



Caixa Econômica Federal

Financial statements
December 31, 2005 and 2004

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



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Management report

Brazilian citizens,

We are hereby submitting the Management Report and the Financial Statements of Caixa Econômica Federal, related to the year of 2005, in the terms established by the Central Bank of Brazil (BACEN).

1 - Introduction

In 2005, CAIXA contracted more than R\$ 10.9 billion for housing and urban development, taking into consideration R\$ 598 million contracted for housing improvement through the Construcard product. R\$ 7.8 billion have been contracted only for home financing and leasing, enabling construction of 376 thousand houses. Also, R\$ 228 million were provided by the real estate consortium, R\$ 1.8 billion of the Union General Budget (OGU) for urban development programs and more than R\$ 423 million for programs in the health area.

Such performance represents the largest housing investment in the last ten years. Besides, taking into consideration the financing and real estate consortium values, the amount represents 34.8% more than the one performed in 2004 (R\$ 6.4 billion), a result of advances of Federal Government housing policy and the company's concentrated effort to facilitate to Brazilians' access to housing.

One of the market's cheapest credit option, the pledge line, exceeded the mark of R\$ 3 billion loaned this year. More than five million operations have been executed, being 630 thousand destined to the micro-pledge line, which interest rates are at most 2% per month.

During the three last years, CAIXA has conquered 11.9 million new clients, closing the year with 35.0 million clients - an expansion of 51.5% in its base compared to 2002, when 23.1 million was recorded. In order to service more clients, the physical service line has also increased. Since the beginning of 2003, 246 agencies and stations have been opened, besides more than 1,497 new bank correspondents accredited.

R\$ 1.2 billion has been saved in three years through the Expenditure Rationalization and Waste Elimination Program (PROGED). Only in 2005, savings obtained was of R\$ 494.5 million.

In 2005, products comprising CAIXA Lotteries have collected the amount of R\$ 4.36 billion, representing an increase of more than 3.5% in relation to 2004.

With respect to the Family Allowance program, main Government's Income Transfer program, CAIXA paid 80.7 million of benefits, in the amount of R\$ 5.3 billion, corresponding to increases of 69.90% and 58.14%, respectively, in relation to previous year, which resulted in compliance with the target stipulated by the Federal Government of 8.7 million families benefited.

2 - Economic and financial performance

Net income of the year 2005 was of R\$ 2.07 billion, enabling the Union to be destined the amount of R\$ 737 million as dividends and interest on own capital. Summed up to lottery and taxes and charged paid repasses, the amount destined to National Treasury during the fiscal year raises to R\$ 5.4 billion. The return on PL accumulated in the year was of 26.0%. Net Equity (PL) as of December 31, 2005, is equivalent to 27.87% of the weighted assets according to the risk, and fixed assets, in relation to PL, represent 20.05%.

The result of financial intermediation presented a positive variation of 20.3% in relation to 2004, emphasizing an increase of 32.0% of credit operations revenues.

Profitability and performance indicators (%)

Indicators	2004	1 st Q 05	2 nd Q 05	3 rd Q 05	4 th Q 05	2005
Gross margin	38.65	44.52	36.32	32.67	40,34	38,16
Operational margin	8.41	12.6	10.82	8.89	15.07	11.85
Net margin	6.65	8.7	7.38	4.21	11.62	7.97
Efficiency	67.57	58.08	67.14	66.59	66.11	64.53
Personnel exp. coverage	98.07	98.94	95.88	93.48	84.02	92.51
Administrative exp. coverage	53.50	57.15	53.13	55.16	48.07	53.04

3 - Social policies execution and public administration support

Bank for all

Integrating the 2004-2007 Multi-annual Plan, under the Ministry of Finance's management and coordinated by CAIXA, the program "Banco para Todos" [*Bank for All*] articulates state-owned banks' (CAIXA, Banco do Brasil - and Banco Popular do Brasil -, BNDES, Banco do Nordeste and Banco da Amazônia) banking and micro-credit actions with the purpose of broadening disclosure and partnerships all over the country.

In 2005, five regional events were held with the purpose of opening a channel in which participants (micro-entrepreneurs, prefectures, states, micro-credit institutions) might know products and services offered by state-owned banks addressed to bank inclusion and credit offer to low income population and micro-entrepreneurs.

On December 6th, at BNDES' head office in Rio de Janeiro (RJ), it was held the "National Meeting BANCO PARA TODOS: The challenge of Oriented Productive Micro-credit", where banks presented the results of their actions in 2005. It was also promoted a debate with municipal, state and federal governments and Third Sector's entities to increase Micro-credit utilization already in 2006, as well as strengthening Microfinance Institutions defined by Law no. 11.110/05.

CAIXA Fácil Account

CAIXA Fácil account, the first bank inclusion action taken by a Financial Institution in Brazil, reached, in 2005, 3.8 million accounts opened, presenting a growth of 46.78% in relation to previous year.

Urban development partnerships

CAIXA has provided technical inspection services to 339 public works and services engaged by the Ministry of National Integration - Civil Defense Secretariat, ensuring, in 2005, the appropriate public resources application and confirmation in the amount of R\$ 152 million.

CAIXA has provided project management services to the National Penitentiary Department of the Department of Justice, involving public resources in the amount of R\$ 53 million, as part of a service agreement involving construction of five maximum security penitentiaries until 2007.

CAIXA has provided technical support to Federal Government's programs and projects of several public and private bodies and institutions, as regards the implementation of urban development public policies, and also, Popular Restaurants' evaluation, for the Ministry of Social Development and for the National Institute of Information Technology (ITI), in *Casa Brasil* Program, besides an economic and financial evaluation for utilization of properties owned by Social Security's Real Estate Patrimony for housing.

Technical cooperation between CAIXA and the French Government has promoted several missions of French technicians with the purposes of orienting municipality technicians as regards economic and financial feasibility studies of real properties for housing rehabilitation. PAR/Reform operations and the construction of local rehabilitation planning agendas are focused.

In supporting the campaign for elaboration of Participative Master Plans and formation of state nucleuses, CAIXA has produced 10 thousand CD-ROMs entitled "Territorial Planning and Participative Master Plan - Implementing the City's Statute", which were provided to municipalities and *Internet*.

CAIXA has supported and participated in the 2nd National Cities Conference since the regional phase of discussions, with participation of 102 technicians who assisted in proposal consolidations, and 30 delegates who took part of the Conference.

Housing programs

The institutional relationship with Ministries and governmental bodies was enlarged, so as to qualify and make execution of integrated public policies feasible, with emphasis in social inclusion, reduction of regional inequalities, management democratization and reduction in the housing deficit.

Contracts have been entered into in the amount of R\$ 6.9 billion in available financing lines, providing 376 thousand housing units, benefiting 1.6 million citizens having their own house and enabling generation of 665 thousand, direct or indirect jobs. Summing up R\$ 900 million of FGTS subsidies and R\$ 228 million of real estate consortium, the amount of funds invested reaches R\$ 8.0 billion.

Special attention was dedicated to the population with income of up to 5 minimum wages, range in which the most part of the Brazilian housing deficit is located, to which credits and repasses have been directed in amounts exceeding R\$ 2.9 billion, representing 49% of the total value contracted in the period. Such amount made possible more than 293 thousand housing units, representing 79% of housing required.

In such context, we should point out FGTS Letter of Credit, by means of which R\$ 3.2 billion have been contracted, which is equal to 116 thousand housing units, exceeding 2004 by 79.1% in value, and 64.5% in number of units. For its turn, CAIXA Letter of Credit has also exceeded 2004 by 114.9% in volume of contracts.

The Home Leasing Program (PAR) reached R\$ 1.03 billion invested in the acquisition and construction of 33,991 housing units, distributed among 198 enterprises, being R\$ 596.9 million destined to real property construction to be leased by families of up to four (04) minimum wages income.

Source of funds	Values in R\$ thousand/Number of units	
	Values contracted	Housing Units
FGTS/Letter of credit with special operations	4,445,144	291,026
FGTS/Pro-housing	61,935	15,002
FAT/Letter of credit	99,771	5,168
FAR/Home leasing	1,031,007	33,991
CAIXA/Letter of credit	1,182,415	20,737
FDS/Joint credit	6,380	739
OGU-FGTS/PSH	35,408	6,274
OGU-Repasses	<u>97,428</u>	<u>3,461</u>
Total financing and leasing	<u>6,929,538</u>	<u>376,398</u>
FGTS Letter of Credit - Subsidies	899,500	-
Real estate consortium	<u>228,100</u>	<u>3,896</u>
Total general	<u>8,057,138</u>	<u>380,294</u>

Sanitation and infrastructure programs

Contracting entered into in the sanitation and Infrastructure area totalized investments in the amount of R\$ 2.2 billion. Of such amount, the public sector has contracted an amount of R\$ 1.8 billion, and the private sector, R\$ 49.4 million.

Program	Values in R\$ thousand/Number in units			
	Value of Investment	Value of Financing	Population Benefited	Jobs Generated
OGU Urban Infrastructure Urbana	2,096,683	1,767,987	1,572,953	200,322
FCP - ENERGY - BNDES	45,261	34,883	201,159	7,287
FCP/SAN - FGTS	19,395	14,546	86,199	3,123
PRO-SANITATION	<u>23,406</u>	<u>19,357</u>	<u>104,028</u>	<u>3,768</u>
Total	<u>2,184,745</u>	<u>1,836,773</u>	<u>1,964,339</u>	<u>214,500</u>

Technologic Innovation in Urban Development

CAIXA gave support to the Housing Technology Program - HABITARE, contributing with resources in the value of R\$ 400 thousand for projects in the following areas: research and development of alternative technologies for house construction; reutilization of construction wastes; research related to energetic efficiency of construction systems and rehabilitation of buildings in central areas.

Besides, CAIXA has also financed 83 studies and researches in the constructed environment, environmental sanitation and urban and information management areas. Five prototypes of sustainable housing technologies have been set up by south and southeast universities. More than 2,800 publications have been distributed, as a result of studies and researches financed by CAIXA, comprising 200 municipalities.

CAIXA executed a Protocol of Intentions of Rede de Tecnologia Social (RTS), in the capacity of sponsoring institution, jointly with Fundação Banco do Brasil, FINEP, MCT, MDS, Petrobras and SEBRAE. The objective of RTS is to give scale to successful social technology projects, defined as “a set of techniques and procedures, associated to the form of collective organization, representing solutions for social inclusion and life quality improvement”.

Resource repasses and transfers from the Union General Budget (OGU)

Repass contracting of resources from OGU has closed 2005 with 7,257 operations, with an evolution of 38.57% compared to 2004. The values contracted reached the amount of R\$ 1.87 billion, with an evolution of 21.68% compared to previous year, enabling generation of 212 thousand jobs. Disbursements/credit issue have been made on account of contracts previously executed and to be executed in the amount of R\$ 949 million.

CAIXA Hospitals

CAIXA contributes to supply the immediate needs for working capital of philanthropic hospitals, through a credit operation called CAIXA Hospitals. In 2005, 422 operations have been contracted, totalizing an amount of R\$ 342.5 million, exceeding by 48.98% the amount of operations of previous year, and practically equaling the quantity contracted in 2004.

The Caixa Hospitals credit line has already provided 2.097 contracts with philanthropic hospitals and “*santas casas*” in the value of R\$ 1.0 billion, contributing to maintain more than 52 thousand hospital beds, of which 41 thousand destined to the Sole Health System (SUS), in order to maintain and improve the quality of the service rendered to the Brazilian citizen.

Government Severance Indemnity Fund for Employees (FGTS)

In the capacity of FGTS’ Operating Agent, CAIXA recorded in 2005 payment of contributions to the fund in the amount of R\$ 32.2 billion, through approximately 43.6 million forms. In relation to previous year, the amount collected presented a nominal growth of 13.4%.

20.3 million payments were made in several modalities of drafts, totalizing R\$ 25.9 billion. Compared to the same period in 2004 such numbers showed to be in excess by 9.3% and 17.5%, respectively.

With respect to complementary credits arisen from economic plans - LC no. 110/01, more than 3 million credits were made to FGTS blocked accounts, in the amount of R\$ 5.0 billion, and from such total R\$ 4.2 billion were withdrawn by workers during 2005.

FGTS complementary credits

Since supplementary credits started to be paid in June 2002 until December 2005, approximately 87 million credits have been made to FGTS blocked accounts in the amount of R\$ 35.7 billion.

From such total, R\$ 26.8 billion returned to the economy through drafts made by workers. Another R\$ 3.5 billion are at the disposal of their holders to be withdrawn, and approximately R\$ 5.4 billion remain in blocked accounts, once they are not or have no evidence that they are entitled to be withdrawn.

Salary Variations Compensation Fund (FCVS)

As an instrument of Government's social policy, FCVS subsidizes housing financing contracts of the National Housing System (SFH), whenever an economic unbalance occurs in such financing, due to mismatching between installment readjustments and debit balances during the term of the contracts.

In 2005, in the capacity of such Fund's Administrator, CAIXA was qualified by FCVC to enter into 64,252 contracts, which borrowers, utilizing the benefits granted by Law no. 10.150/00, settled their financing with a 100% discount upon debit balance.

From the homologated contracts, 126,974 derived from anticipated settlements with discounts, ranging from 12.5% to 100% of the respective debit balances. Consequently, 477 thousand citizens were benefited, and their families were confirmed the settlement of their financing.

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

The Housing Insurance is one of the instruments of protection to SFH's resources and its policy guarantees the housing operations contracted, in case of borrower's death or permanent incapacity, and in case of physical damages to real property financed through such system.

Premium payments in 2005 processed by CAIXA were in the amount of R\$ 323.16 million and casualty payment totalized R\$ 323.76 million, meaning that approximately 26 thousand families had their real property physically repaired or settled in advance due to death or permanent incapacity of the borrower.

Joint Credit Program with Social Development Fund Resources

The Social Development Fund (FDS) has resources in the amount of R\$ 684 million to be utilized for housing financing addressed to low income population. In 2005, it directed such resources to be utilized for the Joint Credit Program destined to families with income of up to three (03) minimum wages.

The Joint Credit Program offers special and subsidized conditions. It is the only housing financing in the market that does not charge interest, and management fees, operation balance rate and financial agent risk rate expenses assumed by the Fund.

With the purpose of investing in the Joint Credit Program, FDS entered into a loan in the amount of R\$ 150 million, destining R\$ 30 million to the Guarantor Fund, thus enabling CAIXA to contract the amount of R\$ 18 million for 1,525 housing units selected by the Ministry of the Cities, benefiting 6,100 families and generating 1,800 jobs.

Home Leasing Fund (FAR)

The Home Leasing Fund, created in 1999, is the sole Brazilian fund to provide investments in real property destined to home leasing by the company to low income families, with an option to purchase at the end of the contract.

In 2005, a FGTS resources loan operation was entered into in the amount of R\$ 1 billion, in order to attain the target defined by the Ministry of the Cities for investment of up to R\$ 5.2 billion in the acquisition of housing units for leasing.

Delegated services and income transfer programs

In the capacity of Income Transfer and Delegated Services programs' operator under Federal Government's management, CAIXA made approximately 219 million social benefits payments. The volume of resources transferred totalized R\$ 18.35 billion, representing an increase of 22.96% in relation to previous period, as evidenced in the following table:

Program	Number of units/Values in R\$ thousands			
	2004		2005	
	Number	Value	Number	Value
Income transfer	188,685,439	5,165,318	173,643,148	6,483,809
Delegated services	<u>43,271,623</u>	<u>9,760,060</u>	<u>45,355,308</u>	<u>11,868,805</u>
Total	<u>231,957,062</u>	<u>14,925,378</u>	<u>218,998,456</u>	<u>18,352,614</u>

On account of Income Transfer Programs, represented by Family Allowance, Remaining Programs (School Allowance, Food Allowance, Food Card program, Gas Allowance), PETI, Young Agent, Student Allowance, Harvest Guaranty, Back Home, Pro-Youth, Athlete Grant and Emergency Program Against Drought, CAIXA made a payment of 173.64 million benefits throughout all Brazilian municipalities, totalizing R\$ 6.48 billion, as shown below:

Program	Number of units/Values in R\$ thousands			
	2004		2005	
	Number	Value	Number	Value
Family Allowance	47,518,163	3,352,229	80,733,926	5,301,301
School Allowance	62,393,441	935,902	40,286,851	604,303
Food Allowance	3,782,548	56,738	540,224	8,103
Gas Allowance	69,073,592	518,052	48,417,525	363,132
PETI	1,385,923	58,930	1,460,123	59,525
Young Agent	55,281	3,593	31,770	2,065
Food Card Allowance	3,448,028	172,401	1,161,306	58,065
Student Allowance	644,233	19,327	339,979	10,199
Harvest Guaranty	371,717	35,313	634,470	69,785
Back Home	6,576	1,602	16,753	4,036
Pro-Youth	-	-	16,337	1,563
Athlete Grant	-	-	883	1,130
Emergency Program Against Drought	<u>5,937</u>	<u>11,230</u>	<u>3,001</u>	<u>602</u>
Total	<u>188,685,439</u>	<u>5,165,317</u>	<u>173,643,148</u>	<u>6,483,809</u>

Through Family Allowance, main Income Transfer program of the Government, it made payment of 80.73 million benefits, in the amount of R\$ 5.3 billion, meaning increase of 69.90% and 58.14%, respectively, in relation to previous year, consequently attaining the target of 8.7 million benefited families stipulated by the Federal Government.

The Federal Government's strategy in integrating School Allowance, Food Allowance, Gas Allowance to Family Allowance resulted in a global reduction of 8% in the number of benefits paid in 2005, without prejudice to the benefited families, thus rationalizing the programs' management process and enabling an increase of 25.5% in the resources destined to the payment of benefits to low income families.

As part of Family Allowance Program's strategy to improve public resources management, 13 integration agreements/contracts with state and municipal programs were also maintained, thus generating benefit complements to 82,350 families, in the total amount of R\$ 3.5 million.

Two new programs created by Federal Government, Athlete Grant and Pro-youth began being administrated by CAIXA. The Athlete Grant Program is destined to athletes practicing yield sports in Olympic and Paralympics modalities, and has as object to guarantee a minimum personal subsistence to high yield athletes who have no sponsors, so that they may dedicate themselves to sport training and participating in competitions allowing full development of their sport career. The Pro-Youth Program has as object to execute integrated actions which may provide to Brazilian youths, by way of course, an elevation of the scholarship degree, aiming conclusion of the elementary school and professional qualification. CAIXA, in the capacity of paying agent of such programs made in 2005 the payment of 17 thousand benefits, in the total amount of R\$ 2.7 million.

With respect to provision of services delegated by Federal Government - unemployment insurance, salary bonus and PIS quotas and income - more than R\$ 11.86 billion have been paid through 45.35 million transactions, as shown below:

Program	Number of units/Values in R\$ thousands			
	2004		2005	
	Number	Value	Number	Value
Salary Bonus	7,415,304	1,881,289	8,115,659	2,353,315
PIS Income	14,807,925	297,600	14,451,240	503,771
PIS Quotas	619,343	500,641	564,626	479,442
Unemployment Insurance	<u>20,429,051</u>	<u>7,080,530</u>	<u>22,223,783</u>	<u>8,532,277</u>
Total	<u>43,271,623</u>	<u>9,760,060</u>	<u>45,355,308</u>	<u>11,868,805</u>

In 2005, a CAIXA paid salary bonus to 95.26% of the 8.5 million identified workers entitled to the benefit, in the amount of R\$ 2.3 billion, representing a percentage increase of 2.94% in total payments. In comparison to 2004, there was an increase of 5.89% in the number of identified workers entitled to salary bonus, representing 473,756 new beneficiaries.

CAIXA paid 14.45 million as earnings from the Social Integration Program (PIS), totalizing R\$ 503.77 million. Although showing a decrease in the number of benefits, there was an increase of R\$ 206 million in the total value paid to workers, representing a growth of 69.2% compared to 2004. Such figures derived mainly from distribution of the Additional Net Income (RLA) to participants' accounts, which did not occur in previous year. CAIXA also paid 565 thousand quota redemptions, totalizing R\$ 479.44 million, against 619 thousand, in the total value of R\$ 500 million, paid in 2004.

22.2 million Unemployment Insurance installments were paid to approximately 6 million beneficiaries, totaling R\$ 8.53 billion, thus representing an increase of 20.50% with respect to the number of benefits paid in 2004, mainly due to the reduction in the registration period for handicraft fishermen for qualification to the benefit.

In 2005, CAIXA rendered approximately 4.20 million services related to CPF's issuance, participating also in several social actions aiming citizen's documentation, exempting them from payment of CPF's registration tariff, especially as regards low income population. Among relevant social actions, we may highlight the Rural Female Worker Documentation and the Global Action Program, which benefited approximately 50 thousand citizens.

Sole registry

Through the Sole Registry (CADUN), CAIXA enabled registration of low income families by prefectures, under the coordination of the Ministry of Social Development and Hunger Fight, enabling management and application of policies defined by the Federal Government. With the purpose of granting conditions and promoting better registry qualification, CAIXA qualified 4,096 prefectures, 14 Branches and 02 service centers in the Sole Registry.

At the end of 2005, 15.72 million families were registered, comprising a total of 57.40 million persons, taking into consideration family migration from the School Allowance program registry in 2003.

During 2005, 5.9 million cards of the "Citizen Card" modality, destined to social programs' beneficiaries have been generated, allowing them making drafts and issuing statements at the service channels with safety and comfortableness through a password of individual use.

Lottery administration

In 2005, products comprising CAIXA Lotteries collected an amount of R\$ 4.36 billion, an increase exceeding by 3.5% with respect to 2004 with the following destination:

Federal Lottery collection destination

Destination	<u>Values in R\$ thousands</u>	
	<u>2004</u>	<u>2005</u>
National Culture Fund (FNC)	120,831	125,070
Social security	719,057	742,748
Higher Education Financing (FIES)	299,184	308,861
Ministry of Sports	176,565	184,716
National Penitentiary Fund (FUNPEN)	126,633	131,084
Brazilian Olympic Committee (COB)	68,471	70,873
Brazilian Paralympics Committee (CPB)	12,083	12,507
Special Contests (Cruz Verm, COB, CPB and APAE)	828	270
Football Clubs	5,769	7,222
Income Tax - IR	<u>480,900</u>	<u>509,962</u>
Total repasses	<u>2,010,321</u>	<u>2,093,313</u>
Net Premium	1,390,635	1,429,097
Cost and maintenance expenses	<u>813,822</u>	<u>840,336</u>
Total collection	<u>4,214,778</u>	<u>4,362,746</u>

From such total, R\$ 2.1 billion (48% of collection, including income tax) have been repassed to Federal Government and to non-governmental entities to be invested in programs in the education, culture, sports, safety areas, among others.

Scholarship Financing Program (FIES)

With the opening of new vacancies for scholarship financing in the 2nd semester of 2005, the total of students benefited by FIES passed from 318,575, in December 2004, to 382,992 university students in December 2005, and the amount contracted by CAIXA increased from R\$ 2.8 billion to R\$ 3.4 billion in the same period, representing an increase of 21.4%.

100 thousand new vacancies have been opened for admittance into FIES, in the year in which demand for new financing has been better met, contemplating 80% of students enrolled. From 67,449 contracts entered into during the year, 2,092 related to financing granting to partial scholarships of the University For All Program (PROUNI).

Socio-Economic Information System of Brazilian Municipalities (SIMBRASIL)

SIMBRASIL is a collection of tax, economic, demographic, educational, urban, social and health information, among others. It has the purpose of contributing so that communities may identify, evaluate and diagnose their main needs, planning solutions to meet them.

It is an instrument provided by CAIXA to support the municipal management, allowing, due to the set of indicators offered, a decision taking more appropriate to the reality of municipalities. The system presents a compilation of information placed in a sole environment, allowing access in a simple, rapid and direct form, and enabling a more effective knowledge of the municipal status evolution in several aspects, such as tax, economic, social and urban aspects.

The following are highlighted on the information panel: Ministry of Social Development and Hunger Fight's Benefit Transfers data; total number of employments and establishments according to RAIS - Annual Listing of Social Information of the Ministry of Labor and Employment activity sectors; tax data from Municipal Revenues and Expenses of the National Treasury Secretariat Information System (SISTN); Social Exclusion indicators, among others.

State and municipal accounting data collection (SISTN)

Since 2001, on account of the agreement entered into with the National Treasury Secretariat (STN), CAIXA is collecting accounting data from Federation bodies - states/FD and municipalities through SISTN.

At end of 2005, CAIXA had already homologated the delivery of 92.42% of balance sheets and budgets of the municipalities and 100% of balances related to the States /Federal District for the fiscal year of 2004. Tax Management Report data from 62.24% of the municipalities and 100% of the States were received, and with respect to the Budgetary Execution Summary Report, such percentages were respectively of 62.15% and 100%.

Administrative and tax management support programs

In 2005, CAIXA entered on six sub-loans with funds from the National Support Program to the Administrative and Tax Management of Brazilian Municipalities (PNAFM), in the amount of R\$ 22.2 million. In the same period, an amount of R\$ 19.1 million was released.

With respect to the National Support Program to Tax Management of Brazilian Municipalities (PNAFE), CAIXA repassed resources in the amount of R\$ 76.7 million to the States in 2005.

Resource transfers (FNS and FUNASA)

Through agreements with the National Health Fund (FNS) and the National Health Foundation (FUNASA), CAIXA acts as a financial agent in the transfer of resources to States, municipalities, philanthropic entities and NGOs. In 2005, R\$ 80.3 million was transferred on account of such funds, accumulating a total of R\$ 1.018 billion since 2002.

4 - CAIXA service channels

Physical service channels

CAIXA's physical service network, present in all Brazilian municipalities and abroad reached on 12/31/2005 17,783 service points, in which 2,509.5 million bank transactions have been made, thus distributed:

Physical Network - Type of unit	Number of units	Number of bank transactions (in millions)
Agencies and Bank Service Stations - PAB	2,346	472.5
Electronic Service Stations - PAE	1,081	67.0
Bank Correspondents - Lottery shops	8,865	1,129.2
Bank Correspondents - Other establishments	3,586	61.1
Self-service rooms	<u>1,905</u>	<u>779.7</u>
Total	<u>17.783</u>	<u>2.509.5</u>

During the period, 133 agencies and 23 PAB were opened with a total investment of R\$ 64.9 million.

From the 3.2 billion transactions processed in Lottery Shops, 2.1 billion were on account of several lottery games and the remaining on bank services, being worth noticing, due to its social relevance, the growing preference of Brazilian people for such channel for payment of their electric power, water, telephone bills, as well as receipt of Federal Government benefits:

Modalities of transaction	<u>Number of units/Values in R\$ thousands</u>	
	Number	Value
"Bloquetos"	123,829,808	15,418,970
Agreements	483,699,843	28,656,387
Drafts, deposits and bank consultations	163,519,990	19,193,347
Social benefits	107,175,010	10,884,006
Others	<u>32,633,201</u>	<u>101,536</u>
Total	<u>910,857,852</u>	<u>74,254,746</u>

The remaining bank correspondents which enable the presence of CAIXA in all 5,562 Brazilian municipalities, have recorded 57.8 million transactions, among which approximately 14.1 million regarding payment of several social benefits of the Federal Government.

On February 21, 2005, the pilot phase of a terminal sharing project between CAIXA and Banco do Brasil was started in the cities of Brasília, Curitiba and Recife, to be expanded during the year. 1.5 million transactions were made in the year, totalizing a financial volume of R\$ 80.6 million.

Service virtual channels

CAIXA's Internet portal, <http://www.caixa.gov.br/>, received approximately 510 million accesses, recording 1.5 billion visits to its pages during the year. It is worth emphasizing the search for FGTS information (balance, statement and address alteration, among others), with approximately 107 million accesses, among consultations and transactions.

Telemarketing network answered 99.55 million calls from Brazilian citizens, from which 24.02 addressed to the Federal Government's social programs:

Program	Number in millions
School Allowance/ Family Allowance Programs, Social protection network	6.27
Government Severance Indemnity Fund - FGTS and complementary credits	5.46
Social Integration Program - PIS	11.05
Other social services	<u>1.24</u>
Total	<u>24.02</u>

Internet Banking for States and Municipalities

The "GovCAIXA Eletrônico" is the Internet Banking system for States and Municipalities where the public administrator client has access to multiple accounts by means of a sole *login*, thus permitting financial transactions through the use of simple and multiple electronic signatures. In 2005, several system optimizations have been made with the purpose of improving service to the State and Municipality segment.

Since 2000, CAIXA performs the financial management of Federal Government resources for executive units through the "GovCorporativo CAIXA", a web-accessed corporate system which enables administrators the follow up and control of agreement accounts entered into with States and Municipalities.

CAIXA received the IV Electronic Government Award, granted by the Brazilian Association of Communication and Information Technology State Entities (ABEP), in partnership with the Ministry of Planning, Budget and Administration of the Federal Government.

Social Connectivity

Social Connectivity is an electronic relationship channel among CAIXA, the companies, banks, unions and Labor Regional Offices, which has a contribution in the enforcement of workers' rights, making from FGTS a social development instrument, qualification of relationships and services, promotion of cost reductions, strengthening of CAIXA's performance in every segment and modernization of FGTS' management and control operational procedures.

Approximately 2.7 million companies have the Social Connectivity digital certificate, being such companies responsible for the monthly transmission through Internet of more than 3.2 million files, corresponding to 100% of SEFIP files treated in the FGTS system.

For its performance, CAIXA received the following awards:

- IBEST 2005 Award - being emphasized the relevance of the “Social Connectivity” electronic services made available to FGTS clients;
- “Innovations in Electronic Government” Award, granted by Plano Empresarial, Connectivity was elected the best electronic citizen service initiative.

Client service center (SAC)

The Ombudsmanship consolidates itself, each year, as a dialogue channel among internal and external publics and CAIXA.

During the entire year of 2005, CAIXA continued not being mentioned in the list of financial institutions with major number of complaints recorded at the Central Bank. A total of 24 months during which the company does not appear in said list. 2,175 occurrences have been recorded against CAIXA in that autarchy, thus representing a reduction of 21.9% when compared to 2004. From total records, 90.4% refers to complaints and 9.6% to requests (manifestation which does not involve non-compliance of CMN and BACEN’s ordinances).

Besides, the number of complaints at PROCON/SP was also reduced. In the 2004 list, CAIXA showed up as the financial institution leader in complaints. In 2005, there was a reduction by 36.4% in the number of complaints, passing to the 11th place in the annual PROCON/SP ranking.

One of the factors contributing for such improvement in performance was the establishment of a Relationship Policy with the body, thus systematizing complaints’ receipt and handling. It was also launched in the municipalities of São Paulo (SP) and Belo Horizonte (MG), the “Serviço CAIXA de Atendimento ao PROCON”, a 0800 line exclusively available to the body, which has speed up the service.

The internal Ombudsmanship was considered a model of social entrepreneurial responsibility (RSE), deserving a material published at Instituto Ethos’ site, under the title “Caixa’s Internal Ombudsmanship: Citizenship and Social Responsibility”.

CAIXA has participated in several events on Ombudsmanship, social responsibility and inclusion and participative administration, among others. From such events, it is worth pointing out its presence at the IV Global Forum on Corruption Fight, coordinated by the General Union Controllershship (CGU) and held from June 7 to 10, 2005, in Brasília. In the event, CAIXA Ombudsmanship, in the capacity of relater and mediator, composed the panel dedicated to the theme “Ombudsmanship and Ombudsman”, gathering ombudsmen from France, Peru and Guatemala, besides the General Union Ombudsmanship.

5 - Trade credit operations

In comparison to the values of the commercial operations contracted, CAIXA's application volume increased by 38.9% in relation to previous year. In 2005, R\$ 33.94 billion have been contracted against R\$ 24.43 billion in 2004, not taking into consideration financing contracting of its Credit Cards.

Balance of portfolios as of December 2005 reflected a global increase of 61.5% in the total volume of trade credit operations destined to individual and legal entities, totaling a balance of R\$ 14.48 billion in 2005 against R\$ 8.97 billion in 2004.

CAIXA's share in the trade credit market to individual and legal entities presented a growth of 28.07% in 2005, from 3.48% in 2004 to 4.45% in 2005. The legal entity portfolio recorded a growth of 30.65% in the period, from 1.35% to 1.77% of share market at the end of 2005 compared to December 2004, whereas individual operations passed from 8.67% in 2004 to 9.74% in December 2005, representing a growth of 12.35%.

Individuals

At the end of 2005, CAIXA totaled R\$ 9.23 billion in balances regarding loans to individuals, representing a growth of 64.8% in relation to the same period of 2004. During 2005, CAIXA injected into the economy a volume of R\$ 17.50 billion in investments addressed to fund family consumption, against a volume of R\$ 15.59 billion invested in 2004, representing an increase of 12.2%.

As regards portfolio balance, emphasis is given to the consignment portfolio with a volume of R\$ 5.50 billion, representing 67.82% of the total, which besides the high contracting volume, was increased by R\$ 996.82 million with the acquisition of consignment portfolios from BMG and BMB banks in 2005.

The Pledge product, due to its accessible and practical rates, invested R\$ 4.33 billion in 2005, in a total of 7.6 million contracts.

CAIXA received compliments in acknowledgement for expositions on the theme: "Microcredit in Latin America: Advances and Pending Agenda", made at the event where it participated invited by Federación Peruana de Cajas Municipales de Ahorro y Crédito - FEPCMAC (Peruvian Federation of Municipal Savings and Credit Banks) and at the XII General Meeting of the World Savings Banks Institute - WSBI.

Legal entities

CAIXA showed a growth in credit operations contracts addressed to companies, reaching a Record volume of R\$ 16.4 billion invested in the year, representing a growth of 86.1 % in relation to the volume loaned in 2004, contributing to finance the continuity of Brazilian economic growth.

Growth was recorded in every product of the portfolio, fruit of an approach which tries to guarantee to the companies full and balanced service of their needs.

An amount of R\$ 5.2 billion balance was accounted for at the end of the fiscal year, increased by 49.5% compared to the same period of 2004, when it totaled R\$ 3.5 billion.

Third party credit administration

In the capacity of service provider, CAIXA administrates savings and loans credit contracts assigned to the Assets Administration Company (EMGEA), and also, functional real property of bodies/autarchies of the Federal Government, the Central Bank of Brazil (BACEN) and Cia. Hidroelétrica do São Francisco (CHESF), comprising credit maintenance, collection and recovery embodying the settlement, debt renegotiation and debtor transfer modalities, as well as other activities inherent to savings and loans credit administration.

CAIXA closed the year with 643.926 contracts administered, which repassed collections totalized R\$ 2.1 billion. The third party credit recovery action contemplated 78,555 contracts in 2005 against 76,096 in 2004, being 61,105 contracts settled in anticipation in 2005 and 64,638 during 2004. In 2005, debts related to 17,450 contracts have been renegotiated, whereas in 2004 the amount was of 11.458.

Own credit recovery

With respect to trade credits, 40,831 contracts have been resumed payment, whether by renegotiation or cash receipts, representing an amount of R\$ 609 million, being R\$ 173.9 million settled by renegotiation and R\$ 435.1 million cash receipts. The amount settled in 2005 exceeded by 26.48% the one of the 2004, when the amount was of R\$ 481.5 million. 317,007 contracts arising from housing portfolio financing and/or loans have resumed payment, have been renegotiated or have been fully settled the debt, enabling other citizens access to credit, in the amount of R\$ 455 million which were in an arrears by more than 60 days.

6 - Resource funding and administration

Third party resource administration

CAIXA closed the year of 2005, having under its administration 100 funds and portfolios, being 47 fixed rate funds, 13 variable income funds, 14 social security funds, 6 social portfolios, 18 portfolios administrated, 1 real estate investment fund and 1 credit rights fund. In the period, 12 new investment funds and portfolios have been launched, being 5 network-related, 5 exclusive funds, besides 2 portfolios administered.

In relation to new network funds, CAIXA operated in 3 distinct categories, launching 1 foreign exchange fund, the “FI CAIXA CAMBIAL DÓLAR”; 2 variable income funds, the “FIA CAIXA PIBB - COM OPÇÃO DE VENDA” and “FIA CAIXA PIBB - SEM OPÇÃO DE VENDA”; and 2 more fixed income funds, the “FI CAIXA REGIME PRÓPRIO RS RENDA FIXA” and “FI CAIXA REGIME PRÓPRIO ALIANÇA RENDA FIXA”.

Net Equity recorded a growth of 36.35% in relation to the year 2004, from R\$ 95.59 billion, at the end of 2004, to R\$ 130.34 billion, in December 2005.

In the Investment Fund Administrators Ranking of the National Association of Investment Banks (ANBID), CAIXA maintained the 4th position conquered last year, with a share percentage of 5.45% of the total administered by the Investment Fund Industry; in December 2004, such percentage was of 5.04%. The Fund Industry presented a growth of 20.98%, whereas CAIXA recorded a growth of 31.47%. It is worth emphasizing that from the 4 major third party resource administrators, CAIXA was the institution presenting the largest growth in the period.

The company was recognized and awarded by several publications: Guide of the Best Investment Funds - *Investidor Individual Magazine*; Best Institutional Funds - *Investidor Institucional Magazine*; *Ranking Top Asset - Investidor Institucional Magazine*; Ranking Estadão - *Estadão Investimentos Magazine*; Best Performance in 2004 - *GazetaInvestl Magazine*; Special Ranking *FolhaInvest*; First ranking *Foco/Quantum - FOCO Economia e Negócios*; The Best Investment Funds - *Investidor Individual Magazine*; The Best Investment Funds - *Valor Investe Magazine*; Guide The Best Investment Funds (awarded the best Retail Administrator; best Wholesale Administrator; Best Fixed Rate Administrator; Best Megafund Administrator) - *Exame Magazine*; The Best Administrators - *Investidor Institucional Magazine*; Social Security Funds Ranking (The More Profitable in 12 months) - *O Estado de São Paulo*; Social Security Funds Ranking (The More Profitable in 18 months) - *Investidor Institucional Magazine*; Ranking of the Best Banks to Invest in (sole institution with maximum grade in the Investment Funds criterion) - *VOCÊ S/A Magazine*.

Securities operations

The Administration reiterates its intention and financial capacity of maintaining until maturity CAIXA's portfolio securities classified in category III, as provided for in Art. 8 of BACEN Circular no. 3.068/01.

In 2005, own Federal Government Securities in the amount of R\$ 33.85 billion were due, from which R\$ 21.38 billion related to securities received upon restructuring. R\$ 76.09 billion in Federal Government Securities have been acquired, being R\$ 56.03 billion in Primary Auctions and R\$ 20.06 billion in the secondary market.

CAIXA's Federal Government and Securitized Securities presented on December 31, 2005 a positive variation of R\$ 20.48 billion, compared to the same period of 2004.

Capital market operations

CAIXA participated in the second public secondary distribution of quotas issued by PIBB Fundo de Índice Brasil 50 (*Brasil Tracker*) as one of the coordinators contracted, offering throughout its agency network three modalities of investment, to wit, Direct Sale, Put Option Fund and Fund with No Put Option. Volume of offers reached was of R\$ 91 million, of which, by virtue of the cut made due to excess of demand, remained R\$ 66 million.

Accreditation before BACEN and BM&F

CAIXA is qualified as a primary dealer (group of up to 12 institutions authorized to operate directly with Central Bank's trading floor) since March 2002.

In 2005, CAIXA intermediated a repass of R\$ 59.38 billion in resources to other institutions, acting as a dealer.

Funding products

Savings deposit closed the year with R\$ 53.3 billion balance, corresponding to an increase of R\$ 1.06 billion net funding in the period and ensuring CAIXA a market share of 31.43%. For the fourth consecutive time, CAIXA received the *TOP OF MIND* award, instituted by the Newspaper Folha de São Paulo, awarding the brands most remembered by Brazilian consumers, confirming its leadership in the savings market. CAIXA reinforced the advertising campaign called FORÇA X, the object of which is to revitalize the product allied to the redemption of the saving concept next to children. At the same time, it presents CAIXA brand as the first contact of such public with the bank universe.

LCI's launching had as objective to become an alternative for Mortgage Notes' investors, allowing reaching in 12 months a balance of R\$ 3.6 billion, of which R\$ 2.3 billion were from Mortgage Notes' maturities.

CDBs/RDBs reached a volume of R\$ 12.6 billion, emerging as the modality which has mostly grown in the year, by virtue of an increase of R\$ 5.3 billion in funding and growth of 116.7% in relation to the final balance in 2004. Market share had an evolution from 3.4% in December 2004 to 6.02% in December 2005.

With respect to demand deposits, it could be noticed an expansion of the total balance to R\$ 6.87 billion, representing an evolution of 13.48%, compared to the balance existing at the end of 2004.

CAIXA International

In 2005, a CAIXA launched the product International Payment Order for foreign resources receipt and destined to Individuals, clients and non-clients (Remittances Project). The first agreement was entered into in March with *bcpBank* in USA, and the second in November with *Millennium bcp* in Portugal, where 1,020 of the 1,800 agencies of the world network of that bank are located. During the year, CAIXA earned a total of US\$ 8.3 million, and EUR 2.4 million, having paid R\$ 25.7 million in international remittances, being confirmed as an important partner of Brazilians in and out of the country.

With the product E-account CAIXA, where through opening of a simplified current account by internet, Brazilian citizens living abroad, holders of VISA banner Credit Card issued abroad, are able to transfer their savings to Brazil in an agile, safe manner and at reduced rates. Presently, it represents only 2.52% of the amount transferred, being a highly competitive cost compared to rates ranging from 8% to 15%, according to the Inter-American Development Bank (IDB). In 2005, CAIXA operated through "e-account" as follows:

E-account	2004	2005
Number (units)	1,339	1,609
Total value of operations (R\$)	1,488,96.75	1,461,737.63

Eighteen (18) months after creation of e-account CAIXA, Internet's range became evident, being confirmed operations from several locations of the planet. Brazilians living in more the 68 countries have already utilized such company's service.

In 2005, CAIXA effected through E-account and payment order, 6,273 transactions, operating a total value of R\$ 27.2 million.

The United Nations Program for Development (UNPD) aims contributing for the country's development, through technical, financial and/ or managerial support. In 2005, the elaboration of the substantive review of Project BRA 99-027 started, having as object to extend project's activities until June 2007, inserting two new components: Housing and Inclusive Governance.

Considering that Japan is the country which receives the major community of Brazilians living abroad, being an important Remittances Project market, in September 2005, CAIXA received a mission from the Japanese bank Iwata Shinkin Bank, composed by Chairman Shozo Takagi, the Planning Director and by a Bank's consultant. The purpose of the visit was to get to know the company and its multiplicity of products and services, as well as establish an interchange enabling broadening of its business in the 325 banks of Shinkin network, summing up 8,400 agencies. As a result of negotiations, in March 2006, an agreement between CAIXA and Iwata Shinkin Bank will be signed.

CAIXA received an acknowledgement award for the strategic view and the sustained growth of the partnership entered into between the two institutions - bcpbank and CAIXA - from the Chamber of Commerce Portugal-United States of America.

7 - Banking services and fidelity products

Banking services

CAIXA has been also providing banking services, offering them to the society under several modalities. More than 1.1 billion transactions have been made, operating R\$ 223 billion in salary credits, bank collection, union, tax and commissionaire collections, among others. Collections on account of public concessionaires, for example, totalized the amount of R\$ 41 billion, with a total of 602 million transactions.

Services	Number in thousands/Values in R\$ thousands			
	2004		2005	
	Number	Value	Number	Value
Concessionaire accounts collection	594,113	34,581,658	602,792	41,576,422
Tax collection	55,076	16,841,637	58,789	19,716,453
Union contribution collection	4,236	765,715	4,504	917,249
FGTS collection	19,306	11,151,311	19,636	12,178,527
Bank collection	167,815	42,321,380	178,125	48,585,445
Payroll	20,114	17,771,178	21,282	20,212,857
Several collections	122,027	3,075,085	153,959	50,387,157
GPS collection	30,224	8,864,756	31,133	8,843,119
INSS benefit payment	<u>34,456</u>	<u>16,622,947</u>	<u>40,530</u>	<u>20,800,285</u>
Total	<u>1,047,367</u>	<u>151,995,667</u>	<u>1,110,750</u>	<u>223,217,514</u>

State and Municipality Social Security (PEM CAIXA)

Contributing to the Federal Government's policy of promoting a sustainable adjustment of public accounts and efficient resource administration, CAIXA provided, in the State and Municipality social security segment, consulting services for the structuring or restructuring of own regimens with the purpose of ensuring their solvency in the long-term. In 2005, CAIXA entered into 165 consulting services for Social Security restructuring in three States and 162 Municipalities, showing a portfolio growth of 60.2% in relation to previous year, ensuring social security benefit payment of approximately 396 thousand insured, among active, inactive employees and pensioners, 4.9% more than in 2004.

CAIXA SEGUROS Group

CAIXA provides, through its agency network, insurance, private pension, capitalization and real estate consortium products of the affiliate Caixa Seguradora S/A, with the purpose of enlarging the portfolio of products offered and meeting its client's demands and needs. CAIXA's shareholding interest in its affiliate is of 48.20658%, thus providing in this fiscal year an equity accounting of R\$ 139,260 thousand.

In 2005, it should be emphasized the Real Estate Consortium performance, with a growth of 155% in the number of quotas sold. Such result caused CAIXA Consórcios' market share to close the year in 2nd place, considering the number of participants.

In particular, the insurance product "CAIXA Vida Mulher", addressed to the female public, launched on March 8, 2005, showed a good acceptance, contributing for CAIXA insurance segment performance in 2005.

Product	Number in units/Values in R\$ thousands					
	2004		2005		Variação %	
	Number sold	Value	Number sold	Value	Number sold	Value
Private pension (*)	229,122	517,925	507,572	997,501	121.5%	92.6%
Capitalization	3,686,875	142,587	4,047,533	298,821	9.8%	109.6%
Insurance	1,231,453	102,636	1,595,772	179,772	29.6%	75.2%
Real estate consortium	17,636	841,920	37,530	1,861,612	112.8%	121.1%
Total	5,165,086	1,605,068	6,188,407	3,337,706	19.8%	107.9%

(*) The number mentioned in Private Pension refers to inventory.

Card Administration - Credit and Debit

CAIXA closed 2005 with 2.5 million credit cards, corresponding to a base 26% higher than in 2004. During the year, 61 million transactions have been made, presenting a billing volume of R\$ 4.5 billion.

The company maintained its position as the major *MasterCard* Maestro worldwide banner issuer. Debit card base closed the year with 37.7 million cards, 19.1% more than in 2004, being 45.2% more electronic transactions and resource volume 52.3% more than the previous year. CAIXA *MasterCard* Maestro debit card billing increased by 2.32% during the seven months of the "MasterCard in Action" Project. From May to November 2005, billing obtained through use of debit card was of R\$ 3.5 billion, against R\$ 2.2 billion in 2004. Due to this growth, CAIXA conquered the "MasterCard in Action" award, as the Brazilian bank which has most enlarged *MasterCard* Maestro product's market share.

8 - Personnel management

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

Collaborators	Number in units	
	2004	2005
Employees engaged by contest	59,927	68,257
Trainees	9,766	11,632
Service providers	24,180	18,541
Minors	293	-
Apprentice adolescents	<u>2,671</u>	<u>3,314</u>
Total	<u>96,837</u>	<u>101,744</u>

The following table evidences the growth of capacitation actions of its collaborators, especially with respect to competences necessary so that a qualified service is rendered to its clients.

Activity	Number in units	
	2004	2005
Courses at the Corporate University	60.414	286.130
<i>Lato and Strictu Senso</i> Post-Graduation	1.038	183
Higher Education	1.153	298
<i>Workshops</i> and seminars	<u>4.824</u>	<u>13.639</u>
Total	<u>67.429</u>	<u>300.250</u>

CAIXA Health Program provided qualified services to 224,628 beneficiaries, among employees and dependents thereof.

In 2005, in the scope of Caixa Life Quality Program, emphasis was given through administrators' consciousness in order to stimulate a healthy attitude towards life and actions such as execution of agreements with institutions promoting physical activities, partial finance of anti-smoking treatment, and nutritional education and orientation.

The 2005/2006 collective bargaining agreement was marked by a historical collective bargaining process, built through transparency and dialogue, including important conquests for CAIXA employees: readjustment above inflation of the period, elevation of one salary level for all employees eligible for promotion, vacation parceling for employees over 50 years old, acknowledgement of partner of the same sex at the Caixa Health plan, absence permitted of up to two days annually to take child or dependent under 14 years old to the doctor, absence permitted of one day to accompany hospital internment due to disease of spouse, children, father or mother, among other several benefits.

In 2005, the work group constituted by representatives of CAIXA, FUNCEF and active or retired members, concluded the proposal of the new plan. The proposal was in phase of negotiation between the members' representatives and CAIXA's Executive Board. The New Plan was also submitted to a plebiscite promoted by the members' representatives, having obtained a favorable referendum. The proposal provides several advantages to the members, such as age limit elimination, possibility of requesting a life income benefit, self-sponsorship and flexibility of contribution.

The magazine “Gente da CAIXA” received the award Best Internal Magazine, Center-West/East selection, at the 31st Edition of the Brazilian Association of Entrepreneurial Communication (ABERJE) award.

9 - Risk management

During 2005, 46.6 million risk evaluations have been carried out for purposes of granting commercial and real estate credit, representing, quantitatively, an increase of 48% in relation to 31.4 million carried out in 2004. Such number, besides reflecting the growth of credit demand at CAIXA, also includes automatic risk evaluations, which expressive increase occurred in the fourth quarter of 2005, representing approval of credit limits in the amount of R\$ 78.5 billion.

With the purpose of improving market and liquidity risk management practices, CAIXA has concentrated its efforts in setting up a new liquidity flow projection model and in the development of improvements in internal risk value measurement models - VaR of treasury and bank operation portfolios.

As regards operational risk, the following actions have been developed, in connection with recommendations provided for in the New Capital Agreement of Basle: application of new Operational Risk Inventory; methodology and tools adaptation for capital allocation calculation; operational loss data base revalidation.

In order to meet BACEN’s demand, CAIXA carried out the Fifth Study on Quantitative Impact - QIS5, an instrument for evaluating impacts on capital allocation according to the Basle Agreement II criteria for credit, market and operational risks.

The Project “Corporate Solution to Meet the New Basle Agreement” was created in 2003 with the objective of structuring and setting up a risk management integrated model. In 2005, the Portfolio Risk System and the first context of the Credit Borrower Risk integrated databank were set up. The Operational Risk System specification was concluded and its set up is expected for the second semester of 2006.

Among the main actions developed with the purpose of monitoring the models utilized for risk management, the following are highlighted:

- Creation of a Risk Management Model Inventory;
- Documentation evaluation of the main models utilized in the risk management process;
- Treasury Portfolio Market VaR - Internal Model monitoring methodology development and set up;
- Treasury Portfolio Market Risk weekly monitoring routine set up;
- Commercial portfolio analysis model monitoring methodology development and set up, based on Credit VaR violation analysis and on measurement of Expected Loss prediction error.

10 - Corporate governance and sustainability

Governance structure

All instances instituted by CAIXA Bylaws, approved by Decree no. 5.056 of 04/29/04 and available at www.caixa.gov.br are in place and in regular operation.

All CAIXA's strategic decisions are taken by a collegiate, through its Board of Directors and Executive Board. The company's stock follow up and control are executed by the following bodies: the Ministry of Finance, the Central Bank, the State-Owned Companies Coordination and Control Department, the Federal Audit Court, the General Union Controllership, the Public Prosecution Service, and by means of requests and information, the National Congress.

CAIXA counts on committees, commissions and boards to take tactic, operational and administrative decisions: Ethics Commission, Credit Commission, Parent Renegotiation and Credit Committee, Audit Committee, Funding and Investment Strategic Committee; Fund Management, Programs and Services Delegated by the Federal Government Strategic Committee; Third Party Asset Management Strategic Committee, Purchase and Contracting Committee, Risk Committee, Prevention Against Money Laundering Crimes Committee; Entrepreneurial Security Board, Regulatory Boards, Parent-structured Operations Credit Risk Classification Committee, and CAIXA Health Users Board.

In order to comply with its role as an instrument of public and development policies for the country, CAIXA advances in the implementation of a consistent Governance structure, ensuring a vision of Corporate Sustainability, searching value generation for society.

Transparency and conformity practices

Maintaining the practice of exposing to society its economic-financial and operational performances, besides their respective publication in newspapers, magazines and in its Internet site, CAIXA submitted the results ascertained in the first semester to directors and members of the Association of Capital Market Analysts and Professionals (APIMEC) of the Federal District, São Paulo, Northeast Region, South Region and Rio de Janeiro and the Brazilian Association of Capital Market Analysts (ABAMEC) of Rio de Janeiro.

Internal control system

New control methodologies and tools have been implemented, mechanisms for corporate normatization standardization have been consolidated and monitoring instruments for processes, activities, operations and standards with more risk exposure have been instituted.

The Standard Route, which object is minimizing risks in the procedures of new products, services, systems launching and of migration and extinction of CAIXA units or activities, recorded in the end of 2005, more than 260 projects in process of monitoring.

Designation of controls identified based on reports of regulatory and inspection bodies, internal Boards and Committees, internal and independent Audits, control procedures and review and evaluation works and direct information of Management Units, including by means of Internal Control Reports, presented a reduction of 61%, in 2005, in the total designations not handled.

Money Laundering Prevention

CAIXA sponsored the Annual Plenary Meeting organized by the Financial Activities Control Council - COAF, on Typologies of the Financial Action Group on Money Laundering and Terrorism Financing (GAFI) and the South America Financial Action Group on Money Laundering and Terrorism Financing (GAFISUD), in which occasion experiences were shared among institutions mobilized in fighting such criminal practices.

11 - Social Responsibility

CAIXA Hunger Zero Project

Main agent of Federal Government's public social inclusion policies and first institution receiving the Certificate of Partner Company of the Hunger Zero Program, CAIXA repassed R\$ 615.8 thousand in financial resources to the Fight and Eradication of Poverty Fund, being 56% of such resources collected by means of CAIXA FI Hunger Zero Fund's commercialization.

Source	<u>Values in R\$ thousands</u>
	Value
CAIXA Hunger Zero Fund (donation of 50% of the management fee)	346,9
Donation from individuals and legal entities on Caixa Hunger Zero Account	<u>268,9</u>
Total	<u>615,8</u>

Non-perishable food donation campaigns for persons in situation of poorness or social risk held in the agencies collected 55 tons in 2005.

For the second consecutive year, CAIXA promoted a social action for gratuitous issue of CPFs in celebration to the International Woman's Day, benefiting more than 315 thousand women in the whole country, enabling them access to Federal Government's public policies with respect to Hunger Zero Program, such as Family Allowance and the National Strengthening Program of Family Agriculture (PRONAF), bank inclusion, micro-credit, among others.

In partnership with the Special Secretariat of Human Rights of the Presidency of Republic (SEDH) and with the National Council of Child and Adolescent's Rights (CONANDA), the Campaign "With your help this longing may have an end" was held through the making and distribution in agencies and lottery network, of 1 million folders and 10 thousand posters showing photos of missing children and adolescents. Another CAIXA's contribution to the partnership was the donation of R\$ 580 thousand to the National Fund for Child and Adolescent (FNCA), in support to the National Network for Identification and Localization of Missing Children and Adolescents (ReDESAP).

In support to the Racial Equality National Year, CAIXA signed a protocol of intentions with the Special Secretariat of Policies for Racial Equality Promotion of the Presidency of Republic (SEPPIR), with the objective of promoting social inclusion of 2,228 "Quilombolas" community, actually identified throughout the country.

Best practices in local management program

In the scope of CAIXA Best Practices in Local Management Program, which identifies, awards and disseminates the best experiences with the company's participation, the year of 2005 presented an innovation, holding the first Replication Workshop, focusing the environmental management thematic, opened to the participation of representatives of the population.

The IV Edition of CAIXA Best Practices in Local Management Award was also held, registering more than 176 projects and awarding the 10 Best practices, which are being disclosed and received sponsorship in the amount of R\$ 25 thousand each, to carry out a case study aiming the study and dissemination thereof.

At the MONUMENTA BID - Private Real Property Component Program, CAIXA was engaged by the Ministry of Culture to provide financing to 26 cities, addressed to the restoration of private real property located in historical areas, which budget for 2005/2006 is of R\$ 63 million.

During the period from January to December 2005, 20 public notices were launched for selection of financing proposals. Presently, the Program counts on operations contracted in the States of Santa Catarina, Rio de Janeiro and Rio Grande do Sul, in the total of R\$ 1.1 million. In November, the first private real property restoration work was inaugurated in Porto Alegre/RS, in the amount of R\$ 297.9 thousand.

Sport sponsorships

The sponsorship to the Brazilian Athletics Confederation (CBAt) was renewed for the period from January to December 2005, in the amount of R\$ 7 million. CBAt maintained the nine programs held in 2003 and 2004, addressed to the development of athletes, ex-athletes, technicians and State Federations, and instituted CAIXA/CBAt Street Runners Ranking for development and encouragement of the street athletics sport practice. The following events were contemplated: nine events of the national sport calendar; fourteen international events with participation of the Brazilian Athletics selections and the exclusive sponsorship to the Brazilian CAIXA Athletics selections.

The Paralympics sport adds important values to the set of principles supporting CAIXA's corporate image, strengthening its performance addressed to social inclusion. CAIXA renewed the sponsorship to the Brazilian Paralympics Committee through FDL - Lottery Development Fund, for the period February to December 2005, in the amount of R\$ 3.5 million. The sponsorship enabled the development and execution of the High Level Athletes CAIXA Lotteries Program, consisting in grants to 12 record athletes, and the pioneer and unique Paralympics Brazil CAIXA Lotteries Circuit, with six phases: Belo Horizonte, Recife, Rio de Janeiro, Fortaleza, Porto Alegre and São Paulo, having among the modalities disputed, athletics and swimming, a judo challenge in the two last phases and sport and challenge overcome development and encouragement actions. The contract also provided support to athletes' participation in 14 international events in the modalities: athletics, weigh-lifting, equestrian, swimming, table tennis and sport shooting.

Events sponsored and awards received

With the purpose of promoting social, business, marketing and institutional actions, in synchrony and conformity with CAIXA's segments of interest and operation, CAIXA supported projects of relevance to the Brazilian society, such as: Expo Abras 2005; XVII National Forum/2005; VIII March to Brasília in Defense of Municipalities; 26th Brazilian Congress of Pension Funds (ABRAAP); Tourism Fair - Brazilian Routes; Brazilian Mathematics Olympiad of Public Schools (OBMEP); ENCLA 2006 - National Fight Strategy to Money Laundering and Asset Recovery; Global Forum Conference on International Investments - "Investment for Development - Making It Happen"; VI Conference of the Cities; and 77th National Meeting of the Construction Industry (ENIC).

As regards social responsibility, CAIXA, was recognized with the following awards:

- Citizen-Company Trophy, granted by the Marketing Institute with institutional support of UNESCO, IPEA/Ministry of Planning, and CRA-DF. The award is in its 13th edition and is granted to companies and public bodies setting up social practices;
- 2005 Corporate Responsibility in Americas Inter-American Award;
- Human Being Oswaldo Checcia Award;
- Social Responsibility Award. The award was handed during CONARH - National Congress of Human Resources' opening ceremony, in São Paulo, on August 1st;
- Hélio Beltrão Electronic De-bureaucratization National Award, instituted by FIRJAN system and FGV Projects, based on the relevance of services provided to the companies, the benefits resulting from set up thereof, its development stage, innovation grade, creativity, originality and accessibility thereof.;
- Marketing Highlight 2005 Award.

Socio-cultural and marketing presence

In 2005, CAIXA invested resources in the amount of R\$ 23.5 million sponsoring 635 cultural events and projects, including educational projects of socio-cultural nature, reaffirming itself as an institution focused to the redemption, disclosure and support to Brazilian artistic production. In the capacity of an executor of Federal Government's policy, CAIXA promoted free access of population to Culture and Arts, contributing for local economy's strengthening by means of culture, social inclusion and development of the country. The following events were highlighted: Always a Chat; Popular Feasts; Theater and Dance Festivals; Arts Box - Cultural Entities Adoption Caixa Program; Expositions and shows at Caixa Cultural Spaces; Pedagogical Projects; Urban Meetings; Exposition "Grande Teatro Tupi"; Fellini Circus; CAIXA Collection Gravure Exposition; CAIXA Collection Restoration; Sound of the City Project; "Jogo de Cena"; Exposition "Beyond the Wall"; Launching of the Book "O Negro em Preto e Branco"; Conferences Cycle - The Silence of Intellectuals and Exposition BAMAKO.

The Brazilian Workmanship with Design Project provided the company with more visibility of its performance in the social area and foment to the local economic activity, reinforcing its institutional image to several public segments, in a differentiated and high value-added action, which may be translated by their several developments, such as the Highlight in Marketing Award of the Brazilian Association of Marketing & Business (ABMN).

CAIXA promoted several events during the year: seminars, social workshops and joint economy expositions throughout the country in support to the National Week for Citizenship and Solidarity, encouraging employees and clients' participation in citizenship actions. The II Seminar CAIXA "We Can" deserves to be highlighted and was held in Brasília, with the presence of ministers, authorities and representatives of non-governmental entities and the organized society. Another sponsorship performed during the year was the ODM Brazil 2005 Award, an initiative of the Presidency of Republic, which encourages practices aiming the Millennium Development Objectives.

Expenditure rationalization and waste elimination program (PROGED)

Created to provide permanent analysis and balance of the company's administrative expenditure level to its real operational revenue generation capacity, PROGED's target for this year was to provide expenditure reduction and waste elimination in the amount of R\$ 250.0 million. In this year, we may highlight, for its effects in organizational culture and citizenship, a campaign called "Printing Respect to Nature", addressed to influence CAIXA's collaborators towards the saving of printing resources, especially papers and toner and ink cartridges.

The actions developed by the company within the program provided an accumulated savings in the amount of R\$ 494.5 million, exceeding the target of 97.8% established for the year. During its 3 years of existence, PROGED recorded a savings volume of more than R\$1.2 billion.

Another relevant action in the period, extending the program effects beyond company's boundaries, resulted in the launching, in the month of March, of the guide "CAIXA for a Better Life", with the purpose of educating, informing and motivating citizens towards expenditure rationalization, waste eliminations and life quality improvement concepts and practice. The material was produced in recycled paper, in a small, color format, containing funny and easy-to-understand illustrations, contemplating matters addressed to domestic economy, health, housing, taxes, among others.

The guide "CAIXA for a Better Life", already in its 2nd edition, with a total of 1.3 million numbers distributed, was very well received by the company's clients and Brazilian citizens, as evidenced by messages from several locations in the country reporting experiences with the utilization thereof by schools, universities and prefectures, emphasizing the importance of the themes discussed and its contribution to the ordinary activities of the population.

12 - Information technology

Digital certification

CAIXA participated in initiatives for broadening of services supported on digital certification, especially those addressed to meet social area and Government's needs, such as justice and revenue and banks (FEBRABAN);

Several agreements have been entered into with government bodies, among them: STJ, SEFAZ/AL, GDF and Federal Courts, and to meet such demand, 75 agencies are being turned into a Registration Authority (AR).

CAIXA Business Continuity Program (PCN)

PCN CAIXA is a corporate evolutionary program aiming to ensure risk reduction and business process recuperation in a satisfactory service level. The PCN reviews the organization's processes, verifies its interrelationships, critical points and impacts on the business.

Technology systems

CAIXA started operating a new technology process for lotteries, administrated by the institution itself, thus representing the lottery business management independence.

The new lottery channel provides CAIXA full management and control autonomy of transactions made in lottery shops. Besides, one of the main objectives is to increase the present service capacity, around 20%.

The entire installation process of machines shall be concluded until May 2006. CAIXA already operates all central lottery processing, including, federal lottery premium determination, apportionment, repass, payment and accounting.

Among other technology system implantations and development, the following deserve to be highlighted:

- Caixa Electronic Payment (PEC) - Payment without invoice, cell phone and fixed telephone card recharge, and transportation sole ticket recharge (SPTRANS);
- Foreign Resource Operation System and agreement with Banco Comercial Português (SIMEX) allows funds remittance through BCP to CAIXA;
- Bank Confidentiality System (SISIB) - a system to automate account blockage process enforced by judicial order;
- Union Contribution Handling System (SITCS) - Executes taxpayers' Union collection;
- Citizen Benefits System (SIBEC) - Set up, in August, of the 1st phase of SIBEC, Intranet and Internet environments, system which starts operating the Family Allowance program of the Federal Government;
- Sole Registry (CADUN) - Set up of application version for input and maintenance of off-line data of the Sole Registry by municipalities, thus providing more qualification of data transmitted and stored in the company's environment;
- School Attendance - System destined to record school attendance of members of families benefited by the Family Allowance and School Allowance programs;
- FGTS Payment and Information to Social Security by the Companies System (SEFIP) - utilized by approximately 3 million companies monthly to make FGTS payment and provide information to Social Security; and
- Self-Service System for Governmental Bodies (SIGOV).

CAIXA received the “E-FINANCE 2005” award - For the quality of technology solutions supporting service structure. The five awards were the following: Net Sharing, Bank Correspondent, Family Allowance, CALL CENTER and Sole Citizen Identification.

13 - Acknowledgements

The results hereby reported derive from professional attitude, mobilization and commitment of more than 150 thousand collaborators, partners and suppliers in order to overcome the challenges faced by the company. More than that, they are made of daily dedication from those who believe that CAIXA’s work is important for the development of Brazil and for the improvement of life conditions of its people.



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Independent auditors' report

To
The Administrative Council
Caixa Econômica Federal
Brasília - DF

1. We have examined the balance sheets of Caixa Econômica Federal (CAIXA) as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of CAIXA; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by CAIXA management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Caixa Econômica Federal (CAIXA) as of December 31, 2005 and 2004 and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.
4. As mentioned in Explanatory Note 6(b), CAIXA is entitled to credits receivable from the Salary Variations Compensation Fund (FCVS), correspondent to housing contracts, both its own and those acquired from other agents under FCVS coverage. Realization of such credits depends on the adherence to a set of rules and procedures defined in applicable regulations. CAIXA's management has implemented an analysis and checking process of the conditions and data of such contracts so that they might comply with such rules and procedures. Such procedures enable the credits to be separated into contracts already qualified and ratified by FCVS, and negative coverage contracts, with or without the possibility of recourse for revaluation of the negative coverage. They also permit the application of a statistical methodology for estimating possible losses.



5. CAIXA, as shown in Note 18(a), has an amount recorded as assets of R\$ 1,391 million (R\$ 1,666 million at December 31, 2004), corresponding to income and social contribution tax credits, the realization and maintenance of which are subject to generating taxable income in the future and to complying with rules defined by Resolution 3059/02 of the Central Bank of Brazil.

6. As mentioned in Note 15(a), CAIXA was processed by the Inspection Service of the National Institute for Social Security (*Instituto Nacional do Seguro Social - INSS*), on the allegation that social security contributions were not effected on certain payments made to its employees, and by the Federal Revenue Service, on the allegation of a shortage in the payment of PIS/PASEP and by municipal inspections regarding the Service Tax (ISS). In line with the understanding of its legal and tax departments, which claim that not all the amounts listed by the INSS are subject to social welfare contributions, and in view of the possibilities of a successful defense of the proceedings related to PIS/PASEP, CAIXA management understands that it is not necessary to record provisions for contingencies related to these matters, in addition to those already existing, which amounted to R\$ 217 million (INSS) and R\$ 621 million (PIS/PASEP) and R\$ 204 million (ISS), at December 31, 2005 (INSS - R\$ 180 million and PIS/PASEP - R\$ 592 million and ISS - R\$ 187 million, at December 31, 2004).

February 10, 2006

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

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

Caixa Econômica Federal

Balance sheets

Years ended December 31, 2005 and 2004

(In thousands of Reals)

Assets	2005	2004	Liabilities	2005	2004
Current assets	<u>95.062.098</u>	<u>90.202.067</u>	Current liabilities	<u>155.377.616</u>	<u>118.707.370</u>
Cash and cash equivalents	<u>935.710</u>	<u>700.557</u>	Deposits (Note 11)	<u>106.842.851</u>	<u>91.746.662</u>
Interbank funds applied (Note 4)	<u>9.738.005</u>	<u>4.249.985</u>	Demand deposits	6.937.756	5.969.669
Money market funds applied	9.738.005	4.249.985	Savings deposits	53.280.825	48.963.863
Securities and derivative financial instruments (Note 5)	<u>42.234.271</u>	<u>50.927.358</u>	Interbank Deposits	26.073	-
Own portfolio	23.832.496	43.548.695	Time deposits	38.679.569	30.095.900
Subject to repurchase commitment:	18.336.622	6.650.249	Special deposits, funds and programs (Note 11 (b))	7.881.303	6.693.460
Deposits with Central Bank	-	559.033	Others deposits	37.325	23.770
Subject to guarantee services	2.802	81.603	Money market repurchase commitment (Note 11)	<u>32.312.027</u>	<u>14.050.778</u>
Derivative financial instruments (Note 5 (f))	62.351	87.778	Own portfolio	22.574.022	9.801.607
Interbank accounts	<u>19.514.402</u>	<u>17.956.457</u>	Third party portfolios	7.003	4.249.171
Collections in transit	56.274	58.043	Free portfolio	9.731.002	-
Term deposits - Brazilian Central Bank deposits (Note 6 (a))	19.434.853	17.830.793	Acceptances and endorsements	<u>1.124.878</u>	<u>1.305.240</u>
Correspondents	23.275	67.621	Mortgage note funds (Note 12)	925.686	1.130.757
Interbranch accounts	<u>108.955</u>	<u>145.446</u>	Real estate credit notes	199.192	174.483
Third party funds in transit	664	166	Interbank accounts	<u>51.298</u>	<u>69.097</u>
Own funds in transit	108.291	14.528	Payments and receivables in transi	51.272	69.089
Loans (Note 7)	<u>14.890.552</u>	<u>10.820.649</u>	Correspondents	26	8
Loans, discounted loans and financing	12.384.652	8.378.147	Interbranch accounts	<u>471.735</u>	<u>410.260</u>
Real estate financing	4.201.115	3.610.183	Third party funds in transit	388.518	357.202
Provision for doubtful loans (Note 7 (f))	(1.695.215)	(1.167.681)	Own funds in transit	83.217	53.058
Other receivable	<u>6.616.367</u>	<u>4.511.844</u>	Derivative financial instruments (Note 5(f))	<u>157.426</u>	<u>71.936</u>
Receivable on guarantees honored	9.812	12.352	Swap transactions	157.426	71.936
Foreign exchange portfolio	7.814	-	Other liabilities (Note 15)	<u>14.417.401</u>	<u>11.053.397</u>
Income receivable (Note 8 (a))	894.462	751.185	Collection of taxes	116.766	102.801
Securities clearing accounts	236	-	Foreign exchange portfolio	7.814	-
Specific credits	77.951	31.961	Due to shareholders	736.994	75.054
Other (Note 8 (b))	5.626.092	3.716.346	Taxes payable (Note 15(a))	1.575.016	1.343.918
Other assets (Note 9)	<u>1.023.836</u>	<u>889.771</u>	Securities clearing accounts	4.140	6
Assets received in settlement of deb	1.157.061	1.161.634	Funds for specific destination: (Note 15 (b))	-	-
Valuation allowance	(268.611)	(272.581)	Lottery operations	348.081	291.828
Prepaid expenses	135.386	718	Social program and fund obligations	1.452.954	1.167.066
Noncurrent assets	<u>91.369.320</u>	<u>55.237.119</u>	Obligation to financial and development funds	1.333.887	1.357.392
Securities and derivative financial instruments (Note 5)	<u>51.226.237</u>	<u>21.906.512</u>	Other (Note 15 (c))	8.841.749	6.715.332
Own portfolio	44.828.737	18.727.527	Noncurrent liabilities	<u>25.348.103</u>	<u>22.415.549</u>
Subject to repurchase commitment:	4.266.644	3.178.985	Deposits (Note 11)	<u>56.737</u>	<u>26.032</u>
Deposits with Central Bank	1.695.333	-	Time deposits	56.737	26.032
Subject to guarantees provided	435.523	-	Acceptances and endorsements	<u>8.869.613</u>	<u>10.456.102</u>
Interbank accounts	<u>19.720.891</u>	<u>16.237.678</u>	Mortgage note funds (Note 12)	5.153.131	10.176.820
Housing Finance System - SFH (Note 6 (b))	19.720.891	16.237.678	Real estate credit notes	3.716.482	279.282
Loans (Note 7)	<u>18.532.234</u>	<u>14.743.081</u>	Borrowings (Note 13)	<u>29.661</u>	<u>39.263</u>
Loans, discounted loans and financing	2.956.993	2.265.052	Foreign currency trade finance borrowing:	29.661	39.263
Real estate financing	16.006.679	13.615.680	Repass borrowings from public sector (Note 14)	<u>12.399.241</u>	<u>11.426.453</u>
Infrastructure and development financing	1.645.936	1.110.018	National treasury	505.529	413.228
Provision for doubtful loans	(2.077.374)	(2.247.669)	BNDES (Federal Development Bank)	538.196	407.359
Other receivable	<u>1.856.734</u>	<u>2.349.848</u>	FGTS (Government Severance Indemnity Fund for Employee	11.105.749	10.380.658
Income receivable (Note 8 (a))	331.761	328.044	Other	249.767	225.208
Other (Note 8 (b))	2.158.218	2.684.994	Other liabilities (Note 15)	<u>3.992.851</u>	<u>467.699</u>
Provision for doubtful receivable (Note 8 (c))	(633.245)	(663.190)	Taxes payable (Note 15(a))	127.645	133.596
Other assets (Note 9)	<u>33.224</u>	<u>-</u>	Social program and fund obligations (Note 15(b))	8.545	9.295
Prepaid expenses	33.224	-	Other (Note 15(c))	357.080	324.808
Permanent assets	<u>2.246.243</u>	<u>2.347.373</u>	Subordinated Debts Eligible for Capital (Note 15(d))	3.499.581	-
Investments	<u>527.497</u>	<u>400.369</u>	Shareholders' equity (Note 16)	<u>7.951.942</u>	<u>6.663.640</u>
Subsidiaries and affiliates (Note 10(a))	484.119	387.918	Capital - Domestic	5.917.080	5.083.532
Local (Note 10 (a))	464.377	367.323	Capital reserves	-	10
Foreign	19.742	20.595	Revaluation reserves	389.599	400.778
Other investments	54.456	23.525	Revenue reserve:	416.666	302.732
Provision for losses	(11.078)	(11.074)	Adjustment to market value - Securities and derivative financial instruments	76.469	130.548
Premises and equipment (Note 10(b))	<u>1.475.561</u>	<u>1.612.221</u>	Retained earnings	1.152.128	746.040
Premises	209.510	209.728			
Revaluation of premises	574.859	574.346			
Other fixed assets	1.995.103	2.058.330			
Accumulated depreciator	(1.303.911)	1.230.183			
Deferred charges (Note 10 (c))	<u>243.185</u>	<u>334.783</u>			
Deferred charges	976.957	973.050			
Accumulated amortizator	(733.772)	(638.267)			
	<u>188.677.661</u>	<u>147.786.559</u>		<u>188.677.661</u>	<u>147.786.559</u>

See the accompanying notes to the financial statements

Caixa Econômica Federal

Statements of income

Years ended December 31, 2005 and 2004 and semester ended December 31, 2005

(In thousands of Reais)

	<u>2nd Semester</u>	<u>Year end</u>	
	2005	2005	2004
Financial operations income	14.290.150	26.012.847	21.344.249
Loans	4.091.300	7.497.183	5.681.680
Securities	8.363.870	15.099.675	12.135.216
Derivative financial instruments	(178.508)	(239.895)	35.033
Trade finance and foreign exchange	7.251	7.393	-
Compulsory investments	2.006.237	3.648.491	3.492.320
Financial operations expenses	(9.068.766)	(16.086.193)	(13.094.492)
Deposits, money market and interbank funds	(7.625.096)	(13.822.924)	(11.726.132)
Borrowings and onlending	(731.555)	(1.283.229)	(862.061)
Trade finance and foreign exchange	-	-	(422)
Provision for losses on doubtful receivable	(712.115)	(980.040)	(505.877)
Net income on financial operations	5.221.384	9.926.654	8.249.757
Other operating income/expenses	(3.505.513)	(6.845.236)	(6.454.938)
Service fee income (Note 19(a))	2.697.397	5.166.384	4.752.269
Equity in earnings of subsidiaries	61.097	140.300	71.372
Personnel expenses (Note 19(b))	(3.048.648)	(5.584.780)	(4.739.574)
Other administrative expenses (Note 19(b))	(2.203.824)	(4.155.057)	(3.949.201)
Tax expenses	(474.720)	(942.152)	(728.670)
Other income (Note 19 (c))	1.902.171	3.339.147	1.384.922
Other expenses (Note 19 (c))	(2.438.986)	(4.809.078)	(3.246.056)
Operating income	1.715.871	3.081.418	1.794.819
Non-operating income	(12.089)	(29.650)	(52.404)
Net income before income taxes and profit sharing	1.703.782	3.051.768	1.742.415
Income tax and social contribution tax expenses (Note 18 (b))	(426.084)	(762.176)	(134.979)
Income tax expenses	(216.645)	(386.941)	(67.281)
Social contribution tax expenses	(55.971)	(100.242)	(18.366)
Deferred tax assets	(153.468)	(274.993)	(49.332)
Employee profit sharing (Note 19 (h))	(141.794)	(216.576)	(187.634)
Net income for the semester/year	1.135.904	2.073.016	1.419.802

See the accompanying notes to the financial statements

Caixa Econômica Federal

Statements of changes in shareholders' equity

Years ended December 31, 2005 and 2004 and semester ended December 31, 2005

(In thousands of Reais)

	Capital	Capital reserves	Revaluation reserve	Revenue reserves Legal and other	Adjustment to market value securities and derivative financial instruments	Retained earnings (loss)	Total
Balances at June 30, 2005	5.083.532	10	394.989	395.195	103.501	800.332	6.777.559
Adjustment to market value - Securities and derivative financial instrument	-	-	-	-	(27.032)	-	(27.032)
Capital increase	833.548	(10)	-	(87.498)	-	(746.040)	-
Reversal of reserves	-	-	512	-	-	-	512
Taxes on revaluation	-	-	2.969	-	-	-	2.969
Revaluation reserve for subsidiaries and affiliates	-	-	(104)	-	-	-	(104)
Realization of reserve	-	-	(8.767)	-	-	8.767	-
Adjustment of dividends from the previous six-month period	-	-	-	-	-	500.000	500.000
Net income for the semester	-	-	-	-	-	1.135.904	1.135.904
Distribution of net income (Note 16):							
Legal reserve	-	-	-	63.885	-	(63.885)	-
Lottery reserve	-	-	-	45.084	-	(45.084)	-
Interest on own shareholders' equity	-	-	-	-	-	(299.556)	(299.556)
Dividends	-	-	-	-	-	(138.310)	(138.310)
Balances at December 31, 2005	<u>5.917.080</u>	<u>-</u>	<u>389.599</u>	<u>416.666</u>	<u>76.469</u>	<u>1.152.128</u>	<u>7.951.942</u>
Balances at December 31, 2004	5.083.532	10	400.778	302.732	130.548	746.040	6.663.640
Adjustment to market value - Securities and derivative financial instruments	-	-	-	-	(54.079)	-	(54.079)
Capital increase	833.548	(10)	-	(87.498)	-	(746.040)	-
Reversal of reserves	-	-	512	-	-	-	512
Taxes on revaluation	-	-	5.951	-	-	-	5.951
Revaluation reserve for subsidiaries and affiliates	-	-	(104)	-	-	-	(104)
Realization of reserve	-	-	(17.538)	-	-	17.538	-
Net income for the year	-	-	-	-	-	2.073.016	2.073.016
Distribution of net income (Note 16):							
Legal reserve	-	-	-	114.479	-	(114.479)	-
Lottery reserve	-	-	-	86.953	-	(86.953)	-
Interest on own capital	-	-	-	-	-	(598.684)	(598.684)
Dividends	-	-	-	-	-	(138.310)	(138.310)
Balances at December 31, 2005	<u>5.917.080</u>	<u>-</u>	<u>389.599</u>	<u>416.666</u>	<u>76.469</u>	<u>1.152.128</u>	<u>7.951.942</u>
Balances at December 31, 2003	3.885.000	10	418.606	203.507	134.542	1.129.887	5.771.552
Adjustment to market value - Securities and derivative financial instruments	-	-	-	-	(3.994)	-	(3.994)
Capital increase	1.198.532	-	-	(68.645)	-	(1.129.887)	-
Reversal of reserves	-	-	(8.018)	-	-	-	(8.018)
Taxes on revaluation	-	-	9.131	-	-	-	9.131
Revaluation reserve for subsidiaries and affiliates	-	-	(17)	-	-	-	(17)
Realization of reserve	-	-	(18.924)	-	-	18.924	-
Net income for the year	-	-	-	-	-	1.419.802	1.419.802
Distribution of net income (Note 16):							
Legal reserve	-	-	-	80.372	-	(80.372)	-
Lottery reserve	-	-	-	87.498	-	(87.498)	-
Interest on own capital	-	-	-	-	-	(512.904)	(512.904)
Dividends	-	-	-	-	-	(11.912)	(11.912)
Balances at December 31, 2004	<u>5.083.532</u>	<u>10</u>	<u>400.778</u>	<u>302.732</u>	<u>130.548</u>	<u>746.040</u>	<u>6.663.640</u>

See the accompanying notes to the financial statements.

Caixa Econômica Federal

Statements of changes in financial position

Years ended December 31, 2005 and 2004 and semester ended December 31, 2005

(In thousands of Reais)

	2nd Semester	Year end	
	2005	2005	2004
Sources of funds	23.908.978	43.994.108	26.268.175
Adjusted net income	1.291.900	2.362.710	1.786.066
Net income for the period	1.135.904	2.073.016	1.419.802
Depreciation and amortization	217.093	429.994	437.636
Equity in earnings of subsidiaries	(61.097)	(140.300)	(71.372)
Investment subsidy	22.552.153	41.433.543	24.312.883
Increase in current and noncurrent liabilities	22.521.196	41.397.052	16.636.559
Deposits	7.573.707	15.126.894	10.748.347
Money market repurchase commitments	9.819.462	18.261.249	-
Acceptances and endorsements	-	-	803.865
Interbank accounts	-	-	6.150
Interdepartmental accounts	282.453	61.475	-
Repass borrowings from public sector	-	972.788	2.811.255
Derivative financial instruments	32.874	85.490	-
Other liabilities	4.812.700	6.889.156	2.266.942
Decrease in current and noncurrent assets	30.957	36.491	7.676.324
Interbank funds applied	-	-	681.176
Securities and derivative financial instruments	-	-	4.692.082
Interbank accounts	-	-	2.252.971
Interdepartmental accounts	29.074	36.491	43.896
Other receivable	1.883	-	6.199
Disposal of assets and investments	64.925	197.855	169.226
Investments	13.170	13.172	193
Premises and equipment	51.755	184.683	169.033
Application of funds	23.715.213	43.758.955	26.132.830
Adjustment to market value of securities and derivative financial instruments	27.032	54.079	3.994
Investment in:	176.603	267.130	451.659
Premises and equipment	176.603	267.130	451.659
Deferred charges	62.101	112.930	65.151
Funds applied:	23.011.611	42.587.822	25.087.210
Increase in current and noncurrent assets	21.032.767	40.793.570	4.869.801
Interbank funds applied	1.007.705	5.488.020	-
Securities and derivative financial instruments	13.892.012	20.626.638	-
Interbank accounts	1.577.507	5.041.158	-
Loans	3.238.056	7.859.056	3.687.393
Other receivable	1.317.487	1.611.409	1.182.408
Other assets	-	167.289	-
Decrease in current and noncurrent liabilities	1.978.844	1.794.252	20.217.409
Money market repurchase commitments	-	-	20.065.626
Acceptances and endorsements	765.063	1.766.851	-
Interbank accounts	431.238	17.799	-
Interdepartmental accounts	-	-	29.953
Borrowings	2.460	9.602	8.921
Repass borrowings from public sector	780.083	-	-
Derivative financial instruments	-	-	112.909
Proposed dividends	138.310	138.310	11.912
Interest on shareholders' equity	299.556	598.684	512.904
Increase (decrease) in cash and cash equipments	193.765	235.153	135.345
Changes in cash and cash equivalents			
Beginning of the period	741.945	700.557	565.212
End of the period	935.710	935.710	700.557
Increase (decrease) in cash and cash equipments	193.765	235.153	135.345

See the accompanying notes to the financial statements.

Caixa Econômica Federal

Notes to the financial statements

Year ended December 31, 2005 and 2004

(In thousands of Reais)

1 Operations

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

Business areas

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

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

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

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

2 Presentation and preparation of the financial statements

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

3 Significant accounting policies

The main accounting policies are summarized as follows:

a. Income statement

Income and expenses are recognized on the accrual basis.

b. Current and noncurrent assets

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

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

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

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

Derivative financial instruments - Similarly, in accordance with Central Bank of Brazil (BACEN) Circular 3082/02 and later regulations, the derivative financial instruments began to be classified on the date of their acquisition in accordance with Management's intention to use them for hedge purposes or not.

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

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

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

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

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

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

Period in arrears	Classification of the client
From 15 to 30 days	B
From 31 to 60 days	C
From 61 to 90 days	D
From 91 to 120 days	E
From 121 to 150 days	F
From 151 to 180 days	G
More than 180 days	H

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

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

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

c. Other current and long-term receivables

These are presented at their net realization value.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

d. Permanent assets

Investments

Investments in subsidiaries, affiliated companies and companies that are equivalent to the affiliated companies are evaluated based on the equity method, plus goodwill or less negative goodwill, when applicable.

The other permanent investments are evaluated at cost of acquisition, less provision for depreciation, when applicable.

Premises and equipment

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

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

Deferred charges

Recorded at cost of acquisition and establishment, less amortization, which is calculated based on the straight-line method at rates for the period of up to five (5) years.

e. Current and noncurrent liabilities

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

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

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

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

4 Interbank funds applied

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

	2005	2004
Held position	<u>-</u>	<u>814</u>
Financial Treasury Bills	-	814
Financed position	<u>9,738,005</u>	<u>4,249,171</u>
Financial Treasury Bills	7,003	50,015
National Treasury Bills	<u>9,731,002</u>	<u>4,199,156</u>
	<u>9,738,005</u>	<u>4,249,985</u>

5 Securities and derivative financial instruments

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

Category	2005	2004
Trading securities	32,705,446	28,100,816
Securities available for sale	6,413,474	7,423,066
Securities held to maturity	54,279,237	37,222,210
Derivative financial instruments	<u>62,351</u>	<u>87,778</u>
	<u>93,460,508</u>	<u>72,833,870</u>

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

b. Composition of securities

	2005	2004
Own portfolio	<u>68,661,233</u>	<u>62,276,222</u>
Fixed rate securities	<u>68,296,257</u>	<u>61,920,689</u>
Financial Treasury Bills	40,625,619	44,245,658
National Treasury Bills	16,694,927	9,552,103
National Treasury Notes	6,057,281	965,702
Central Bank Notes	72,891	37,490
Financial Treasury Certificates	52,642	53,148
Securitized Credits	4,726,984	6,997,452
Other securities	65,913	69,136
Investments fund quotas - FND	<u>348,687</u>	<u>342,711</u>
Investments fund quotas - Real Estate Fund	<u>16,289</u>	<u>12,822</u>
Securities subject to commitments	<u>24,736,924</u>	<u>10,469,870</u>
Subject to repurchase commitments	<u>22,603,266</u>	<u>9,829,234</u>
Financial Treasury Bills	22,603,266	9,000,518
National Treasury Notes	-	777,290
Central Bank Notes	-	51,426
Deposited with Central Bank	<u>1,695,333</u>	<u>559,033</u>
Financial Treasury Bills	-	559,033
National Treasury Notes	-	-
Pledged as guarantees -	<u>438,325</u>	<u>81,603</u>
Financial Treasury Bills	-	81,603
National Treasury Bills	438,325	-
Derivative financial instruments	<u>62,351</u>	<u>87,778</u>
	<u>93,460,508</u>	<u>72,833,870</u>

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

c. Consolidated classification by categories and maturity dates

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Up to 5 years	Book value	Accrued value	Market Value
Trading	<u>12,737,181</u>	<u>16,110,023</u>	<u>3,853,389</u>	<u>4,853</u>	<u>32,705,446</u>	<u>32,440,388</u>	<u>32,705,446</u>
Financial Treasury Bills	5,851,758	5,245,996	3,509,096	-	14,606,850	14,535,266	14,606,850
National Treasury Bills	6,819,068	9,875,859	-	-	16,694,927	16,505,078	16,694,927
National Treasury Notes	50,066	988,168	344,293	-	1,382,527	1,379,361	1,382,527
Petrobras Debentures	-	-	-	4,853	4,853	4,394	4,853
Variable Income Fund Quotas - Real Estate Fund	16,289	-	-	-	16,289	16,289	16,289
Available for sale	<u>2,724,987</u>	<u>2,457,839</u>	<u>-</u>	<u>1,230,648</u>	<u>6,413,474</u>	<u>6,288,560</u>	<u>6,413,474</u>
Financial Treasury Bills	2,285,661	1,492,439	-	329,070	4,107,170	4,045,210	4,107,170
National Treasury Notes	366,390	962,798	-	430,812	1,760,000	1,699,796	1,760,000
Central Bank Notes	72,891	-	-	-	72,891	68,323	72,891
CFT	-	-	-	52,642	52,642	61,341	52,642
CVS	-	-	-	11,024	11,024	9,590	11,024
TDA	45	16	-	190	251	231	251
Petrobras Debentures	-	-	-	58,223	58,223	52,716	58,223
State Securities - Union	-	2,586	-	-	2,586	2,666	2,586
Investment fund quotas - FND	-	-	-	348,687	348,687	348,687	348,687
Held to maturity	<u>6,741,487</u>	<u>30,106,788</u>	<u>12,709,489</u>	<u>4,721,473</u>	<u>54,279,237</u>	<u>54,279,237</u>	<u>52,610,005</u>
Financial Treasury Bills	6,741,487	26,595,140	11,178,238	-	44,514,865	44,514,865	44,757,357
National Treasury Notes	-	3,511,648	1,531,251	5,513	5,048,412	5,048,412	5,030,182
CVS	-	-	-	4,715,960	4,715,960	4,715,960	2,822,466
Derivative financial instruments	<u>62,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,351</u>	<u>62,351</u>	<u>62,351</u>
Total - 2005	<u>22,266,006</u>	<u>48,674,650</u>	<u>16,562,878</u>	<u>5,956,974</u>	<u>93,460,508</u>	<u>93,070,536</u>	<u>91,791,276</u>
Total - 2004	<u>38,991,020</u>	<u>25,727,506</u>	<u>350,253</u>	<u>7,765,091</u>	<u>72,833,870</u>	<u>72,603,718</u>	<u>69,518,985</u>

The Units of the Variable-income Fund - Real Estate Fund are classified under term to maturity of up to one (1) year in the trading securities category although they do not have a maturity date, following the criteria established by Management.

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

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

CVS Securities are related to FCVS, debt novation contracts, the maturity of which is 2027, and the remuneration is based on Referential Rate (TR) variation plus annual interest of up to 6.17%. Based on Provisional Measure 2196-3 of August 14, 2001, the Union is authorized to exchange them for other securities issued by the National Treasury at updated face value. Aware that the exchange, whenever necessary, will be made and taking into consideration the financial capacity of CAIXA, the Management decided to classify these securities, in the category held to maturity and valued at their updated cost.

d. Adjustment to market value of securities in the period

Securities available for sale	Prior balance	Positive adjustment	Negative adjustment	Net adjustment in shareholders' equity	Amount of equity
Financial Treasury Bills	118,133	-	55,882	(55,882)	62,251
National Treasury Bills	(494)	494	-	494	-
National Treasury Notes	75,080	-	21,261	(21,261)	53,819
Central Bank Notes	4,267	-	2,653	(2,653)	1,614
Petrobras Debentures	7,500	-	1,993	(1,993)	5,507
State Securities	(229)	150	-	150	(79)
Agricultural debt securities	18	1	-	1	19
CFT	(7,318)	-	1,380	(1,380)	(8,698)
ELETROBRÁS	852	-	852	(852)	-
CVS	-	1,433	-	1,433	1,433
Adjustments in affiliated companies	(6)	4	-	4	(2)
	<u>197,803</u>	<u>2,082</u>	<u>84,021</u>	<u>(81,939)</u>	<u>115,864</u>
Taxes on market value	<u>(67,255)</u>	<u>27,860</u>	<u>-</u>	<u>27,860</u>	<u>(39,395)</u>
	<u>130,548</u>	<u>29,942</u>	<u>84,021</u>	<u>(54,079)</u>	<u>76,469</u>

Securities available for sale, as a result of their market risk hedge characteristics had their adjustments to market value recorded as income in result for the year, in the amount of R\$ 9,050.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

e. Derivative financial instruments

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

Derivatives	2005	2004
Futures contracts (DI)	<u>3,922</u>	<u>27,447</u>
Purchase commitments	3,922	27,447

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

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

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

2005 - Contracts - Hedge Instruments

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

Swap contracts	Counterpart	Original amount	Curve value	Market value	Unrealized gains/losses	Maturity bracket
Asset leg						
CDI	Institution	103,460	181,889	182,016	127	Up to 30 days
CDI	Institution	-	-	-	-	From 31 to 60 days
CDI	Institution	5,926	10,617	10,539	(78)	From 61 to 90 days
CDI	Institution	1,671	2,926	2,943	17	From 91 to 180 days
CDI	Institution	7,135	12,720	12,735	15	From 181 to 360 days
CDI	Institution	<u>117,915</u>	<u>210,237</u>	<u>212,527</u>	<u>2,290</u>	From 1 to 5 years
		<u>236,107</u>	<u>418,389</u>	<u>420,760</u>	<u>2,371</u>	

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

Swap contracts	Counterpart	Original amount	Curve value	Market value	Unrealized gains/losses	Maturity bracket
Liability leg						
Dollar	Institution	103,460	155,523	156,054	531	Up to 30 days
Dollar	Institution	-	-	-	-	From 31 to 60 days
Dollar	Institution	5,926	9,222	9,408	186	From 61 to 90 days
Dollar	Institution	1,671	2,562	2,632	70	From 91 to 180 days
Dollar	Institution	7,135	11,186	11,860	674	From 181 to 360 days
Dollar	Institution	<u>117,915</u>	<u>188,998</u>	<u>211,580</u>	<u>22,582</u>	From 1 to 5 years
		<u>236,107</u>	<u>367,491</u>	<u>391,534</u>	<u>24,043</u>	

2005 - Contracts - Hedge Instruments

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

Swap contracts	Counterpart	Original amount	Curve value	Market value	Unrealized gains/losses	Maturity bracket
Asset leg						
CDI	Institution	-	-	-	-	Up to 30 days
CDI	Institution	-	-	-	-	From 31 to 60 days
CDI	Institution	5,270	11,381	11,291	(90)	From 61 to 90 days
CDI	Institution	1,432	3,065	3,081	16	From 91 to 180 days
CDI	Institution	111,214	239,709	239,768	59	From 181 to 360 days
CDI	Institution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	From 1 to 5 years
		<u>117,916</u>	<u>254,155</u>	<u>254,140</u>	<u>(15)</u>	
Liability leg						
Dollar	Institution	-	-	-	-	Up to 30 days
Dollar	Institution	-	-	-	-	From 31 to 60 days
Dollar	Institution	5,270	8,144	8,256	112	From 61 to 90 days
Dollar	Institution	1,432	2,265	2,309	44	From 91 to 180 days
Dollar	Institution	111,214	175,059	182,323	7,264	From 181 to 360 days
Dollar	Institution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	From 1 to 5 years
		<u>117,916</u>	<u>185,468</u>	<u>192,888</u>	<u>7,420</u>	

Contracted swaps are still used in negotiations associated with funding operations, whose valuation or devaluation arising from adjustment to market value is not recorded in the terms of Circular BACEN 3150/02. Swap contract notional values amount to R\$ 7,092,456 and the differential payable to R\$ 138,724.

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

The guarantee margin of operations with derivative financial instruments required on December, 31, 2005 amounts to R\$ 435,523, represented by National Treasury Bills due on August 15, 2008.

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

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

The credit risk is the probability of losses arising from default by the counterpart of any financial instruments, which are recorded in a company's assets, generating lack of receipt from the other party. It is the risk of loss due to changes in the counterpart's capacity to perform contractual obligations with the creditor. The credit risk exposure in futures contracts is minimized due to daily cash adjustments. Swap contracts registered with CETIP and BM&F are subject to credit risk if the counterpart does not have the capacity or is not willing to perform its contractual obligations. The total credit exposure in swap at December 31, 2005 is R\$ 284,533 (2004 - R\$ 395,983).

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

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

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

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Notes to the financial statements

(In thousands of Reais)

The values of the positions of those derivatives that are related to swap contracts are recorded in memorandum accounts and the adjustments in equity accounts. The referential value of these operations is R\$ 21,378,843 (2004 - R\$ 8,786,401). The differential payable at this date amounts to R\$ 157,426 (2004 - R\$ 71,936) and the differential receivable to R\$ 62,351 (2004 - R\$ 87,778).

f. Securities held to maturity

The National Monetary Council (CMN) Resolution 3181/04 establishes in its article 1 that the operations for the sale of Federal Government Bonds classified in the category of securities held to maturity that are carried out at the same time as the acquisition of new securities of the same nature, with a longer term to maturity and at an amount that is equal to or higher than that of the securities sold, do not disqualify the intention of the financial institution upon their classification in said category.

In accordance with the 2005 Public Debt Financing Annual Plan, the strategy of the National Treasury to reduce the portion of the Public Debt Securities tied to the Central Bank Referential Rate (TRBC), known as Selic, is well-known.

CAIXA adopted as a strategy the “rolling-over” of Federal Government Bonds and, in this case, there was the swap of Financial Treasury Bills maturing in 2006 for Financial Treasury Bills maturing in 2008 and 2010 with the following objectives:

- a.** Invest funds in accordance with market conditions, implying the maintenance of a conservative position of the securities portfolio and the exposure to interest rate fluctuation risks;
- b.** Decentralize the volume of maturities taking place in 2006 and consequently reschedule maturity dates. This action allowed for the concentration of terms to maturity shorter than one year to drop from 30.82% on September 30, 2005 to 23.89% on December 31, 2005.

The amount of Federal Government Bonds sold in 2005 was 1,776,520, totaling R\$ 4,500,793 as a contra-entry to the acquisition of 1,794,908 Federal Government Bonds (Financial Treasury Bills - LFT), totaling R\$ 4,500,795.

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Notes to the financial statements

(In thousands of Reais)

6 Interbank accounts

- a. The deposits made with BACEN are mainly comprised of compulsory payments that accrue monetary correction based on official indices and interest rates, except for those resulting from demand deposits.
- b. The “National Housing System - SFH” account includes prevalingly the residual values of terminated contracts to be paid by the FCVS, in the amount of R\$ 23,673,958, net of provisions, of R\$ 4,117,196, which are in the process of novation with that Fund. Currently, these contracts earn an annual interest rate of 6.17% plus monetary correction according to the variation of the Referential Rate (*TR*). Effective realization of these receivables depends on adherence to a set of rules and procedures defined in regulations issued by the FCVS. CAIXA management has been implementing a process for analyzing and checking the conditions and data of these contracts for conformity to such rules and procedures, which justified the establishment of criteria to estimate the probable losses arising from contracts that do not meet the rules and procedures defined by the FCVS.

Contract status	Balance	Provision
Not qualified	2,179,395	(622,187)
Qualified and not homologated	4,963,524	(2,658,726)
Qualified and homologated	<u>16,531,039</u>	<u>(836,283)</u>
Balance - December 2005	<u>23,673,958</u>	<u>(4,117,196)</u>
Balance - December 2004	<u>20,890,797</u>	<u>(4,823,902)</u>

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

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Notes to the financial statements

(In thousands of Reais)

7 Loans

a. Composition of loans per type of operation

Description	2005	2004
Financing, discounted loans and loans (i)	15,341,645	10,643,199
Real estate financing operations	20,207,794	17,225,863
Infrastructure and development financing operations	1,645,936	1,110,018
Receivables on guarantees honored	9,812	12,352
Other receivables	<u>1,348,221</u>	<u>1,171,318</u>
	<u>38,553,408</u>	<u>30,162,750</u>

(i) Includes the amount of R\$ 882,145 related to consigned credits of retirees and pensioners of the National Institute of Social Security (INSS) acquired from BMG bank.

b. Breakdown of loans by activities

Description	2005	%	2004	%
Federal public sector	<u>1,014,856</u>	<u>2.64</u>	<u>968,714</u>	<u>3.21</u>
Government - Direct and Indirect administration	1,012,720	2.63	968,579	3.21
Business activities	2,136	0.01	135	-
Industry	311	-	-	-
Commerce	1,263	0.01	-	-
Other services	562	-	135	-
State public sector	<u>1,284,924</u>	<u>3.33</u>	<u>799,828</u>	<u>2.65</u>
Government - Direct and Indirect administration	776,021	2.01	494,946	1.64
Business activities	508,903	1.32	304,882	1.01
Industry	486,889	1.27	292,277	0.97
Financial intermediaries	13,107	0.03	12,336	0.04
Other services	8,907	0.02	269	-

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Notes to the financial statements

(In thousands of Reais)

Description	2005	%	2004	%
Municipal public sector	<u>243,356</u>	<u>0.63</u>	<u>150,083</u>	<u>0.50</u>
Government - Direct administration	192,518	0.50	117,454	0.39
Government - Indirect administration	1,310	-	135	-
Business activities	49,528	0.13	32,494	0.11
Industry	48,475	0.13	32,417	0.11
Other services	1,053	-	77	-
Private sector	<u>36,010,272</u>	<u>93.40</u>	<u>28,244,125</u>	<u>93.64</u>
Rural	6,373	0.02	4,230	0.01
Industry	474,149	1.23	227,577	0.75
Commerce	1,167,534	3.03	698,180	2.31
Financial Intermediaries	303,165	0.79	303,133	1.00
Other services	5,260,465	13.64	3,776,393	12.52
Individuals	9,609,806	24.93	6,865,421	22.76
Housing - Individuals/Legal Entities	19,188,780	49.76	16,369,191	54.29
	<u>38,553,408</u>	<u>100.00</u>	<u>30,162,750</u>	<u>100.00</u>

c. Concentration of main debtors

	2005	% of portfolio	2004	% of portfolio
Main debtor (1)	689,580	1.79	675,783	2.24
10 main debtors	2,215,411	5.74	1,925,292	6.38
20 main debtors	2,666,058	6.91	2,191,533	7.27
50 main debtors	3,097,758	8.03	2,517,130	8.35
100 main debtors	3,317,740	8.60	2,675,533	8.87

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

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

d. Composition of loans according to maturity of operations

	2005			2004
	Public sector	Private sector	Total	Total
Current assets	-	14,934,207	14,934,207	10,753,435
0 to 90 days	-	5,876,214	5,876,214	4,451,926
91 to 360 days	-	9,057,993	9,057,993	6,301,509
Noncurrent assets	2,542,417	19,424,503	21,966,920	18,081,010
From 1 to 3 years	418,945	11,285,087	11,704,032	9,356,795
From 3 to 5 years	414,341	5,381,215	5,795,556	5,115,476
From 5 to 15 years	1,168,504	2,748,644	3,917,148	3,048,897
More than 15 years	540,627	9,557	550,184	559,842
Total - Normal	2,542,417	34,358,710	36,901,127	28,834,445
Total - Overdue	-	1,652,281	1,652,281	1,328,305
Total	2,542,417	36,010,991	38,553,408	30,162,750

e. Classification according to modality and risk level

Risk level	Loans and discounted loans	Financing	Real estate financing	Other receivable	Total 2005	%	Total 2004	%
AA	778,353	689,581	627,365	294	2,095,593	5,44	1,916,042	6,35
A	6,873,834	857,892	7,345,599	72,779	15,150,104	39,30	8,704,461	28,86
B	1,523,576	642,501	2,829,135	511,198	5,506,410	14,28	4,195,887	13,91
C	1,394,085	122,683	4,877,752	56,599	6,451,119	16,73	5,120,483	16,98
D	848,124	148,129	3,789,127	337,663	5,123,043	13,29	6,553,674	21,73
E	297,863	52,988	460,289	36,719	847,859	2,20	605,787	2,01
F	100,275	33,886	277,571	6,385	418,117	1,08	426,134	1,41
G	135,453	13,536	174,558	725	324,272	0,84	312,488	1,04
H	499,880	329,006	1,472,334	335,671	2,636,891	6,84	2,327,794	7,72
	12,451,443	2,890,202	21,853,730	1,358,033	38,553,408	100,00	30,162,750	100,00

Caixa Econômica Federal

Notes to the financial statements

(In thousands of Reais)

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

Risk level	Loans and discounted loans	Financing	Real estate financing	Other receivable	Total 2005	%	Total 2004	%
A	34,369	4,290	36,728	364	75,751	1,82	43,521	1,13
B	15,213	6,425	28,290	5,136	55,064	1,32	41,956	1,09
C	41,822	3,680	146,332	1,700	193,534	4,65	153,612	4,00
D	84,812	14,812	378,908	33,772	512,304	12,30	656,233	17,10
E	89,358	15,895	138,087	11,018	254,358	6,11	181,735	4,74
F	50,137	16,942	138,786	3,193	209,058	5,02	213,065	5,55
G	94,817	9,475	122,191	507	226,990	5,45	218,740	5,70
H	<u>499,880</u>	<u>329,006</u>	<u>1,472,334</u>	<u>335,671</u>	<u>2,636,891</u>	<u>63,33</u>	<u>2,327,794</u>	<u>60,69</u>
	<u>910,408</u>	<u>400,525</u>	<u>2,461,656</u>	<u>391,361</u>	<u>4,163,950</u>	<u>100,00</u>	<u>3,836,656</u>	<u>100,00</u>

g. Movement of the allowance for possible loan losses

	2005	2004
Opening balance - December 2004/2003	3,836,656	3,775,576
Additions for the year	1,335,567	844,678
Transfer to Loss for the year	(652,746)	(444,797)
Other Write-offs for the year	(355,527)	(338,801)
	<u>4,163,950</u>	<u>3,836,656</u>

h. Renegotiated loans, posted as loss and recovered

	2005	2004
Total renegotiated loans for the year	1,064,730	997,458
Total loans entered as loss for the year	652,746	444,797
Total recovered loans for the year	591,262	276,958

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Notes to the financial statements

(In thousands of Reais)

8 Other receivable

a. Income receivable

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

	2005	2004
Dividends and interest on shareholders' equity receivable		
from - National Development Fund (FND)	331,761	328,044
FGTS	148,732	156,410
Unemployment insurance	55,493	61,600
General Budget of Brazil	180,887	151,167
INSS	77,860	59,067
Social register	141,733	143,665
Family allowance	89,441	31,777
EMGEA - <i>Empresa Gestora de Ativos</i> (Asset Management Company)	28,481	27,611
School grant program	9,838	12,053
PIS	87,413	66,666
FIES	37,494	27,315
Others	<u>37,090</u>	<u>13,854</u>
	<u>1,226,223</u>	<u>1,079,229</u>

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Notes to the financial statements

(In thousands of Reais)

b. Others

	2005	2004
Sundry advances	613,009	495,904
Tax Credits (note 18)	1,390,900	1,665,893
Guarantee deposit debtors	2,065,125	1,450,422
Recoverable taxes and contributions	88,264	136,847
Payments to reimburse	29,916	662,061
Profit sharing paid in advance (Note 16 (e))	<u>565,413</u>	<u>-</u>
Other receivable with characteristics of extension of credit	<u>1,348,221</u>	<u>1,171,318</u>
Debtors for purchase of securities and assets	<u>24,475</u>	<u>66,854</u>
Securities and credits receivable	<u>1,323,745</u>	<u>1,104,464</u>
Amounts receivable - BAMERINDUS (iii)	302,941	302,941
Credit card	763,311	584,783
Bahia State Government - EMBASA (ii)	254,684	213,930
Other securities and credits receivable	2,810	2,810
Other receivable without characteristics of extension of credit	<u>538,732</u>	<u>270,631</u>
Securities and credits receivable	538,732	270,631
Pernambuco State Government - COMPESA (i)	241,884	241,884
Credit Card	48,050	28,747
PAMS and CAIXA Health Care Program (vi)	248,798	-
Other debtors	<u>1,343,257</u>	<u>751,662</u>
Accrual - Loans and financing (iv)	1,024,447	362,831
Insurance receivable	140,193	150,269
Other debtors	76,105	65,881
Credits obtained	102,512	172,681
Provision for losses - Sundry debtors (v)	<u>(198,527)</u>	<u>(203,398)</u>
	<u>7,784,310</u>	<u>6,401,340</u>

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Notes to the financial statements

(In thousands of Reais)

- (i) Refers to the advance of privatization funds to Government of the State of Pernambuco (COMPESA), which are totally provisioned.
- (ii) Refers to the debt confession agreement of the Bahia State Government (EMBASA), with rescission of the agreement of sale of shares caused by the reclassification of the operation, of Other Receivables Without Loan Extension Features to Other Receivables with loan Extension Features.
- (iii) Refer to credits with the bankrupt estate of Banco Bamerindus, originating preponderantly from the acquisition of property credits, which are totally provisioned.
- (iv) Refers mainly to values recorded as debits in real estate financing, not classified by the Financing Control System (*Sistema de Controle de Financiamentos - SIACI*), in the phase of identification for appropriation to the corresponding contracts. These amounts are correlated to creditor records of the same nature as indicated in Note 15(c).
- (v) Refers mainly to the provision for definitive net loss and housing financing claims for indemnity.
- (vi) Refers to amounts paid by CAIXA to those who have CAIXA's health plan due to the impossibility of classification until the implementation of a new control system.

c. Provision for other receivable

In accordance with BACEN Circular Letter 3048/2002, credit securities receivable are classified as "with loan extension features" R\$ 391,361 (2004 - R\$ 421,306) and "without loan extension features", R\$ 241,884 (2004 - R\$ 241,884).

9 Other assets

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

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Notes to the financial statements

(In thousands of Reais)

- ii. The amount related to “prepaid expenses” - R\$ 168,610 (2004 - R\$ 718) refers basically to goodwill on acquisition of INSS consigned credits in the amount of R\$ 115,235, restated based on the maturity term of credits acquired in up to 35 months, and to R\$ 53,158 related to advertising and promotion for the 2007 Pan-American Games.

10 Permanent assets

a. Investments

The investments in subsidiaries are substantially formed by CAIXA SEGUROS S.A. and are value according to the equity method. The main information on the investee and the investment, as of December 31, 2005, are presented as follows:

	2005	2004
Investee	1,137,845	980,428
Shareholders' equity	360,000	360,000
Capital	40,000	-
Increase of capital under approval	16,930,108	16,930,108
Number of shares	361,367	233,196
Retained earnings reserve	406	626
Revaluation/retained earnings reserve	(5)	(13)
Gains and losses in the realization of securities	174,539	218,448
Goodwill reserve	389,293	168,171
Retained earnings in the year	67,21	57,91
Book value per share - R\$	1,137,845	980,428
Investment		
Number of shares held	8,161,426	8,161,426
Participation (%)	48,20658	48,20658
Book value of the investment	464,377	367,323
Equity income	97,154	79,318
Proposed dividends and included in equity income	<u>42,106</u>	<u>-</u>
Investments subsidiaries	<u>464,377</u>	<u>367,323</u>

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Notes to the financial statements

(In thousands of Reais)

b. Premises and equipment

	<u>2005</u>			<u>2004</u>
	Cost	Depreciation	Residual value	Residual value
Properties for own use	784.369	(77.274)	707.095	729.974
Buildings	138.017	(19.463)	118.554	124.315
Revaluation of buildings	433.236	(57.811)	375.425	392.930
Land	71.494	-	71.494	71.584
Revaluation of land	141.622	-	141.622	141.145
Fixed assets in progress	168.044	-	168.044	292.026
Furniture, fixtures and equipment in use	417.140	(227.639)	189.501	178.326
Communications system	49.575	(32.798)	16.777	20.207
Data processing system	1.277.166	(932.109)	345.057	350.572
Transport and security system	<u>83.178</u>	<u>(34.091)</u>	<u>49.087</u>	<u>41.116</u>
	<u>2.779.472</u>	<u>(1.303.911)</u>	<u>1.475.561</u>	<u>1.612.221</u>

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

c. Deferred charges

	2005	2004
Expenses on leasehold improvements	239,261	237,080
Expenses with logistical projects	622,128	601,231
Improvements to own property	115,568	134,739
Accumulated amortizations	<u>(733,772)</u>	<u>(638,267)</u>
	<u>243,185</u>	<u>334,783</u>

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Notes to the financial statements

(In thousands of Reais)

d. Compliance with index of investment in fixed assets

The index of investment in fixed assets is 20.05%, thus CAIXA is in compliance with the limit defined by National Monetary Council (CMN) Resolution 2669/99, which establishes the limit of 50% as from December 31, 2002.

11 Deposits and money market repurchase commitments

- a. Time deposits include judicial deposits in the amount of R\$ 26,028,036 (2004 - R\$ 24,237,616), which are remunerated based on the Referential Rate (TR) and include also the investments in Bank Deposit Certificates (CDB) FLEX in the amount of R\$ 10,664,072, which, despite having a term of maturity of over 360 days, are classified as not having a maturity date as they can be redeemed earlier.. On Judicial deposits of a labor and state nature there is also interest at 6% p.a. The deposits are distributed as follows:

Deposits	2005					2004
	Demand	Time	Savings	Others	Total	Total
Short-term	<u>6,937,756</u>	<u>38,679,569</u>	<u>53,280,825</u>	<u>63,398</u>	<u>98,961,548</u>	<u>85,053,202</u>
Without maturity	6,937,756	36,692,108	53,280,825	63,398	96,974,087	79,194,918
From 31 to 90 days	-	1,213,263	-	-	1,213,263	4,895,161
From 91 to 360 days	-	774,198	-	-	774,198	963,123
Long-term	<u>-</u>	<u>56,737</u>	<u>-</u>	<u>-</u>	<u>56,737</u>	<u>26,032</u>
	<u>6,937,756</u>	<u>38,736,306</u>	<u>53,280,825</u>	<u>63,398</u>	<u>99,018,285</u>	<u>85,079,234</u>
Money market and interbank funds						
From 31 to 90 days	-	-	-	-	25,194,282	9,801,607
From 91 to 360 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,117,745</u>	<u>4,249,171</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,312,027</u>	<u>14,050,778</u>

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Notes to the financial statements

(In thousands of Reais)

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

	2005	2004
Deposits - FGTS	3,684,633	2,902,250
Deposits - Special with remuneration	844,646	883,121
Deposits - FAS	2,766	346,243
Deposits - PROGER	2,571,227	2,120,145
Deposits - FISANE	221,953	193,157
Deposits - PRODEC	29,176	27,373
Deposits - PIS	73,004	108,352
Deposits - FAT	95,666	2,697
Deposits - FIEL	39,992	36,565
CAIXA Health Care Program	230,885	-
Others	<u>87,355</u>	<u>73,557</u>
	<u>7,881,303</u>	<u>6,693,460</u>

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Notes to the financial statements

(In thousands of Reais)

12 Mortgage note funds

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

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

Average interest of 10.83% and 10.93% per annum respectively is added to the issues in IGP-M and INPC, and a minimum redemption term of 5 years.

Average interest of 10.79% and 10,68% per annum is added to the issues of LCIs indexed to IGP-M and INPC, and a minimum redemption term of 3 years.

13 Borrowings

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

14 Repass borrowings from public sector

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

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Notes to the financial statements

(In thousands of Reais)

15 Other liabilities

a. Taxes payable

	2005	2004
Taxes on revenue payable	<u>26,068</u>	-
Income tax	23,787	-
Social contribution	2,281	-
Taxes and contributions payable	<u>352,208</u>	<u>279,919</u>
COFINS	84,243	44,597
PASEP	13,466	7,240
On salaries	153,795	164,954
On services	100,704	63,128
Deferred taxes and contributions	<u>240,922</u>	<u>200,851</u>
Income tax on revaluation reserve - Buildings	93,856	98,232
Social contribution on revaluation reserve - Buildings	33,788	35,364
Income tax on adjustments to market value - Securities available for sale	28,967	49,452
Social contribution on adjustments to market value - Securities available for sale	10,428	17,803
Income tax on adjustments to market value - Securities to negotiated	54,326	-
Social contribution on adjustments to market value - Securities to negotiated	19,557	-
Provision for tax risks	<u>1,083,463</u>	<u>996,744</u>
PASEP (i)	621,097	591,808
INSS (ii)	216,975	179,714
ISS (iii)	204,344	187,256
Other	41,047	37,966
	<u>1,702,661</u>	<u>1,477,514</u>

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Notes to the financial statements

(In thousands of Reais)

- (i) On December 6, 1996, CAIXA, was notified by agents from the Federal Income Department (*Receita Federal - SRF*), on allegation of a shortage in the collection of PIS/PASEP, related to the period from January 1991 to December 1995, a period in which Decree Laws 2445 and 2449/1988 were in force, and offsetting, supposedly unjustified, of collections made in excess in the period from January 1992 to May 1993, in the amounts of R\$ 2,691,943 in principal, R\$ 2,011,254 in fines and R\$ 6,010,751 in interest, at December 31, 2005.

CAIXA presented an appeal to the Taxpayers Council, which evaluated the process on February 3, 1999, In accordance with the vote of the Counselor Relater, the elements brought to the proceeding by the agents do not permit identification of what exclusions of the taxable basis of PASEP were considered without basis and what the reason was for the tax authorities to make the disallowance. According to a resolution of the members of the Second Chamber of the Second Taxpayers Council, the judgment was converted into diligence at the Federal Income Department (SRF), so that the inspectors may clarify the facts and justify the disallowance made, informing CAIXA of the contents of this procedure and giving an adequate term to reply. The Federal Revenue Service in Brasilia advised CAIXA, on October 21, 1999, of the diligence report, in which the National Treasury maintained the same reasons reported in the assessment. CAIXA sent a pronouncement on the tax diligence report to the Second Taxpayers Council, which evaluated the process on November 7, 2000. According to the resolution of the members of the council, the judgment was converted into a new diligence to SRF. CAIXA was informed of the Tax Diligence Report, on April 26, 2001. In this report the tax authorities maintained the same reasons reported in the assessment, mentioning that an examination of the identification of the disallowance accounts would not be possible. On May 28, 2001, CAIXA sent a new pronouncement to the Second Taxpayers Council, where the process awaits a new judgment. If there are no more possibilities in the administrative sphere, there are still appeals in the judicial sphere. Based on the opinion of its legal and tax advisors, and considering the case laws already disclosed on the issue, and due to the possibilities of success, Management understands that the provision recorded in the amount of R\$ 621,097 (2004 - R\$ 591,808) is sufficient to cover possible unfavorable decisions on some parts of the proceedings.

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(In thousands of Reais)

- (ii) CAIXA was assessed by the agents of the National Institute of Social Security (INSS) for the collection of social contributions on payments made to its employees, for the period from January 1982 to August 1999, which according to an INSS report, amount to R\$ 1,218,206 (2004 - R\$ 1,249,101) restated to December 31, 2005.

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

In accordance with the opinion of its legal and tax advisors, Management, due to the possibility of success foreseen for the other proceedings, defined percentages of provision related to each action that, are separated in "Provision for contingencies - INSS" and amounted to R\$ 216,975 (2004 - R\$ 179,714).

- (iii) CAIXA was assessed by municipal agents in various municipalities of the Federation, on the allegation of lack of collection or insufficient collection of ISS, the total amount of which in December 31, 2005 corresponds to the amount of R\$ 204,344 (2004 - R\$ 187,256), which is totally provisioned.

b. Funds with specific destinations

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

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Notes to the financial statements

(In thousands of Reais)

	2005	2004
Obligations from operations with lotteries	<u>348,081</u>	<u>291,828</u>
Obligations with funds and social programs	<u>1,461,499</u>	<u>1,176,361</u>
FGTS	526,350	345,575
FISANE	28,624	35,801
School grants	93,408	73,870
Gas assistance	92,910	126,209
Food supplement	23,768	29,147
Housing subsidy program/PSH	308,756	355,388
Family allowance	309,245	125,111
Other funds and programs	78,438	85,260
Obligations with financial development funds	<u>1,333,887</u>	<u>1,357,392</u>
PIS	1,267,952	1,259,656
Others	65,935	97,736
	<u>3,143,467</u>	<u>2,825,581</u>

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Notes to the financial statements

(In thousands of Reais)

c. Others

	2005	2004
Obligations for SFH contributions	<u>17,996</u>	<u>17,088</u>
Obligations for official agreements	32,523	27,107
Provision for payments to be made	<u>934,755</u>	<u>863,950</u>
Personnel expenses	761,405	726,287
Other administrative expenses	3,923	7,558
Other payments	169,427	130,105
Provision for contingent liabilities	<u>3,863,895</u>	<u>2,325,105</u>
PREVHAB - Technical Reserves (1)	<u>357,080</u>	<u>324,808</u>
Provision for contingencies (2)	<u>3,506,815</u>	<u>2,000,297</u>
Labor	1,399,536	788,450
Civil Lawsuits	1,796,922	1,031,197
Others	310,357	180,650
Post-employment benefit (Note 19 (c) (iii))	661,318	-
Funds linked to loans (3)	120,927	-
FGTS funds	1,841	1,701
Capital subscriptions to pay in	1,309	1,309
Other creditors - Domestic	<u>3,564,265</u>	<u>3,803,880</u>
Credit cards	821,042	635,988
Accounts payable	583,099	700,431
EMGEA - <i>Empresa Gestora de Ativos</i> (Asset management company) (4)	360,034	970,087
Acquired credits	426,093	899,696
Amounts to accrue - Loans and financing (Note 8 (b) (iv))	1,185,502	485,050
Other sundry creditors	<u>188,495</u>	<u>112,628</u>
	<u>9,198,829</u>	<u>7,040,140</u>

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(1) PREVHAB - Technical Reserves

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

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

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

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

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

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

As from April 15, 2003 the process for transfer of the retired and pension members originating from PREVHAB to FUNCEF was set in action, through adherence to the Benefit Plan (REB), and up to the present moment 2,070 members have already been transferred from that entity.

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

(2) Contingent liabilities

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

Management understands, based on reports from its legal advisors, that such proceedings adopted by CAIXA are in accordance with existing legal rules and such processes will not cause relevant losses, which exceed the provision for these contingencies, of R\$ 3,506,815 (2004 - R\$ 2,000,297), sufficient to cover eventual legal decisions, unfavorable to CAIXA.

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(In thousands of Reais)

(3) Funds associated with credit operations

These refer to funds allocated to accounts associated with credit operations on behalf of clients that are not used by the clients. These funds are remunerated based on the same charges levied on the related financing operations.

(4) Asset Management Company (EMGEA)

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

d. Subordinated debts eligible for capital

Under the National Monetary Council (CMN) Resolution No. 2,837, part of the existing debt related to CAIXA's loan obligations with the Government Severance Indemnity Fund for Employees (FGTS) was converted into subordinated debt, which is included in the reference equity used in the calculation of the Basel limits. This operation was approved by the Central Bank in October 2005 and shows the amount of R\$ 3,499,581 on December 31, 2005. The return of the debt contracted herein will start on March 20, 2013. The grace period of eighty-eight (88) months for the payment of the subordinated debt will be extended until February 20, 2013 and will be automatically extended should the FINANCIAL AGENT not comply with the minimum capitalization required by the legislation in effect, as from March 20, 2013, or should the payment itself not be in compliance. On the total amount of debt, during the grace or noncompliance period, monetary restatement and capitalized interest will be monthly levied at the rate of 6.125%, corresponding to the effective rate of 6.300% per year, which is equivalent to the average rate considered in the agreements in effect.

16 Shareholders' equity

a. Capital

Pursuant to CAIXA Board Resolution of February 22, 2005 and Official Letter No. 3919 of the National Treasury Attorney-General Office (PGFN)/State Revenue Coordination Office (CRE) of December 29, 2005, the paid up capital was changed from R\$ 5,083, 532 to R\$ 5,917,080 by way of the inclusion of capital and statutory reserves and retained earnings.

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Notes to the financial statements

(In thousands of Reais)

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

In conformity with Resolution 2099/94 and later regulations, which establish the minimum levels of shareholders' equity for financial institutions, based on the volume of their operations, CAIXA has R\$ 7,951,942 at December 31, 2005, equivalent to 27.87% of the weighted assets, whereas the minimum required in Brazil is 11%.

c. Revaluation reserves

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

d. Revenue reserves

The revenue reserve is formed by a legal reserve, calculated at 5% of the net income, and a reserve for incorporation of capital arising from the income from the management of lotteries, and the amounts of R\$ 114,479 (2004 - R\$ 80,372) and R\$ 86,953 (2004 - R\$ 87,498) were determined in 2005, respectively.

e. Dividends and Interest on capital

The Union is guaranteed a minimum dividend as provided for in Decree 2673, dated July 16, 1998, of 25% of adjusted net income. In the year ended December 31, 2005, dividends amounting to R\$ 736,994 (2004 - R\$ 524,816) were distributed, R\$ 138,310 (2004 - R\$ 11,912) in dividends and R\$ 598,684 (2004 - R\$ 512,904) related to interest on capital, calculated based on shareholders' equity, limited to the pro rata day variation of the Long-term Interest Rate (TJLP), as provided for in article 9 of Law No. 9,249 of September 26, 1995, which reduced income tax and social contribution expenses by approximately R\$ 203,553 in the year (2004 - R\$ 174,387). In the year ended December 31, 2005, dividends amounting to R\$ 501,890, restated based on the SELIC basic interest rate, and totaling, on December 31, 2005, R\$ 565,413, were paid earlier to the Federal Government.

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17 Remuneration of employees and administrators

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

Remuneration in December 2005	Administrators	Employees
Highest	21,204,00	16,178,00
Average	20,309,00	3.921,00
Lowest	19,414,00	741,00

18 Corporate income tax (IRPJ) and social contribution on net income (CSLL)

a. Tax credits

Tax credits have as significant amounts:

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

The tax credit recognized is R\$ 6,674,731 (2004 - R\$ 4,782,575) for IRPJ and R\$ 1,783,134 (2004 - R\$ 1,138,507) for CSLL totaling R\$ 8,457,865 (2004 - R\$ 5,921,082) In keeping with Management's understanding, arising from studies with respect to the realization of the tax credits, provisions were recorded in the amount of R\$ 7,066,965 (2004 - R\$ 4,255,189) resulting in total tax credits net of provision of R\$ 1,390,900 (2004 - R\$ 1,665,893).

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Origin of the tax credits

	2005		2004	
	IRPJ	CSLL	IRPJ	CSLL
Provision for doubtful loans	922,044	-	922,044	-
Provision SFH	645,333	232,319	645,333	232,319
Provision for contingencies	473,523	170,468	473,523	170,468
Others	<u>446,566</u>	<u>107,500</u>	<u>446,566</u>	<u>107,500</u>
Sub-total of temporary differences	<u>2,487,466</u>	<u>510,287</u>	<u>2,487,466</u>	<u>510,287</u>
Accumulated temporary differences	1,686,681	515,213	-	-
Write-offs until the period		(126,136)	(376,132)	(359,886)
Temporary Differences Total Credit	4,174,147	899,364	2,111,333	150,401
Tax loss	2,890,572	-	2,890,572	-
Negative basis until 2000	-	512,595	-	512,595
Negative basis 1998 - 18%	-	176,291	-	176,291
Temporary Differences 1998 - 18%	-	448,223	-	448,223
Write-offs until the period	<u>(389,988)</u>	<u>(253,339)</u>	<u>(219,330)</u>	<u>(149,004)</u>
Total tax credits	<u>6,674,731</u>	<u>1,783,134</u>	<u>4,782,575</u>	<u>1,138,507</u>

Expectations of realization of the tax credits

Book value:

Year	2006	2007	2008	2009	2010	Subtotal	2011 to 2015	Total
IRPJ	137,704	171,702	206,473	208,944	253,148	977,971	244,762	1,222,733
CSLL	<u>84,275</u>	<u>83,892</u>	-	-	-	<u>168,167</u>	-	<u>168,167</u>
	<u>221,979</u>	<u>255,594</u>	<u>206,473</u>	<u>208,944</u>	<u>253,148</u>	<u>1,146,138</u>	<u>244,762</u>	<u>1,390,900</u>

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Present value:

Year	2006	2007	2008	2009	2010	Subtotal	2011 a 2015	Total
IRPJ	125,399	156,449	189,425	193,467	235,485	900,225	227,688	1,127,913
CSLL	<u>76,744</u>	<u>69,609</u>	-	-	-	<u>146,353</u>	-	<u>146,353</u>
	<u>202,143</u>	<u>226,058</u>	<u>189,425</u>	<u>193,467</u>	<u>235,485</u>	<u>1,046,578</u>	<u>227,688</u>	<u>1,274,266</u>

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

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

b. Statement of IRPJ and CSLL

	<u>2005</u>		<u>2004</u>	
	<u>IRPJ</u>	<u>CSLL</u>	<u>IRPJ</u>	<u>CSLL</u>
Income before income taxes (IRPJ and CSLL)	<u>3,051,768</u>	<u>3,051,768</u>	<u>1,742,415</u>	<u>1,742,415</u>
Total IRPJ and CSLL at the rates of 25% and 9%	(762,942)	(274,659)	(435,580)	(156,817)
Tax effects of the additions and exclusions	<u>(9,532)</u>	<u>(3,284)</u>	<u>159,563</u>	<u>56,287</u>
Provision for SFH	176,677	63,604	5,087	1,831
Provisions for contingencies	(398,193)	(141,177)	(89,758)	(32,313)
Provision for doubtful loans	(164,068)	(59,065)	(174,614)	(62,861)
FGTS	430,036	154,813	396,353	142,687
Others	(53,984)	(21,459)	22,495	6,943
Interest on own capital	149,671	53,882	128,226	46,161
Employee profit sharing	54,144	19,492	46,909	16,887
Deferred tax assets	170,666	104,327	30,216	19,116
Tax incentive	<u>11,052</u>	-	<u>3,385</u>	-
Total expenses with IRPJ and CSLL	<u>(386,941)</u>	<u>(100,242)</u>	<u>(67,281)</u>	<u>(18,366)</u>

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c. Movement of tax credit

	Gross amount	Provision	Total
Balance at December 31, 2004	<u>5,921,082</u>	<u>(4,255,189)</u>	<u>1,665,893</u>
Realization of tax credit (i)	(232,023)	-	(232,023)
Write-off of tax credit - Year 2002 MP 2158-35/01	(42,970)	-	(42,970)
Reversal/Recognition	2,811,776	(2,811,776)	-
Balance at December 31, 2005	<u>8,457,865</u>	<u>(7,066,965)</u>	<u>1,390,900</u>

(i) In accordance with the projections made in 2004, the expected realization of tax credit for 2005 for Legal Entity Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) was R\$ 70,146. In 2005, the amount of R\$ 274,993 was realized, turning out to be a higher-than-expected realization.

19 Other information

a. Service fee income

	<u>2nd Semester</u>	<u>Years</u>	
	2005	2005	2004
Administration of FGTS	731,380	1,475,807	1,458,155
Administration of FCVS	56,759	115,781	128,652
Administration of PIS	42,430	64,249	67,889
Administration of lotteries	221,127	425,888	414,349
FGTS - Tariffs	130,663	259,662	214,883
Unemployment insurance	17,180	34,139	30,940
General Budget of the Union - OGU	12,568	26,534	30,356
Family allowance	114,724	227,773	168,985
INSS - Tariffs	36,045	60,896	66,640
Administration of investment funds	219,779	405,514	347,904
Tariffs for agreements	344,607	664,870	659,933
Check and paper clearing services	74,272	126,714	100,620

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	<u>2nd Semester</u>	<u>Years</u>	
	2005	2005	2004
Tariffs on current accounts	151,640	292,929	251,314
Collection of securities	119,453	235,731	219,931
EMGEA - Services rendered	160,742	343,776	304,683
Other services	<u>264,028</u>	<u>406,121</u>	<u>287,035</u>
	<u>2,697,397</u>	<u>5,166,384</u>	<u>4,752,269</u>

b. Administrative and personnel expenses

	<u>2nd Semester</u>	<u>Years</u>	
	2005	2005	2004
Personnel expenses			
Provisions	(1,971,226)	(3,637,403)	(3,045,107)
Benefits	(412,501)	(716,144)	(636,574)
Social charges:			
FGTS	(132,924)	(251,640)	(219,395)
Social security	(377,345)	(718,449)	(628,160)
Complementary social security	(96,279)	(159,088)	(115,209)
Other	<u>(58,373)</u>	<u>(102,056)</u>	<u>(95,129)</u>
	<u>(3,048,648)</u>	<u>(5,584,780)</u>	<u>(4,739,574)</u>
Administrative expenses			
Communications	(138,233)	(291,769)	(331,397)
Maintenance and preservation of assets	(161,585)	(309,952)	(285,672)
Water and electricity	(85,875)	(164,769)	(134,400)
Rents	(219,615)	(407,686)	(372,151)
Material expenses	(54,392)	(111,658)	(134,325)
Data processing	(651,297)	(1,231,641)	(1,184,663)
Promotions and public relations	(50,674)	(80,153)	(57,489)
Advertising and publicity	(136,917)	(213,927)	(163,831)
Financial system services	(80,023)	(158,716)	(172,795)
Third-party services	(146,687)	(279,009)	(276,094)
Specialized services	(67,753)	(122,025)	(111,602)
Vigilant and security services	(114,533)	(208,258)	(169,814)
Depreciation and amortization	(217,092)	(429,993)	(437,636)
Other administrative expenses	<u>(79,148)</u>	<u>(145,501)</u>	<u>(117,332)</u>
	<u>(2,203,824)</u>	<u>(4,155,057)</u>	<u>(3,949,201)</u>

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c. Composition of other operating income and expenses

	2 nd Semester	Years	
	2005	2005	2004
Other operating income			
Commissions and taxes on operations	332,083	562,251	325,634
Expenses recovered	158,004	291,390	192,545
Reversal of other operating income provision (i)	68,212	811,543	332,901
Other credits income - COMPESA (Note 8 ((b) (i))	-	-	28,597
Other credits income - EMBASA (Note 8 (b) (ii)	21,614	40,753	29,898
Credit card income	84,860	157,349	129,888
Dividend income	118,927	169,921	153,391
Tax credits - Monetary restatement	4,003	57,769	6,015
Restatement of guarantee deposits	271,257	330,977	21,510
Depurations of housing agreements	693,196	693,196	
Other operating income	<u>150,015</u>	<u>223,998</u>	<u>164,543</u>
	<u>1,902,171</u>	<u>3,339,147</u>	<u>1,384,922</u>

(i) Refers basically to the review of FCVS variation rates in the amount of R\$ 567,876, and to Accounts Payable in the amount of R\$ 94,000.

(ii) The amount of R\$ 693,196, related to amounts of adjustments of operating balances arising from the deputation of legal entity housing agreements assigned to EMGEA, was credited to result.

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	2 nd Semester	Years	
	2005	2005	2004
Other operating expenses			
Expenses with actuarial reserves - FUNCEF/PREVHAB	(16,380)	(38,463)	(35,949)
Expenses with FCVS receivable - Residual	(201,879)	(326,698)	(317,849)
Expenses with fund and program obligations	(107,669)	(178,196)	(157,452)
Remuneration - Lottery dealerships	(1,399)	(75,690)	(262,314)
Contingent provisions (iii)	(1,094,572)	(2,368,406)	(711,729)
Provision for taxes on trading securities	(61,051)	(73,883)	-
EMGEA/UNION	(40,872)	(70,419)	(125,617)
Expenses - Lottery dealerships	(126,329)	(242,947)	(243,720)
Expenses - Credit card	(121,047)	(195,596)	(160,982)
Expenses with automated services	(47,175)	(103,511)	(114,039)
Losses in judgment of financed real estate	-	-	(137,687)
Discounts on loans operations	(121,175)	(217,195)	(298,670)
Correspondent banks	(194,072)	(296,513)	(160,783)
Losses from fraudulent electronic withdrawals	(40,437)	(98,620)	(106,884)
Real estate expenses	(34,896)	(77,387)	(127,312)
Other operating expenses	(230,033)	(445,554)	(285,069)
	<u>(2,438,986)</u>	<u>(4,809,078)</u>	<u>(3,246,056)</u>

(iii) In the year ended December 31, 2005, a review and update of the guidelines and calculation basis for determining the provisions for civil and labor contingencies were carried out in order to reflect the dynamics of the trends of the outcome of proceedings. This process resulted in the increase in the provisions for labor and civil contingencies of R\$ 420,419 and R\$ 527,733, respectively.

Due to litigation settlements made for the payment of food allowance to retired employees the amount of R\$ 661,318 was provided for as post-employment benefit.

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d. Administration of social entities

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

Entities	2005	2004
PIS	21,906,382	21,021,995
FGTS	19,823,116	16,838,110
FAR	2,333,514	2,779,662
FDS	530,105	473,723
FAS	366,618	364,673
PCE	98,781	263,055
FGS	66,858	41,664
FIEL	<u>31,452</u>	<u>29,698</u>
	<u>45,156,826</u>	<u>41,812,580</u>
FCVS (i)	<u>(72,936,896)</u>	<u>(69,995,871)</u>

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

e. Benefits for employees

(i). Benefit plan - Private pension

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

In order to meet FUNCEF's objectives and in complementation to the contributions of the participants, CAIXA makes contributions in accordance with the percentage determined by actuarial formulas. The amount disbursed in the period totaled R\$ 159,088 (2004 - R\$ 115,209). The costing plan of the entity is considered a defined benefit plan for 41,218 members, while for 10,573 members it is a defined contribution plan.

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CAIXA, as a sponsor, submitted to the appreciation of the Ministry of Finance and obtained its approval, as well as a favorable manifestation by the Department of Coordination and Control of State-Owned Companies (*Departamento de Coordenação e Controle das Empresas Estatais - DEST*), the amendment in the Regulation of the Benefit Plan of FUNCEF, with respect to (i) partial adaptation of Complementary Laws 108 and 109, both of May 29, 2001, (ii) the incorporation of new conditions for costing of the Plan by the participants and the sponsor; and (iii) the establishment of criteria for migration of the participants of the REPLAN/REB benefit plans to the new version of the defined contribution REB plan. To implement the migration process, CAIXA recorded a provision in the amount of R\$ 79,232 (2004 - R\$ 75,897).

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

(ii). Health plan - SAÚDE CAIXA

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

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

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

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

f. Net non-operating result

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

g. Guaranties provided to third parties

The amount of R\$ \$ 64,900 (2004 - R\$ 64,900), is recorded, related to real estate equity pledged in guaranties provided to third parties, related to judicial processes against CAIXA.

h. Employee profit sharing

An amount of R\$ 216,576 (2004 - R\$ 187,634) was destined for the payment of Profit and Income Sharing (PLR).

i. FGTS

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

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Notes to the financial statements

(In thousands of Reais)

20 Reclassification for comparison purposes

For a better comparison of the financial statements, certain December 2004 balances were reclassified aiming at the adequacy of the accounting procedures/classifications.

DRE	Published amount	Reclassified amount	Amount after reclassification
Other operating income (expenses)	<u>(6,454,938)</u>	_____ -	<u>(6,454,938)</u>
Revenue from services rendered	4,648,273	103,996	4,752,269
Other operating income	1,488,918	(103,996)	1,384,922

21 Related parties

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

Operations/entities	2005		2004	
	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ expenses
Interest on shareholders' equity/dividends received				
Caixa Seguros	<u>81,035</u>	<u>162,078</u>	<u>69,914</u>	<u>21,370</u>
Tariffs receivable				
STN - National Treasury Department	329,306	260,591	254,893	245,778
PIS	4,352	64,249	4,499	67,889
PCE	863	2,197	1,745	3,416
FIEL	2,875	446	2,430	413
FGTS	148,732	1,725,699	140,218	1,141,411
FCVS	-	115,781	27,601	128,653
FAS	65	784	79	877
FAR	6,448	70,997	4,918	49,595
FGS	817	1,046	-	-
FDS	-	13,147	-	11,644
EMGEA	28,481	343,776	27,611	304,684
SH	4,952	3,617	-	-
CAIXA SEGUROS	-	15,201	-	8,289

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Notes to the financial statements

(In thousands of Reais)

Operations/entities	2005		2004	
	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ expenses
Deposits of remunerated funds and programs				
SH	(14)	(97)	(1,063)	(273)
PIS	(73,004)	(231,662)	(90,629)	(127,186)
PCE	(5,267)	(543)	(2,095)	(281)
FIEL	(39,992)	(3,361)	(36,566)	(2,739)
FGTS	(3,684,458)	(593,218)	(2,902,161)	(352,470)
FGS	(15,807)	(5,283)	(37,065)	(2,192)
FCVS	(97)	(134)	(688)	(169)
FAS	(2,766)	(10,376)	(345,949)	(6,149)
FDS	(25,203)	(1,802)	-	-
FAR	(23,614)	(7,011)	(10,460)	(4,030)
EMGEA	(42,444)	(6,792)	-	-
Repass borrowings from public sector				
FGTS	(547,072)	(87,359)	(649,869)	(91,093)
FDS	(1,266,436)	-	(1,184,419)	-
Resources with specific destination				
STN - National Treasury Department	(573,130)	(44,331)	(802,951)	(35,828)
PIS	(1,454,991)	-	(745,801)	-
Sundry creditors - PAIS				
EMGEA	(367,849)	(52,821)	(270,201)	(20,038)
Sundry debtors - PAIS				
EMGEA	12,977	-	-	-
Other operating income				
FCVS	-	11,161	-	-
EMGEA	-	4,301	-	-
Other operating expenses				
FAR	-	(8,786)	-	-
EMGEA	-	(25,196)	-	-
Caixa Seguros	-	(37,607)	-	-

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Notes to the financial statements

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22 Cash flow statement

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

	<u>2nd Semester</u>	<u>Years</u>	
	2005	2005	2004
Operational activities			
Net income	<u>1,135,904</u>	<u>2,073,016</u>	<u>1,419,802</u>
Adjustments to reconcile net income with net cash originating from (applied in) operational activities:			
Allowance for possible loan losses	911,664	1,179,590	505,877
Depreciation and amortization	217,093	429,994	437,636
Equity in the earnings of subsidiary and associated companies	(61,097)	(140,300)	(71,372)
Changes in assets and liabilities			
Decrease (increase) in short-term interbank investments	(1,007,705)	(5,488,020)	681,176
Decrease (increase) in securities and derivative financial instruments	(13,892,012)	(20,626,638)	4,692,082
Decrease (increase) in interbank relations	(650,709)	(3,454,897)	4,772,318
Decrease (increase) in intercompany relations	311,527	97,966	13,943
Decrease (increase) in loans	(3,695,180)	(8,186,551)	(3,687,393)
Decrease (increase) in other receivables	(1,317,487)	(1,611,409)	(1,182,408)
Decrease (increase) in other assets	1,883	(167,289)	6,199
Write-off of allowance for possible loan losses	(454,540)	(852,095)	(505,877)
Increase (decrease) in other liabilities	4,812,700	6,889,156	2,266,942
Net cash originating from (applied in) operating activities	<u>(14,823,863)</u>	<u>(31,930,493)</u>	<u>7,929,123</u>
Investments			
Increase (decrease) in compulsory deposits at Central Bank of Brazil	(1,358,036)	(1,604,060)	(2,513,197)
Disposal of investments	13,170	13,172	9,856
Disposal of property and equipment and leased assets	51,755	184,683	160,683
Purchase of investments	-	-	(9,663)
Purchase of property and equipment and leased assets	(176,603)	(267,130)	(443,309)
Deferred charges	(62,101)	(112,930)	(65,151)

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Notes to the financial statements

(In thousands of Reais)

	<u>2nd Semester</u>	<u>Years</u>	
	2005	2005	2004
Operational activities			
Net cash originating from (applied in) investments	<u>(1,531,815)</u>	<u>(1,786,265)</u>	<u>(2,860,781)</u>
Loans			
Increase (decrease) in deposits	7,573,707	15,126,894	10,748,347
Increase (decrease) in deposits received under security repurchase agreements	9,819,462	18,261,249	(20,065,626)
Increase (decrease) in funds from issuance of securities	(765,063)	(1,766,851)	803,865
Increase (decrease) in derivative financial instruments	32,874	85,490	(112,909)
Increase (decrease) in borrowings and onlendings	(782,543)	963,186	2,802,334
Dividends proposed	(138,310)	(138,310)	(11,912)
Interest on shareholders' equity paid and/or provisioned	(299,556)	(598,684)	(512,904)
Adjustment to market value	<u>(27,032)</u>	<u>(54,079)</u>	<u>(3,994)</u>
Net cash originating from (applied in) loan activities	<u>15,413,539</u>	<u>31,878,895</u>	<u>(6,352,799)</u>
Increase (decrease) in funds available, net	<u>193,765</u>	<u>235,153</u>	<u>135,345</u>
Modifications in funds available, net			
Beginning of the period	741,945	700,557	565,212
End of the period	<u>935,710</u>	<u>935,710</u>	<u>700,557</u>
Modifications in funds available, net	<u>193,765</u>	<u>235,153</u>	<u>135,345</u>

Caixa Econômica Federal

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