070	7,225
Deferred tax asset	58,683	35,955	13,506	8,254
Tax incentive	3,570		756	
Total IRPJ and CSLL expense	(130,268)	(33,438)	(28,573)	(7,149)

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(c) Changes in the tax credits

	<u>Gross Amount</u>	<u>Provision</u>	<u>Net</u>
Balance at December 31, 2006	8,820,474	(7,517,053)	1,303,421
Realization of tax credits	(58,683)		(58,683)
Write off of tax credits - 2002 MP 2158-35/01	(35,955)		(35,955)
Additional tax credits	313,742	(313,742)	
Balance at June 30, 2007	<u>9,039,578</u>	<u>(7,830,795)</u>	<u>1,208,783</u>

In accordance with the projections in 2006, the estimated realization of tax credits in 2007 for IRPJ and CSLL was R\$ 45,063. The amount realized in the 1st six-month period of 2007 was R\$ 94,638.

19 Statement of Income

(a) Service fee income

	<u>2007</u>	<u>2006</u>
Administration of the FGTS	1,020,528	778,405
Administration of the FCVS	56,049	56,182
Administration of the PIS	20,262	20,688
Administration of lotteries	243,112	211,976
FGTS - Collection and payment fees	172,766	154,777
Unemployment insurance	23,454	21,335
General Federal Government Budget (OGU)	15,000	19,093
Family allowance	119,014	111,972
INSS - Collection and payment fees	40,524	41,621
Management of investment funds	313,972	273,056
Fees from agreements	314,791	317,210
Check and paper clearing services	70,631	76,985
Current account maintenance fees	216,143	162,014
Credit card	75,663	39,834
Collection of bills	128,261	117,554
EMGEA - Administration of contracts	147,363	149,672
Risk rate - Operating Agent	42,741	32,472
Other services	332,862	161,172
	<u>3,353,136</u>	<u>2,746,018</u>

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(b) Personnel and administrative expenses

	<u>2007</u>	<u>2006</u>
Personnel expenses		
Salaries	(2,125,344)	(1,924,402)
Benefits	(491,405)	(428,966)
Social charges		
FGTS	(149,093)	(142,068)
Social security	(447,943)	(409,313)
Supplementary social security pensions (Note 21 (a))	(87,231)	(90,122)
Others	(59,413)	(49,988)
	<u>(3,360,429)</u>	<u>(3,044,859)</u>

	<u>2007</u>	<u>2006</u>
Administrative expenses		
Communication	(190,362)	(117,329)
Maintenance and repairs of assets	(172,709)	(164,252)
Water and electricity	(105,472)	(94,198)
Rent	(237,925)	(235,479)
Materials	(47,566)	(52,356)
Data processing	(500,618)	(578,590)
Promotions and public relations	(38,988)	(24,973)
Advertising and publicity	(120,303)	(127,988)
Financial system services	(89,428)	(82,244)
Third party services	(230,747)	(172,630)
Specialized services	(82,073)	(63,646)
Surveillance and security services	(146,274)	(130,145)
Depreciation and amortization	(213,481)	(227,985)
Other administrative expenses	(90,784)	(77,370)
	<u>(2,266,730)</u>	<u>(2,149,185)</u>

(c) Other operating income/expenses

	<u>2007</u>	<u>2006</u>
Other operating income		
Commissions and fees on operations	523,820	564,956
Expenses recovered	205,322	182,785
Reversal of other operating provisions	499,612	249,443
Revenues from other credits - EMBASA (Note 8(b)(ii))	14,097	19,800
Credit card revenues	111,320	100,924
Dividend income	9,701	37,656
Restatement of guarantee deposits	80,874	164,711
Other operating income	57,873	56,948
	<u>1,502,619</u>	<u>1,377,223</u>

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	<u>2007</u>	<u>2006</u>
Other operating expenses		
Expenses with actuarial reserves - FUNCEF/PREVHAB	(27,555)	(56,687)
Expenses with FCVS receivable - Provision/Losses	(406,496)	(131,498)
Expenses with obligations with funds and programs	(79,266)	(125,633)
Provision for contingencies	(437,122)	(568,521)
Provision for taxes on trading securities EMGEA/Federal Government	(178,168)	(33,944)
Expenses with lottery resellers	(43,372)	(362,270)
Expenses with credit cards	(74,112)	(142,683)
Expenses with automated services	(127,900)	(107,104)
Discounts on loans	(68,269)	(92,361)
Non-banking correspondents	(6,590)	(25,063)
Hybrid instrument of capital and debt - price-level restatement	(214,594)	(186,693)
FGTS - Collection/payment	(22,207)	
Social benefits	(242,588)	(81,120)
Expenses with goodwill on the purchase of commercial portfolios	(21,411)	(32,518)
Expenses with business promotion	(12,637)	(33,940)
Expenses with FUNCEF - PMPP/PREVHAB transactions	(34,838)	(47,147)
Adverse legal judgments		(91,398)
Expenses with receivables managed by third parties	(68,404)	(52,612)
Expenses with financial management of pension funds	(10,284)	(54,159)
Other operating expenses	(38,327)	(25,203)
	<u>(215,916)</u>	<u>(139,458)</u>
	<u>(2,330,056)</u>	<u>(2,390,012)</u>

(d) Non-operating expenses, net

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

(e) Employee profit sharing

R\$ 68,702 (2006 - R\$ 80,279) was provided for payment of employee profit sharing.

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20 Contingent assets and liabilities

CAIXA is a party to judicial and administrative proceedings of a tax, civil and labor nature. Based on opinions of its legal advisors, management records full provisions for cases where the risk of loss is classified as probable. In addition, certain tax cases considered as having a possible or remote risk of loss, and where a legal obligation is characterized, are also partially provided.

In accordance with its lawyers, CAIXA does not have contingent assets considered as practically assured, and the recognition of contingent assets in the financial statements is therefore not appropriate.

CAIXA is currently reviewing and adjusting its contingent liabilities to the new criteria provided for in the accounting standards Resolution 1066/05 of the Federal Accounting Council which determine specific criteria for recognition and bases for measurement applicable to provisions and contingent liabilities and assets.

The litigation filed against CAIXA, through citation, relating to the elimination of the inflationary effects from savings accounts as a result of the "Bresser", "Verão" and "Collor" plans, is provided for based on the criteria established in the current regulation.

The provisions for contingencies are shown as follows:

(a) Provisions recorded

(i) Analysis of balance sheet balances

	2006	Additions	Reversals	Uses	Monetary restatement	2007
Tax	1,106,342	45,961				1,152,303
Civil	2,174,301	342,977				2,517,278
Labor	1,295,000	158,951				1,453,951
Other	417,569		24,253			393,316
	4,993,212	547,889	24,253			5,516,848
Judicial deposits	2,804,022	280,992		(137,840)	69,670	3,016,844

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(ii) Analysis by risk classification

	2007		2006	
	Amount	Provision	Amount	Provision
Probable	4,645,432	4,645,432	4,106,400	4,106,400
Losses and damages	1,359,583	1,359,583	1,464,717	1,464,717
Savings accounts	529,896	529,896	288,050	288,050
Lotteries	76,632	76,632		
Real estate credits	170,348	170,348	388,856	388,856
Curtailment of FGTS	380,819	380,819		
Labor	1,453,951	1,453,951	1,295,000	1,295,000
Tax	280,887	280,887	252,208	252,208
Others	393,316	393,316	417,569	417,569
Possible	12,783,873	871,416	12,211,027	886,812
Tax	12,462,818	871,416	11,932,154	838,072
Others	321,055		120,717	31,572
	17,429,305	5,516,848	16,317,427	4,993,212

(b) Labor and civil lawsuits

CAIXA has contingent liabilities from labor and civil lawsuits, lawsuits relating to disagreements with indices applied to asset and liability operations, including those related to economic plans, numerous lawsuits relating to real estate financing, lotteries, losses and damages, tax lawsuits, amongst others. These claims are periodically evaluated and reviewed, including with regard to the historical average amounts of labor lawsuit losses.

Management believes, based on reports from its legal advisors, that the procedures followed by CAIXA are in accordance with existing laws and regulations and that these lawsuits will not cause significant losses in excess of the balance of the provision for these contingencies, of R\$ 4,364,545 (2006 - R\$ 3,886,870), sufficient to cover eventual legal decisions unfavorable to CAIXA.

(c) Tax lawsuits

(i) On December 6, 1996, CAIXA was notified by the Federal Revenue authorities on the allegation of underpayment of PIS/PASEP from January 1991 to December 1995, a period in which Decree Laws 2445 and 2449/1988 were in force, and offsetting, supposedly improperly, overpayments from January 1992 to May 1993, of R\$ 2,691,943 in principal, R\$ 2,011,254 in fines and R\$ 6,575,870 in interest, at June 30, 2007 price levels (2006 - R\$ 10,916,418, total amount). The provision recorded amounts to R\$ 654,473 (2006 - R\$ 633,674).

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CAIXA presented an appeal to the Taxpayers Council which analyzed the process on February 3, 1999. In accordance with the vote of the Reporting Councilor, the facts included in the proceedings by the tax authorities do not permit the identification of the deductions from the taxable basis of PASEP that were considered improper and the reason 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 an investigation by the Federal Revenue Secretariat - SRF, for the authorities to clarify the facts and justify the disallowance made, informing CAIXA of the contents of this procedure and giving adequate time to reply. The Federal Revenue Secretariat in Brasilia advised CAIXA, on October 21, 1999, of the investigation report, in which the Federal Treasury maintained the same reasons reported in the assessment. CAIXA sent a challenge on the tax diligence report to the Second Taxpayers Council, which analyzed the process on November 7, 2000. According to the resolution of the members of the Council, the judgment was converted into a further investigation by the SRF. CAIXA was informed of the Tax Investigation Report on April 26, 2001 in which the tax authorities maintained the same reasons reported in the assessment, stating that an examination of the identification of the accounts disallowed would no longer be possible. On May 28, 2001, CAIXA challenged the result of the investigation report before the Second Taxpayers' Council, which in a session on October 18, 2008, through Decision 202-17402, partially granted CAIXA's appeal, however, the decision can be appealed by the National Treasury Attorney, as well as requests for clarification of Court Decisions by CAIXA within the terms prescribed by the rules of the Taxpayers' Council. With the end of appeals at the administrative level, appeals to the Judiciary Power are still possible.

(ii) CAIXA was assessed by inspectors from the National Institute of Social Security (INSS) for the nonpayment of social security 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\$ 1,182,750 (2006 - R\$ 171,839). The related provision amounts to R\$ 216,943 (2006 - R\$ 220.460) restated to June 30, 2007.

CAIXA believes that these payments are not subject to social security contribution due to their indemnity nature and the applicable legal provisions, which is the reason the amounts are being litigated.

Of the total social security liabilities of R\$ 1,182,750, 53% relates to assessments in respect of the payment in cash of long service leave and leave of absence to deal with personal matters. Based on numerous judicial decisions, sustained by STJ Abstracts of Record 125 and 136, and in the declaratory acts of the Federal Revenue in compliance with PGFN/CRJ Opinion 1643/03, which defined these payments as indemnities and not subject to taxation, these assessments were considered as having a full probability of success for CAIXA, with no impact on the amount of the provision.

(iii) CAIXA was assessed by municipal tax inspectors in various municipalities of Brazil on the allegation of lack of payment or underpayment of the Services Tax - ISS, amounting to R\$ 237,343 (2006 - R\$ 210,429) at June 30, 2007 and fully provided.

Considering the nature of the issues under discussion, and weighing the plausibility and qualification of the arguments presented in decisions and other case law inherent to these matters, the studies carried out by the legal and tax advisors of CAIXA indicate that the

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provisions recorded are sufficient to cover the risks of possible unfavorable decisions in the merits of some of the issues of the lawsuits.

21 Employees Benefits

(a) Private pensions plan

CAIXA is the sponsor of the Fundação dos Economiários (FUNCEF), which administers 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 to complement the contributions of the participants, CAIXA makes contributions in accordance with the percentage determined by actuarial formulae. The amount disbursed in the 1st six-month period of 2007 totaled R\$ 87,231 (2006 - R\$ 90,122). The entity's costing plan considers a defined benefit plan for 15,696 members and a defined contribution plan for 42,395 members.

CAIXA, as a sponsor, submitted the amendment in the Regulation of the Benefit Plan to the Ministry of Finance and obtained its approval, as well as the favorable response by the Department of Coordination and Control of State-Owned - DEST, with respect to (i) partial adaptation to Complementary Laws 108 and 109, both of May 29, 2001, (ii) the introduction of new conditions for costing of the Plan by the participants and the sponsor; and (iii) the establishment of criteria for transfer of the participants of the REPLAN/REB benefit plans to the new version of the defined contribution REB plan.

In December 2006, CAIXA transferred to FUNCEF R\$ 150,727 as an extraordinary contribution, as provided by article 19, sole paragraph, item II, of Complementary Law 109/01 and, also, as approved by the Ministry of Finance, through Official Letter 319/06/SE/MF, of May 4, 2006, which approved the alterations of the REG/REPLAN Regulation.

In addition, the defined benefit plan (REPLAN) is currently under review and adaptation to new criteria and conditions, including the transfer of the participants to a new defined contribution plan, which was completed on November 30, 2006. In this context, CAIXA has not yet carried out the studies and calculations required by Accounting Standard and Procedure 26 of the Brazilian Institute of Independent Auditors - IBRACON, which determines specific criteria for calculating the effects on the financial statements of entities sponsoring pension funds of a defined benefit nature.

	Assets	%	Assisted	%	Total
Eligible	41,244	100	24,640	100	65,884
Elections for the new plan/settlement	21,857	53	19,244	78.1	41,101
Non-elections (REPLAN)	17,627	42.7	3,437	13.9	21,064
Non-elections(REB)	1,497	3.6	1,959	8	3,456
Non-participants (Former-REPLAN)	263	0.6			263

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(b) Saúde CAIXA - Health plan

On August 1, 2002, Saúde CAIXA was launched. This is a health program instituted and administered by CAIXA, on a self-management basis, offering medical, hospital, dental, psychological, and nutritional assistance, physiotherapy, phonoaudiology, occupational therapy and social and nutritional services, with services provided by an accredited network with coverage throughout Brazil. It is a benefit granted by CAIXA to opting members and their respective inscribed beneficiaries. By titleholders are understood employees and retired persons linked to FUNCEF, PREVHAB, CAIXA SEGUROS, PMPP Fund or the INSS.

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

The changes include various aspects of the benefits and the establishment of a Council of Users to bring users and CAIXA closer together. The Council will monitor the performance of the program to ensure greater transparency of Saúde CAIXA's administration.

Accordingly, CAIXA participates with 70% of the welfare expenses, with a minimum contribution of 3.5% of the personnel payroll, and the member contributes with 30% of the welfare expenses, through a monthly payment of 2% of his/her base salary, by family group, plus a 20% coparticipation when using the assistance, limited to the reinsurance.

The last actuarial analysis of the economic and financial position, as well as the actuarial status, of Saúde CAIXA was made for 2004.

The delay in actuarial calculation is due to the fact that CAIXA is updating its databases of the new management and control system of the contributions and expenses of the healthcare plan.

22 Other information

(a) Administration of social entities

A list of the net assets of the social funds and programs administered by CAIXA follows:

<u>Entity</u>	<u>2007</u>	<u>2006</u>
PIS	24,550,400	23,789,594
FGTS	21,971,800	19,808,420
FAR	3,273,964	3,000,797
FDS	797,043	709,913
FAS	64,926	378,952
PCE	31,344	36,635
FGS	17,891	16,471
FIEL	41,634	37,417
	<u>50,749,002</u>	<u>47,778,199</u>
FCVS (i)	(75,269,854)	(72,936,896)

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- (i) The responsibility for covering the negative equity of the FCVS is the exclusive liability of the Federal Government. The balance is as of May 2007.

(b) Guarantees provided to third parties

These amount to R\$ 66,894 (2006 - R\$ 61,299) and refer to properties and securities pledged as guarantees provided to third parties, relating to litigation against CAIXA.

(c) FGTS

The credit risk of operations contracted as from June 1, 2001 lies with CAIXA in its capacity of Operating Agent, whereas the Federal Government assumes the risk in loans made up to that date, as established in article 9 of Law 8036/90, of May 11, 1990, amended by article 12 of Provisional Measure 2196-3/01, of August 24, 2001.

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23 Related parties

The operations are carried out in the context of CAIXA's operational activities and its responsibilities established in specific regulations.

Operations/entities	2007		2006	
	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ expenses
INTEREST ON OWN CAPITAL AND DIVIDENDS				
Caixa Seguros	89,176	125,330		49,345
FEES RECEIVABLE				
STN - Federal Treasury Secretariat	134,769	145,940	464,629	149,717
PIS	3,410	20,262	3,850	20,688
PCE	16	124	55	711
FIEL	3,525	216	3,090	215
FGTS	160,742	1,193,295	148,628	933,183
FCVS		56,050		56,182
FAS	21	212	67	426
FAR	9,008	29,737	7,379	23,950
FGS	351	58	1,969	799
FDS	29,755	14,791	14,026	20,528
FIES	56,898	39,319	50,110	33,691
SH	3,055	760	3,055	(1,016)
OGU	157,374	15,000	178,909	19,093
Caixa Seguros		8,893		9,155
REMUNERATED DEPOSITS OF FUNDS AND PROGRAMS				
SH	(181)	(40)	(23)	(11)
PIS	(193,850)	(81,326)	(150,624)	(104,225)
PCE	(918)	(291)	(178)	(81)
FIEL	(45,116)	(1,709)	(41,661)	(1,622)
FGTS	(5,033,228)	(259,270)	(3,069,021)	(305,493)
FGS	(706)	(747)	(1,212)	(703)
FCVS	(145)	(8)	(106)	(11)
FAS	(2,526)	(65)	(5,318)	614
FDS	(30,943)	(1,749)	(27,175)	(1,982)
FAR	(30,239)	(4,580)	(14,930)	(3,648)
THIRD PARTY FUNDS IN TRANSIT				
FCVS	(155)		(97)	
ONLENDINGS - OTHER OFFICIAL INSTITUTIONS				
FGTS	(17,184,420)	(865,202)	(13,671,339)	(651,556)
FDS	(71,924)	(478)	(18,687)	(66)
STN - Federal Treasury Secretariat	(412,438)		(419,377)	
FUNDS WITH A SPECIFIC PURPOSE				
STN - Federal Treasury Secretariat	(187,647)	(21,081)	(399,683)	(32,317)
PIS	(1,475,150)		(1,519,179)	
FIES	(11,076)		(6,833)	
FDS	(328)			

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Operations/entities	2007		2006	
	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ expenses
OTHER OPERATING INCOME				
FCVS		7,000		6,877
FGTS		487,306		532,165
FAR		26,925		20,287
FDS		301		538
FIES				1,493
				6,877
OTHER OPERATING EXPENSES				
FGTS		(18,963)		
FGS		(167)		(347)
FAR		(9,187)		(6,542)
Caixa Seguros		(38,327)		(25,203)

24 Cash flow statement

The Cash Flow Statement was prepared 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 more adequately inform users of financial statements.

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	1,715,566	1,343,978
ADJUSTMENTS TO RECONCILE NET INCOME WITH NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Allowance for loan losses	1,011,031	500,802
Depreciation and amortization	213,481	227,985
Equity in the earnings of subsidiary and associated companies	(125,053)	(42,786)
CHANGES IN ASSETS AND LIABILITIES:		
Decrease (increase) in short-term interbank investments	6,896,238	(5,563,425)
Decrease (increase) in securities and derivative financial instruments	(30,307,889)	1,665,054
Decrease (increase) in interbank accounts	(3,700,623)	(915,223)
Decrease (increase) in interdepartmental accounts	(258,773)	(221,521)
Decrease (increase) in loan operations	(4,072,450)	(4,834,108)
Decrease (increase) in other receivables	1,034,272	(518,577)
Decrease (increase) in other assets	80,681	26,881
Write-off of allowance for loan losses	(690,735)	157,993
Increase (decrease) in other liabilities	5,129,775	1,812,270
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(24,790,045)	(7,704,655)

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements at June 30, 2007 and 2006

All amounts in thousands of reais unless otherwise indicated

	<u>2007</u>	<u>2006</u>
INVESTMENTS		
Increase (decrease) in compulsory deposits with the Brazilian Central Bank	2,369,377	(736,248)
Sale of investments	75,366	43,950
Sale of property and equipment in use		65,696
Purchase of property and equipment in use	(211,611)	(96,630)
Increase in deferred charges	(89,335)	(56,828)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,143,797	(780,060)
FINANCING		
Increase (decrease) in deposits	6,201,275	5,065,529
Increase (decrease) in deposits received under security repurchase agreements	12,782,036	3,633,365
Increase (decrease) in funds from acceptance and issue of securities	725,958	(2,791,496)
Increase (decrease) in derivative financial instruments	1,980	(61,775)
Increase (decrease) in borrowings and onlendings	1,568,462	2,552,384
Prepaid dividends		(293,376)
Proposed dividends	(111,490)	(305,200)
Interest on own capital paid and/or provided	(274,808)	(321,115)
Adjustment to market value	13,762	(20,818)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	20,907,175	7,457,498
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,507)	316,761
CHANGES IN CASH AND CASH EQUIVALENTS		
At the beginning of the period	1,715,323	935,710
At the end of the period	1,691,816	1,252,471
Increase (decrease) in cash and cash equivalents	(23,507)	316,761

Caixa Econômica Federal - CAIXA

Notes to the Financial Statements at June 30, 2007 and 2006

All amounts in thousands of reais unless otherwise indicated

Maria Fernanda Ramos Coelho
President

Bolivar Tarrago Moura Neto
Vice-President

Carlos Alberto Cotta
Vice-President

Clarice Coppetti
Vice-President

Fábio Lenza
Vice-President

Fernando Nogueira da Costa
Vice-President

Francisco Egídio Pelúcio Martins
Vice-President

João Aldemir Dornelles
Vice-President

João Carlos Garcia
Vice-President

Jorge Fontes Hereda
Vice-President

Raphael Rezende Neto
National Accounting Superintendent
Accountant CRC 9.037 - DF

