

Caixa Econômica Federal (CAIXA)

Financial statements

June 30, 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

Dear Brazilian citizens,

We hereby submit the Management Report of Caixa Econômica Federal (“CAIXA” or “Entity”), together with the Financial Statements for the first half of 2005, under the terms established by the Central Bank of Brazil (“BACEN”).

1 - Introduction

By giving priority to the housing, basic sanitation, infrastructure, and service rendering sectors, CAIXA has reasserted its role as the principal agent of the Federal Government in the fostering of Brazil’s urban development and social justice, contributing to the improvement of the living standards of the country’s population, particularly its low income segment.

CAIXA achieved its best ever performance in the first half of 2005 in the following sectors: housing, credit, benefit transfer and access to banking services to the low income population.

In order to better serve its customers and the Brazilian population in general, CAIXA has expanded its bank service outlets. It currently has 2,274 branches, 3,491 banking correspondents, and approximately 9,000 Lottery outlets in all Brazilian municipalities.

2 - Economic-financial performance

A net income of R\$ 937 million gave rise to a 29.57% profitability in Final Shareholders’ Equity. At June 30, 2005, Shareholders’ Equity is equivalent to 17.67% of risk-weighted assets, whereas property and equipment, in relation to Shareholders’ Equity, represent 34.08%.

The Return on Shareholders’ Equity was 38.9% higher in comparison to the same period in 2004, and one can highlight increases of 17.5% and 16.8% in revenue from financial intermediation and in income from services rendered, respectively.

Ratios	Profitability and performance ratios (%)				
	2nd quarter of 2004	3rd quarter of 2004	4th quarter of 2004	1st quarter of 2005	2nd quarter of 2005
Gross profit	34.59	33.40	47.62	44.52	36.32
Operating margin	6.51	9.92	7.03	12.60	10.82
Net margin	4.00	7.85	7.14	8.70	7.38
Efficiency	66.08	64.36	73.68	58.08	67.14
Personnel expenses coverage	96.77	117.21	85.43	98.94	95.88
Administrative expenses coverage	54.83	63.40	46.67	57.15	53.13

3 - Management of third party funds

CAIXA ended the first half of 2005 with 97 investment funds and managed portfolios, of which 56 are fixed income funds, 11 equity funds, 1 real estate investment fund, 6 social funds, and 4 social security funds, in addition to 19 managed portfolios. Two exclusive investment funds and one new investment fund, referred to as FI CAMBIAL DÓLAR, were launched in the period.

The Entity started the management of the first real estate investment fund established by the Banco do Brasil, the so-called *BB Fundo de Investimento Imobiliário Progressivo*, placed in the secondary market as of February 1, 2005, with a public offer value of R\$ 123.50 million.

In the ranking of investment fund managers of the National Association of Investment Banks (“ANBID”), CAIXA recorded a 16.12% increase in the six-month period, from R\$ 30.16 billion in December 2004 to R\$ 35.02 billion in June 2005, which is higher than the 8.59% recorded by the fund industry, from R\$ 598.55 billion in December 2004 to R\$ 650.00 billion in June 2005. In relation to December 2004, CAIXA increased its market share from 5.04% to 5.38% in June, and kept its 4th place in ANBID’S investment fund managers’ ranking.

Total managed shareholders’ equity increased by 18.74%, from R\$ 95.58 billion in December 2004 to R\$ 113.49 billion on June 30, 2005. In relation to June 2004, CAIXA recorded a 26.42% increase in this item.

CAIXA performance was acknowledged in the market, as it was granted the following awards in the first half of 2005 from these publications: Best Investment Fund Guide by Investidor Individual Magazine - January; Best Institutional Funds by Investidor Institucional Magazine - February; Top Asset Ranking by Investidor Institucional Magazine - March; Estadão Ranking by Estadão investimentos Magazine - April; Best Performance in 2004 by Gazetainvest Magazine - April; Special Ranking by FolhaInvest - May; and First Foco/Quantum Ranking by FOCO Economia e Negócios - May.

4 - Securities operations

Management has reinforced its intention and financial capacity to keep their held-to-maturity securities, which are securities included in CAIXA’S portfolio as category III, pursuant to article 8 of BACEN Circular No. 3,068/2001.

Capital market and structured operations

CAIXA concluded the placement in the primary market of the Torre Almirante Real Estate Investment Fund in the period, with this initiative being in line with the need to develop alternatives for the civil construction industry financing.

FII Torre Almirante, whose equity amounts to R\$ 104.7 million, was provided to 4,271 small and medium investors which were given access to a real estate investment and purchase their quotas by using CAIXA’S branch network and a pool of broker dealers.

By means of structured financial operations, CAIXA obtained the amount of R\$ 830.8 million in INSS (the National Institute of Social Security) consigned credits in the six-month period.

CAIXA's Qualification as a Dealer with BACEN

CAIXA has been qualified as a primary dealer (a group of up to 12 institutions authorized to operate directly with BACEN trading desk) since March 2002.

Operating in its capacity of dealer, CAIXA acted as an intermediary in the transfer of R\$ 41.45 billion funds to other institutions in such six-month period.

5 - Urban development and social housing

All transactions related to the fostering of urban development gave rise to a movement of funds of approximately R\$ 2.9 billion for the first half of the year, comprising financing, onlending, residential lease and transfers to the health care area, whereas such movement of funds reached the amount of R\$ 4.2 billion in the same period in 2004. This decrease is due to the apportionment of credits to the public sector, which does not enable the achievement of FGTS (Government Severance Indemnity Fund for Employees) funds for sanitation and infrastructure operations. On the whole, the total amount invested in 2005 in housing, sanitation and infrastructure activities is estimated to generate over 265 thousand jobs, thus serving a population of approximately 425 thousand people.

Funds allocated to activities related to population's access to their own houses totaled R\$ 2.71 billion, representing a 12.91% growth in relation to the same period in 2004.

Housing Programs of Social Interest

With respect to the housing of social interest segment, in conformity with the housing guidelines set forth by the Federal Government, issued by the Ministry of Cities, which give priority to the rendering of services to the low-income population and the decrease of housing deficit and social and regional inequalities, as well as emphasize the generation of jobs and income, CAIXA, by means of a number of its housing programs, entered into the following agreements in the period, as detailed below:

Funds provided from	Amounts in R\$ (000)/Number in units			
	Amounts contracted	Residential Units	Population Served	Jobs Generated
FGTS	1,845,023	124,270	214,012	176,354
FAT (Fund for Workers' Assistance) Resources	22,759	1,311	3,880	2,165
FAR/Residential lease	253,940	9,347	37,388	24,490
CAIXA	582,482	10,617	28,356	55,499
BID - Habitar Brasil	9,287		8,135	1,111
OGU (General Federal Government Budget)/ FGTS-PSH (Housing Subsidy Program)	994	132	12	21
Total Financing	<u>2,714,485</u>	<u>145,677</u>	<u>291,783</u>	<u>259,640</u>
Totales financiaciones	<u>2,714,485</u>	<u>145,677</u>	<u>291,783</u>	<u>259,640</u>

Sanitation and Infrastructure Programs

In the period, the status of the apportionment of credits to the public sector remained the same, i.e. within the limits defined by the National Monetary Council (CMN) to commit no higher than 45% of the Adjusted Shareholders' Equity of the Brazilian Financial System Institutions with credit operations with such sector. This event has impaired the continuity of borrowings to be invested in the sanitation and infrastructure areas, which are still basically obtained from public entities. Accordingly, CAIXA contracted operations in the amount of R\$ 36 million, as detailed below:

Funds provided from	Amounts in R\$(000)/Numbers in units			
	Investment amount	Financing/ onlending amount	Population served	Jobs generated
BNDES - Structured Operations ENERGIA	3,475	4,497	19,987	724
FGTS - Pro-Sanitation Program	19,357	23,406	104,028	3,768
OGU - Onlending	<u>13,194</u>	<u>14,440</u>	<u>10,082</u>	<u>1,377</u>
Total	<u>36,026</u>	<u>42,343</u>	<u>134,097</u>	<u>5,869</u>

Disbursements made in the period in connection with previously executed agreements exceed R\$ 282 million, as detailed by program below, thus representing a 78% increase in comparison to the same period in 2004.

	Amounts in R\$(000)
BNDES - FCP/SAN	6,316
FGTS - Pro-Sanitation and Pro-Housing Programs	211,859
OGU/BIRD - PAT Sanear	1,007
OGU/BID - Monumental	2,301
OGU/BID - Habitar Brasil	43,765
BNDES - FCP/Roads	<u>17,041</u>
Total	<u>282,289</u>

Onlending from the General Federal Government Budget (OGU)

In the first half of 2005, funds obtained from OGU totaled R\$ 13.8 million, detailed as follows:

Manager	Amounts in R\$(000)/Numbers in units			
	Investment amount	Onlending amount	Population served	Jobs generated
AGEVAP - Management of Paraíba do Sul River Basin Association	1,450	1,200	1,013	138
MCIDADES - Ministry of Cities	11,863	11,036	8,282	1,131
MTUR - Ministry of Tourism	1,128	959	787	107
MDA - Ministry of Agrarian Development	557	512	388	53
ME - Ministry of Sports	<u>177</u>	<u>147</u>	<u>123</u>	<u>17</u>
Total	<u>15,175</u>	<u>13,854</u>	<u>10,593</u>	<u>1,446</u>

In the same period, disbursements were made in connection with prior and current contracted onlending operations, in the amount of R\$ 205 million, as detailed below:

Federal Government Program Managers	Amounts in R\$(000)	
	1st half of 2004	1st half of 2005
ANA - Brazilian Water Agency	1,229	70
EMBRATUR	28,007	-
FNMA	763	-
MAPA - Ministry of Agriculture, Cattle Breeding and Supply	16,187	4,521
MCIDADES - Ministry of Cities	97,331	132,220
MDA - Ministry of Agrarian Development	47,866	49,327
ME - Ministry of Sports	61,492	9,743
MTUR - Ministry of Tourism	4,309	7,609
SUFRAMA - Manaus Free Trade Agency	-	<u>2,267</u>
Total	<u>257,184</u>	<u>205,757</u>

Support to public management

System of Socioeconomic Information of Brazilian Municipalities (SIMBRASIL)

The system of Socioeconomic Information of Brazilian Municipalities (SIMBRASIL) was developed and made available by CAIXA to Brazilian municipalities, and contains information on major productive arrangements, according to local criteria, indicators for preliminary assessment of the competitiveness potential and panels considering socioeconomic information related to urban development. From its first version released throughout June 2005, over 25 thousand CDs have been provided to Municipalities, partner entities, and Ministries. In this six-month period, in addition to the continuity of the CD delivery program to municipalities, CAIXA, together with the Applied Economics Research Institute (IPEA), gave course to the development of the updated system version.

Accounting Data Gathering System (SISTN)

By delegation of the National Treasury Department (STN), since 2001 CAIXA has collected data from financial statements and management information of the states, the Federal District, and municipalities, by means of the Accounting Data Gathering System (SISTN).

In the six-month period, CAIXA approved the 2004 balance sheets and budgets submitted by 75.3% of municipalities. At the end of this six-month period, 46.8% of all municipalities submitted the Fiscal Management Report for the third four-month period of 2004, and so did 46.6% of all municipalities, which submitted Summary Report on Budgetary Performance.

National Program for Support to the Administrative and Fiscal Management of Brazilian Municipalities - PNAFM

In the six-month period, CAIXA contracted operations in the amount of R\$21.2 million by using funds from the PNAFM, and released the amount of R\$8.7 million to municipalities.

Caixa Hospitais (Hospitals)

Since 1997 CAIXA has made efforts to meet the immediate working capital requirements of charitable hospitals, by means of a credit operation referred to as CAIXA Hospitais. In the six-month period, operations totaled R\$ 156.8 million, which represented a 61.48% increase in comparison to the first half of 2004.

Transfer of Funds - National Health Fund (FNS) and National Health Foundation (FUNASA) Agreements

CAIXA operates as the financial agent for transfer of funds to states, municipalities, and charities which submitted health care projects to FNS.

FNS is basically focused on the prevention and control of diseases and the increased access of population to the Brazilian Unified Health System (SUS). FUNASA operates by fostering environmental sanitation activities which have a direct impact on the prevention and control of infectious diseases.

In the six-month period, CAIXA transferred funds in the amount of R\$ 34.3 million to FNS and FUNASA.

Urban development partnerships

Caixa Best Practices Program

During the six-month period, applications were opened for the fourth edition of the 2005/2006 CAIXA Local Management Best Practices Award, whose purpose is identifying, selecting, awarding, and expanding the practices developed in the latest three years with participation of CAIXA as the partner, financer or transferor of funds to urban development, environmental and rural programs.

During the period, applications for 197 projects were registered and concluded, and will go under a regional evaluation stage. Afterwards a nationwide evaluation stage will be held for the selection of 20 finalists, who then will go under an outside jury, which will elect the 10 Best Practices. These, in turn, will compete for the Dubai International Awards entitled “*Best Practices and Local Leadership*”.

CAIXA and ELETROBRÁS Partnership

During the six-month period, CAIXA and Eletrobrás/PROCEL entered into a Technical Cooperation Agreement aimed at developing joint actions, under the scope of PROCEL, to identify opportunities for the rational use of electric energy, making Brazilian society aware of such purpose, particularly of the actions related to the Energy Efficiency Program (PROCEL EDIFICA).

Funds will amount up to R\$ 1 million and be contributed by Eletrobrás for the carrying out of such activities.

Technology Innovation in Urban Development

Incentives to studies and researches have resulted in the contracting of two projects, in the amount of R\$ 17.0 thousand, focusing on the following themes: “management of projects for final disposal of solid wastes “and “budget for renovation of large houses and buildings for housing use”.

CAIXA supported the launching of the PUBLIC NOTICE No. VI of the Housing Technology Program (HABITARE), by contributing funds in the amount of R\$ 400 thousand, comprising the following themes: technologies for building recovery and adequacy, technologies for more sustainable building, and innovative technologies for house building. This public notice supports projects focused on the research and development of alternative technologies for housing building, reuse of building wastes, and research in energy efficiency of building systems and requalification of buildings in central areas.

6 - Banking business

Funding products

At the end of the six-month period, savings deposits totaled R\$ 50 billion. There was a 2.46% increase in total balance, representing R\$ 1,2 billion. CAIXA has remained the market leader with a market share of 31.4%, which represented a 0.60 percentage point increase for the period.

The introduction of the Real Estate Credit Note (LCI), aimed at replacing funding by means of mortgage notes, has enabled the achievement of a balance of R\$ 2,7 billion in a six-month period, of which R\$ 1,5 billion arose from mortgage notes maturities.

Bank deposit certificate/ Bank deposit receipt (CDB/RDB) reached the volume of R\$ 10,2 billion, representing the banking product which best contributed to funding in the six-month period. In view of the increase by R\$ 3,7 billion in funding and the 72.88% growth in relation to the 2004 final balance, market share increased by 3.4% in December 2004 to 5.11 % in June 2005.

In the six-month period, federal judicial deposits achieved a positive net funding of approximately R\$ 1,08 billion, with a balance increase of approximately R\$ 1,45 billion, or 7.33% compared to the December 2004 balance.

In June 2005, demand deposits totaled R\$ 5,97 billion, representing a 17.2% increase in comparison to the balance in the same period in 2004.

Caixa Internacional

Launched on June 24, 2004, CAIXA Internacional is a relationship and business program targeted exclusively at Brazilians living abroad, with the objective of allowing them to open an electronic account on the Internet, referred to as “e-Conta CAIXA”, and thus enable these citizens to perform remittances of funds to Brazil or acquire long-term savings products.

Such Remittance Project was developed for operations at lower rates, and started up with 2.52% of the remittance amounts. The purpose of such initiative was and still is to reduce costs for Brazilians who used to pay an average of 8.5% charged in the international market.

This Project was designed to focus on the demands stated by Brazilians living and working abroad. Accordingly, a new service was offered to Brazilian emigrants, thus consolidating CAIXA's social role partnered with the Federal Government public policies.

In March 2005, CAIXA launched its product International Payment Order aimed at receiving foreign funds by means of an agreement entered into with BCP Bank (New York), and interbank transfers to the company's accounts abroad, thus serving the increased demand of Brazilians domiciled abroad.

CAIXA operations in the remittance market enable its individual customers to receive foreign funds, in US dollars and Euro, regardless of the operation origin country.

Banco para Todos (Bank for All)

CAIXA is responsible for managing "Banco para Todos", a program provided by the Ministry of Finance, which is part of the Federal Government's 2004-2007 Multiyear Plan with participation of federal government banks and CAIXA itself. This program is intended to work out actions to provide access of low-income population and microentrepreneurs to financial products and services, by means of access to banking services and credit release at low interest rates. In the first half of 2005, CAIXA worked out with its partners under a national committee to arrange a schedule to publicize, discuss, and extend such program to a number of regions.

CAIXA Aqui Account

The CAIXA Aqui account is responsible for the inclusion of millions of Brazilians in the banking system, which, in June 2005, reached 3.2 million opened accounts, representing a 28% increase in comparison to December 2004. Out of the total operations carried out by its customers, 60.75% were done so through alternative channels, such as ATMs, lottery outlets, banking correspondents, and debit card purchases, which in turn accounts for 13.54% of total operations.

Banking services

CAIXA also renders tax collection and payment collection banking services, offering these services to population in a number of categories. 524 million operations were carried out, involving R\$ 103 billion in salary deposits, banking collection, payment of union dues, taxes, social security contribution payment form (GPS) and concessionaires, and payment of social security benefits, among others, representing an 8.33% increase in relation to the 1st half of 2004.

In June 2005, CAIXA introduced the GPS payment service through bar codes and the CAIXA automatic direct debit option, thus providing taxpayers with more convenient and expedited services.

Services	Numbers in thousands and Amounts in R\$(000)			
	1st half of 2004		1st half of 2005	
	Number	Amount	Number	Amount
Concessionary accounts payment	284,931	17,716,793	301,116	37,829,488
Tax payments	29,774	8,080,765	31,286	10,078,660
Union dues payment	3,374	703,038	3,527	836,878
FGTS payment	9,741	5,776,471	9,833	6,084,324
GPS payment	14,457	4,200,613	15,577	4,466,650
Payment of social security benefits	16,148	5,859,309	19,776	9,087,474
Banking collection	82,732	19,434,834	89,296	24,400,652
Payroll	6,226	5,715,201	9,823	9,353,716
Sundry collections	<u>37,035</u>	<u>1,000,581</u>	<u>44,555</u>	<u>1,356,797</u>
Total	<u>484,418</u>	<u>68,487,605</u>	<u>524,789</u>	<u>103,494,639</u>

Pursuant to the Federal Government's policy to make sustainable adjustments to government accounts, the Entity rendered services to structure or restructure social security systems in the State and Municipal social security segments, with the purpose of ensuring its long-term solvency, especially in view of new legal provisions brought about by the Social Security Reform. In the six-month period, CAIXA entered into consulting agreements to restructure the social security systems of 71 Municipalities, with a 7.57% increase of its portfolio in relation to the same period in prior year, thus contributing to ensure the payment of social security benefits to approximately 159 thousand insured people, among active, inactive civil servants and pensioners.

Management of third-party credits

The entity rendered third-party credit management services, totaling 557 thousand managed agreements, and providing creditors with the collection of R\$ 1,02 million in the six-month period. With respect to EMGEA credits, it carried out the debt settlement and restructuring of 28,435 agreements.

In the six-month period, 19,735 conciliation hearings were held at the Federal Court related to lawsuits involving real estate credits granted to EMGEA (Asset Management Company), totaling 9,804 settlements and funds received in the amount of R\$ 219,5 million.

Customer loyalty products

In its branch network, CAIXA makes available, to its customers, banking products related to insurance, social security, capitalization and real estate purchasing pool of Caixa Seguros Group companies, with the purpose of expanding the portfolio of products offered and meet the aspirations and needs of its customers. The performance of the real estate purchasing pool is worth mentioning, with a 121.5% increase in number of sales and 136.09% in contracted amounts.

Company	Numbers in units/Amounts in R\$(000)			
	1st half of 2004		1st half of 2005	
	Number (quotas)	Amount	Number (quotas)	Amount
Caixa Seguradora	483,551	48,596	970,057	82,467
Caixa Vida e Previdência	143,755	285,333	93,744	367,131
Caixa Capitalização	2,078,976	72,016	2,316,415	182,641
Caixa Consórcio	<u>10,647</u>	<u>474,812</u>	<u>23,584</u>	<u>1,121,030</u>
Total	<u>2,716,929</u>	<u>880,757</u>	<u>3,403,800</u>	<u>1,753,269</u>

NB: Total sales amount

Credit and debit cards

CAIXA ended the six-month period with 2.33 million credit cards, which represented a 25% increase in relation to the first half of 2004. During this period, 28,10 million transactions were carried out and totaled R\$ 2,02 billion.

The Entity's debit card portfolio amounted to 34.92 million cards, 7% larger than the same period in 2004. Total electronic operations increased by 44%, with traded volume 64% larger than the same period in 2004.

	Credit cards			Debit cards		
	1 st half of 2004	1 st half of 2005	Variation (%)	1 st half of 2004	1 st half of 2005	Variation (%)
Card portfolio (thousand)	1,870	2,330	25%	32,590	34,920	7%
Number of transactions (thousand)	25,500	28,100	10%	35,770	51,580	44%
Volume of transactions (R\$ Million)	1,740	2,020	16%	1,350	2,220	64%

Extension of commercial loans

In the first half of 2005, CAIXA increased by 44.53% the volume of portfolio operations in relation to the same period of prior year, totaling R\$ 17,2 billion in comparison to the amount of R\$ 11,9 billion in the first half of 2004.

The portfolio balance in June 2005 showed an overall increase by 54.76% in total volume of commercial loan operations for individuals and legal entities, that is, R\$ 13,0 billion at June 30, 2005 in comparison to R\$ 8,4 billion at June 30, 2004.

CAIXA's share in the market for commercial loans to individuals and legal entities increased by 36%, if one compares positions in June 2005 to June 2004, with an estimated 4.1% market share.

The legal entity portfolio recorded a 61.5% increase for the period, with an estimated growth from 1.0% to 1.6% of market share, whereas operations for individuals increased from 8.5% to 9.4%, representing a 11% growth.

Individuals

At June 30, 2005, the total loan balance to individuals totaled R\$ 8,3 billion, representing a 72.91% increase in relation to the same period in 2004.

Agreements with individuals increased by 20.73% in the six-month period in comparison to volumes contracted in the same period in 2004. One should highlight the increase obtained by the consignment and microfinance products, which together totaled R\$ 5,6 billion of revenue generation at June 30, 2005, representing 60.01% of the total increase in the loan portfolio revenues.

At the end of the six-month period, CAIXA recorded over 4,8 million operations intended for individuals, in the amount of R\$ 9,3 billion.

Legal entities

The volume of agreements with legal entities totaled R\$ 7,32 billion, representing a 100.38% increase in relation to the same period in the prior year, which totaled R\$ 3,6 billion. This performance is remarkably better than the historic percentage growth in such six-month period, which in 2004 and 2003 recorded increases by 50.42 % and 6.43 %, respectively.

All portfolios featured growths, with short-term operations recording the highest percentages, especially the “discount” product with a 195.81% increase in agreements, from R\$ 0,9 billion to R\$ 2,7 billion in the accumulated for the six-month period.

In this six-month period, CAIXA has once more a new record in operations with legal entities, totaling R\$ 4,5 billion at June 30, which represents a 56.16 % increase in comparison to the balance of R\$ 2,9 billion recorded in June 2004.

7 - Funds, programs, and services delegated by Government

Government Severance Indemnity Fund for Employees (FGTS)

In the capacity of FGTS Operating Agent, CAIXA recorded, in the six-month period, contributions in the amount of R\$ 15,8 billion, through 21 million operations. In relation to the same period in 2004, the collected amount featured a nominal increase of 14.49%.

A total of 9,9 million payments were made on the account of different types of withdrawals, totaling R\$ 12,7 billion, which are higher by 5.1% and 14.1% than the figures in the same period in 2004.

Approximately R\$ 2,0 billion were introduced in the economy by means of disbursements related to quotas of loan agreements for housing construction, sanitation and urban infrastructure.

FGTS, through CAIXA, contributed to put the amount of R\$ 16,9 billion back into the Brazilian economy, including withdrawals carried out through complementary credits.

For purposes of celebrating the 15th anniversary of the establishment of the FGTS Trustee Council, CAIXA sponsored the “FGTS Celso Furtado Awards”, aimed at encouraging studies and researches contributing to FGTS development.

FGTS complementary credits

Over 2,2 million FGTS complementary credits arising from economic plans were deposited into FGTS restricted accounts, in the amount of R\$ 2,9 billion. Workers who had vested rights related thereto withdrew a total amount of R\$ 2,2 billion from that sum.

Out of the total of 121,9 million accounts entitled to complementary credits, by June 2005 61,4 million credits were realized, in the amount of R\$ 28,5 billion. Out of this total, 53,6 million withdrawals were carried out in the total amount of R\$ 24,8 billion.

Salary Variation Compensation Fund (FCVS)

In the six-month period, 33,123 agreements were qualified for the FCVS, whose borrowers then settled their financing agreements based on the provisions of Law No. 10,150, of December 21, 2000, with a 100% discount on the debit balance. This benefited an estimated total of 124,542 citizens.

FIES - Higher Education Student Loan Fund

FIES is a program designed to grant loans to enable students to conclude their higher education at private higher education institutions. At the end of the period, FIES had R\$ 3,2 billion in loans granted by means of 302,3 thousand agreements entered into by CAIXA.

There were 132,2 thousand operations related to semi-annual amendments arising from the renewal of student's enrollments at private higher education institution, totaling R\$ 287 million.

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

Under CAIXA's management, it serves borrowers linked to the Housing Insurance Policy (ASH) for coverage of the borrower's death or permanent disability, physical damages to properties and Builder's Civil Liability.

Taking into account the social role invested in the SH/SFH operations, it was noted that 13 thousand families, approximately 44 thousand Brazilians, were granted the advantage of having their household debts settled or subject to physical renovations.

Payment of claims in the period from January to June 2005 amounted to R\$ 158 million.

Residential Lease Fund (FAR)

With the purpose of funding investments for low-income housing, the amount of R\$1 billion was funded by FAR to be invested by CAIXA in the Residential Lease Program (PAR). PAR funds are intended for the population segment with maximum monthly income of 6 minimum wages, and investments are made under residential lease with a purchase option at the end of the agreement.

Lottery management

In the six-month period, the amount of R\$ 2,05 billion was obtained, corresponding very nearly to the same amount collected in the first half of the prior year. Total funds passed on to the Federal Government and non-government entities, by means of lottery outlets managed by CAIXA, amounted to R\$ 969,82 million, representing 47.09 % of the total collected. These funds are inured to the benefit of the Brazilian society and invested in priority areas such as education, sports, culture, security and social security. The amount of R\$ 692,52 million was distributed in the format of lottery prizes, representing a portion of funds obtained during the six-month period.

Federal Lottery Amounts Collected are Intended for

	Amounts in R\$(000)	
	1st half of 2004	1st half of 2005
Ministry of Sports (ME)	2,782	3,497
Brazilian Para Olympic Committee (CPB)	5,971	5,906
Brazilian Olympic Committee (COB)	33,834	33,465
Sports entities	2,649	3,331
Additional National Sports Secretariat (ME)	84,521	83,616
Education Student Loan Fund (FIES)	148,142	146,036
National Culture Fund (FNC)	59,707	59,055
Social Security	355,438	350,690
Special Tests (APAE *, Red Cross, COB, and CPB)	521	258
National Social Security Fund (FUNPEN)	62,565	61,881
Taxes	<u>239,452</u>	<u>222,088</u>
 Total onlending	 <u>995,582</u>	 <u>969,823</u>
Cost and maintenance expenses	401,928	397,095
Prizes	<u>684,859</u>	<u>692,523</u>
 Total collection	 <u>2,082,369</u>	 <u>2,059,441</u>

(*) Association of Parents and Friends of the Handicapped

Delegated services and income transfer programs

Approximately 122,4 million in social benefits were paid in the six-month period. The volume of funds involved totaled R\$ 16,7 billion, representing a 25.31% increase in relation to the same period in prior year, as shown below:

Number in units/Amounts in R\$(000)

Program	<u>1st half of 2004</u>		<u>1st half of 2005</u>	
	Number	Amount	Number	Amount
Income transfer	94,266,570	2,432,893	88,771,103	3,090,288
Social Security	16,148,972	6,946,699	19,776,451	9,087,474
Salary allowance	714,946	175,236	859,915	242,697
PIS proceeds	1,724,802	60,000	1,553,497	29,082
PIS quotas	286,590	222,521	277,119	231,237
Unemployment insurance	<u>10,589,167</u>	<u>3,564,957</u>	<u>11,165,680</u>	<u>4,114,901</u>
 Total	 <u>123,731,047</u>	 <u>13,402,306</u>	 <u>122,403,765</u>	 <u>16,795,679</u>

The 2004/2005 financial year of the Salary Allowance Program ended on June 30, 2005. By means of this program, CAIXA paid benefits to approximately 7,5 million workers, recording the rate of 94.04% of total workers identified as eligible to such benefit, and exceeding the percentage reached last year, i.e., 93.83%.

The annual income from the Employees' Profit Participation Program (PIS) provided the access of approximately 1,5 million workers to such benefit in the six-month period, totaling 14,6 million workers benefited in the 2004/2005 year, with amounts higher than R\$ 266,0 million.

Upon operating the Federal Government's income transfer programs, CAIXA paid approximately 88,7 million benefits, with a total movement of R\$ 3,09 billion, as detailed below:

Program	1 st half of 2004		1 st half of 2005	
	Number	Amount	Number	Amount
Family Grant	20,244,308	1,470,810	37,253,251	2,459,715
School Grant	32,355,244	485,299	22,576,854	338,653
Meal Grant	2,366,118	35,492	330,488	4,957
Gas Assistance Payment	35,926,708	269,450	26,833,957	201,255
Child Labor Eradication Program (PETI)	650,800	27,901	772,564	31,922
Young Agent	33,359	2,168	17,501	1,138
Student Assistance Payment	361,783	10,853	265,122	7,954
Meal Card Program (PCA)	2,013,646	100,682	591,907	29,595
Harvest Guarantee	312,206	29,659	122,848	13,506
De Volta Pra Casa ("Coming back home")	<u>2,398</u>	<u>578</u>	<u>6,611</u>	<u>1,592</u>
Total	<u>94,266,570</u>	<u>2,432,893</u>	<u>88,771,103</u>	<u>3,090,288</u>

In relation to the first half of 2004, there was an overall decrease of approximately 5.8% in the number of installments and a 27.0% increase in amounts paid. Such variation in the number of benefits is due to the gradual combination of School Grant, Meal Grant, Gas Assistance Payment, and the Meal Card Program (PCA) into the Family Grant, which consolidates a single benefit per family and increases the monthly amount paid to beneficiaries.

In the six-month period, benefits were granted to approximately 16,9 million families, including teens, children, wet-nurses and students, covered by a number of Income Transfer programs sponsored by the Federal Government, representing a 25.4% increase in relation to the number of families served in the same period in 2004.

This larger number of benefits paid refers to the Family Grant, which strives to meet the goal defined by the Federal Government to include 8,7 million families through December 2005. In the six-month period, approximately 7,0 million families have already been served, which represents, in relation to the same period in 2004, the inclusion of over 3,0 million families from remaining programs or other families meeting the program requirements.

Single Database (CADUN)

From January to June 2005, approximately 500 thousand new families were included in the single database, resulting in a total base of 15,12 million families, taking into account the migration of the database from the School Grant to the Federal Government's Single Database:

CADUN	Numbers in units			
	2000 to June 2004	1st half of 2004	2000 to June 2005	1st half of 2005
Persons registered	49,834,554	4,002,516	55,271,703	1,764,492
Families registered	13,625,537	1,108,414	15,125,344	492,270

8 - CAIXA Fome Zero Project (Famine Eradication)

Collections

CAIXA was the first institution to be granted the Famine Eradication Program Partner Company Certification, in view of the actions and initiatives developed together with the Ministry of Social Development and Anti-Famine Actions (MDS).

The results arising from the collection of funds and non-perishable food items, linked to the assumptions of the Fome Zero Program and to the Millennium Development Goals, for the six-month period, are as follows:

- Food: 9,94 tons
- Collection of financial donations: r\$ 397,85 thousand
- Collection of food items: r\$ 237,67 thousand

Exemption of CPF fee to women

In the March 7 to 11 period, 315,84 thousand women were benefited by the institutional action which issued, free of charge, Individual Taxpayer Number Cards (CPF), in celebration of the International Woman's Day.

This action contributed to the social inclusion of many low-income women, by providing them access to government policies, such as the Family Grant, National Program for Strengthening of Family Farming (PRONAF), and access to banking services and micro credit, among others, which require the submission of respective duly regulated documents.

Issue of CPF and Family Grant Cards to Quilombola Communities

Under the scope of the CAIXA Fome Zero Program, on March 12, 2005 the Planaltina branch, in the state of Goiás, held a social event in the city of Teresina de Goiás to issue CPF cards free of charge and deliver Family Grant cards to members of the largest *quilombola* (former-slaves' descendants) community in Brazil.

Campaign for Elderly Care in the Federal District

On April 5 and 12, in a partnership with CAIXA Seguros, Moradia e Cidadania NGO, FENAE and FUNCEF, 3,449 personal hygiene and cleaning material items were collected for 6 institutions based in the Federal District, benefiting approximately 700 needy elders aged over 60.

9 - Distribution of own and third-party public and private products and services

Physical customer service channels

At June 30, 2005, CAIXA's physical customer service network, which is present in all Brazilian municipalities, reached 17,53 thousand units, with a total 1,21 billion banking operations carried out, as follows:

Physical network - Type of units	Number of units	Number of banking operations (in million)
Bank Branches and Bank Service Outlets - PAB	2,274	231,43
Electronic Outlets - PAE	1,059	31,14
Banking Correspondents - Lottery outlets	8,869	530,51
Banking Correspondents - other establishments	3,491	25,80
Self-Service Rooms	<u>1,840</u>	<u>394,95</u>
Total	<u>17,533</u>	<u>1,213.83</u>

Out of the 1,57 billion operations recorded at lottery outlets, the several types of lottery bets accounted for 1,04 billion operations, and the remaining amount related to banking services. One should highlight, due to its social importance, the increased preference of the Brazilian population for this kind of channel for payment of electricity, water, and telephone bills, as well as for receiving Federal Government benefits:

Types of operations	Numbers in units/ Amounts in R\$(000)	
	1st half of 2005	
	Number	Valor
Bank payment forms	76,828,933	8,833,175,63
Agreements	329,151,437	18,876,249,,13
Withdrawals, deposits, and banking inquiries	74,901,529	8,548,717,90
Social benefits	<u>49,632,885</u>	<u>4,659,629,06</u>
Total banking services	<u>530,514,784</u>	<u>40,917,771,72</u>
Total lottery bets	<u>1,046,754,777</u>	<u>2,071,224,66</u>
Grand total	<u>1,577,269,561</u>	<u>42,988,996,38</u>

Other banking correspondents, which make the presence of CAIXA feasible in all 5,561 Brazilian municipalities, recorded 25,8 million operations, of which approximately 6,7 million related to the payment of several social benefits granted by the Federal Government.

An ATM-sharing deal between CAIXA and Banco do Brasil started on February 21, 2005, under a pilot phase in the cities of Brasília, Curitiba, and Recife, and on June 30, 2005 it had 558 shared units. The table below shows the increase in the number of operations since the start of the deal:

CAIXA and Banco do Brasil ATM-Sharing Deal

Operations	February 2005	March 2005	April 2005	May 2005	June 2005
Sharing - CAIXA network	4,815	51,956	73,302	92,600	106,909
Sharing - BB network	3,736	31,082	39,091	44,726	44,541

Virtual customer service channels

The Internet portal <http://www.caixa.gov.br/>, received around 155 million hits, by means of which it was possible to observe the total of 532 million visits to its pages along the first half of 2005 with emphasis on electronic access to FGTS information (balance, bank statement and change of address, among others), with approximately 59 million hits, including inquiries and operations for the period.

The Electronic Bank - Internet Banking CAIXA - totaled 3,3 million registered accounts, with approximately 103 million operations.

The telemarketing network responded to 45,7 million inquiries from the Brazilian society, of which 9,4 million were related to the Federal Government's social programs, as follows:

Program	Number in million Number
School Grant and Family Grant Programs, Social Protection Network	3,47
Government Severance Indemnity Fund for Employees - FGTS and complementary credits	2,29
Employees' Profit Participation Program - PIS	3,09
Other social services rendered	0,57

SAC - Customer Care

In the first half of 2005, CAIXA managed not to be included in the list of financial institutions with the largest number of complaints filed with the Central Bank, which punishes banks failing to comply with the provisions set forth by the National Monetary Council. These are already 18 consecutive months that the Entity manages not to be included in such a list.

With a total of 1,367 occurrences, one should note the 4.1% increase in the number of occurrences at the Central Bank in comparison to the same six-month period in 2004. 88.6% of these occurrences account for complaints, and 11,4% for requests. Only the former occurrence involves a possible noncompliance with CMN or BACEN regulatory provisions, and is computed for classification purposes.

The Ombudsman's department received approximately 72 thousand customer occurrences, in the six-month period, representing 25.2% higher in comparison to the same period in prior year. 89.3% of such occurrences involved complaints, with 64,3 thousand occurrences. Praises totaled 3,7 thousand occurrences (5.2%), and suggestions 2,7 thousand (3.7%). The number de requests and complaints together accounted for 1.7% of total occurrences.

10 - Risk management

In the six-month period, CAIXA conducted 23,7 million risk assessments for purposes of extending commercial and real estate loans, in comparison to the amount of 16 million in the same period in 2004, representing, in numbers, a 48% increase. This figure reflects the Company's increase in demand for loans.

The Entity developed a monthly routine to control expected versus actual losses on loan products, which resulted in improved quality of its loan portfolio risk assessment model.

It reclassified federal public securities from categories I and II to category III, thus reducing the portfolio risk.

It concluded reviews of operating risk management measures implemented in 2004, arising from the publication of the New Basel Capital Agreement, known as Basel II.

The internal training contents on Operating Risk were updated and became mandatory for new employees, with the purpose of minimizing the Entity's losses.

In this period, the Entity prepared an inventory of the risk models adopted by the Entity and its documentation, and focused on the safekeeping of said documentation. It also started the monitoring of risk assessment models, in compliance with the New Basel Capital Agreement requirements.

It developed and implemented a routine to monitor the accuracy of the internal market risk measurement model of the treasury portfolio, based on the methodology proposed by the Bank for International Settlements and the Kupiec test for proportion of failures.

CAIXA is represented in the managing group composed by the Brazilian Federation of Bank Associations (FEBRABAN) and BACEN for implementation of the New Basel Capital Agreement in Brazil.

11 - Corporate governance and sustainability

Governance structure

All jurisdictions set forth by CAIXA's new bylaws, homologated by Decree No. 5,056 of April 29, 2004 and available at www.caixa.gov.br, are now implemented and operating regularly, including the Audit Committee, as pursuant to the National Monetary Council.

CAIXA's strategic decisions are jointly made by its Steering Committee and the Board of Executive Officers. The Entity's actions are monitored and controlled by six jurisdictions: the Fiscal Council and Management of Caixa Econômica Federal, the Central Bank, the Department of Coordination and Control of State-Owned Companies, the Federal Audit Court, the Office of Controller General, the Department of Justice, and, by means of applications and information, the Brazilian Congress.

CAIXA has a number of committees and councils to discuss tactical, operating and administrative decisions, as follows:

- Ethics Committee;
- Credit and Renegotiation Committee;
- Strategic Funding and Investment Committee;
- Strategic Committee for Management of Funds, Programs and Services Delegated by the Federal Government;
- Strategic Third-party Asset Management Committee; and
- Human Resources Council.

Program for the Rationalization of Expenditures and Elimination of Waste (PROGED)

Designed to provide an ongoing analysis and adequacy of the Entity's administrative expenses to its actual capacity to generate operating income, the purpose of PROGED in this year is to make feasible the decrease of expenses and the elimination of wastes in the amount of R\$ 250,0 million. In the six-month period, one should highlight, due to its effects on the organizational and citizenship culture, the campaign referred to as "Printing Respect to Nature" intended to make all CAIXA's employees aware of the importance of saving printing devices, particularly paper, and toner and ink cartridges. Among others, this initiative provides accumulated savings in the period of approximately R\$ 173,5 million, representing 69.4% of the goals achieved for the year.

Another significant initiative in the period, expanding the Program's concepts beyond the Entity's borders, resulted in the introduction in March of the "CAIXA Guide for a Better Life", whose purpose is to educate, inform and motivate citizens towards concepts and practices related to the rationalization of expenses, elimination of waste and improvement of living standards. This material was produced with small format, colored recycled paper featuring good-humored, easily understood illustrations addressing issues related to domestic economy, health, housing, and taxes, among others.

One million issues were produced to be delivered to new customers of the CAIXA Aqui account and to dwellers of communities given priority by the Entity. The "CAIXA Guide for a Better Life" was very welcomed by the Entity's customers and Brazilian citizens alike, as can be evidenced by the messages received from several places in the country reporting experiences lived with the use of the Guide at schools, universities, and municipalities, highlighting the importance of the issues addressed and their contribution to the population daily activities.

Internal control system

The Entity improved its methodologies to assess control procedures and supporting tools for definition of priorities in control review engagements, which include, in the six-month period, products and services traded on account of three of the Entity's operation segments, as well as legal contingent liabilities. At the end of the six-month period, the Standard Schedule, aimed at minimizing risks associated to procedures involving the introduction, reposition and removal of products and services, recorded a total of 106 projects under monitoring.

Among the compliance promotion measures, one should highlight the implementation in progress of the electronic system designed for the performance of mandatory activities, both from internal and/or external sources, particularly in relation to the compliance with defined time-limits, in addition to the development of a single monitoring base for the detection of financial crimes and of a routine to verify the adequacy of legal entities account registry.

CAIXA held a seminar called “CONTROL IS PART OF THE BUSINESS” intended for all of its officials, highlighting the start-up of the Continuing Education Program on Internal Controls, whose purpose is to share basic knowledge to ensure the efficiency of the Internal Control System.

Money Laundering Prevention

As a result of the II Symposium on “National Anti-Money Laundering Strategy” 2005, held in December 2004 in the city of Pirenópolis, state of Goiás, the Managing Committee of the Brazilian Asset Recovery System (CG-SisBRA) was created in January 2005, which shall be in charge of the preparation of the technology plan of the Integrated Money Laundering Prevention and Asset Recovery Management (GGI-LD). CAIXA is already a GGI-LD invited member and recently became a member of the CG-SisBRA.

In compliance with Law No. 10,701/03, a project is under implementation to enable the Entity to comply with legal provisions established for the prevention, by the financial system, from money laundering crimes, in which it refers to the National Financial System’s Customer Database.

12 - Work force

At the end of the six-month period, CAIXA staff is as follows:

Staff comprised of	2004	Numbers in units 1st half of 2005
Employees who passed government exams	59,927	62,293
Interns	9,766	11,601
Service providers	24,180	23,673
Minors	293	3
Apprentice teenagers	<u>2,671</u>	<u>3,191</u>
Total	<u>96,837</u>	<u>100,761</u>

The table below evidences the increase of qualification initiatives, particularly regarding the competencies required for the qualified service to its customers.

Activity	2004	Numbers in units 1st half of 2005
CAIXA University courses	60,414	91,695
Incentive to higher education course at post-graduation level	1,038	27
Incentive to higher education course at graduation level	1,153	27
Workshops and seminars	<u>4,824</u>	<u>4,355</u>
Total	<u>67,429</u>	<u>96,104</u>

By means of CAIXA Health Care Program, 215,786 beneficiaries were served, among employees and dependents.

13 - Socio-cultural and Marketing Activities

The first half of 2005 brought about many surprises and novelties related to CAIXA's external communication, which was characterized by investments and total brand visibility.

The early media planning made the following results possible: TV had 134 weekly insertions, including 30-second ads, merchandising promotion, vignettes, and inserts, aired by major TV networks and in the most-viewed programs in the country. CAIXA also advertised in 60 pages of ads displayed in its largest-circulation magazines.

CAIXA has confirmed its participation in the 2007 Pan-American Games, which will be the largest sports event to be held by Brazil since the 1950 World Cup, by ensuring its role as PAN RIO 2007 Official Bank.

Cultural marketing

Amounts of approximately R\$ 15 million were invested in a number of cultural events and projects which prompted positive nationwide reaction, thus reasserting CAIXA as an institution attentive to the redemption, publicizing and support to the Brazilian artistic production. In its capacity of executor of the Federal Government's policy, it has promoted the free access of the population to culture and art, by contributing to the social inclusion and development of the country. One should highlight the following events: *Sempre um Papo*, popular fests, winter festivals, *Camarote das Artes*, Caixa Adopting Cultural Entities Program, exhibitions and performances at Caixa cultural spaces and pedagogical projects.

Social and sports marketing

Among the events and sponsorships promoted, one should highlight the attendance at the World Social Forum which discussed global solidarity alternatives, the Clube dos Descalços (*Barefoot Club*) of Joaquim Cruz Institute and the LOTERIA CAIXA Brasil Paraolímpico (*Lottery - Para Olympic Brazil*) program.

Sports

Sports are viewed by the Federal Government as a tool for human development, by promoting social inclusion and fighting violence. It is with this purpose that CAIXA sponsors the Brazilian Athletics Confederation (CBAt), including the costing the participation of Brazilian athletics team in competitions, such as World, South-American, and Iberian-American championships, in addition to national calendar events.

Such investment also comprises the support to nine incentive and development programs involving athletes, young talents, and the technical development of coaches.

In the six-month period, the first of a series of athletics events of the Official CBA calendar was already conducted: Brazil CAIXA Cross Country Cup, Brazil CAIXA Race Walk Cup, 2005 CAIXA Children Marathon Circuit 2005, Caixa Running Circuit; 2nd CAIXA Round the Lake - Relay Running Race, VI Brasília Half Marathon, 2005 Fortaleza Half Marathon, 2005 Athletics Londrina Project, International São Paulo Marathon, XXII Porto Alegre Marathon, 2005 CAIXA City of Rio de Janeiro Marathon and Running for Peace.

Sponsorships

One can highlight the following, among large projects sponsored by CAIXA:

- CAIXA Local Management Best Practices Program
- VII March in Defense of Municipalities in Brasília
- Tourism Exhibit
- Seminar on Innovative Development Financing Mechanisms: A Revisited Approach
- Regional seminars on Government Agreements

Awards and events

CAIXA held the following events:

- CAIXA *Aqui/bcpBank* Agreement or Caixa Internacional - held in the largest two Brazilian emigration regions, the cities of Governador Valadares, state of Minas Gerais, and Criciúma, in the state of Santa Catarina, focusing on the local publicizing of the remittance of funds from the USA to Brazil, by means of an event with regional authorities and opinion makers and publicizing in radios and newspapers; and
- Inclusive Financial System - held in São Paulo focusing on the financial education to Caritas Project seamstress, with 1,500 attendees and the presence of the President of the Republic.

The Entity was granted the following awards:

- IBEST 2005 Awards- TOP10 in the following categories: IBEST Regional (DF) and Consumer Service, and TOP3 in Banks, according to popular voting;
- Top Social Awards, by Association of Leaders of Sales and Marketing in Brazil (ADVB), and Marketing Best for Social Responsibility with application of the case entitled “CAIXA Adopting Social Entities Program”;
- Winner of the 35th Edition of Top de Marketing by ADVB for the cases entitled “X Force” and “CAIXA Life of People”;
- Winner of the Top Social Awards by ADVB - Rio de Janeiro Section, with the case entitled “Brazil Craftsmanship with Design Program”;
- I National and Electronic Administrative Simplification - Hélio Beltrão Awards, created by the System of the Federation of Industries of the State of Rio de Janeiro (FIRJAN), in the category Government-to-Business (G2B) with the case entitled “Social Connectivity”. This tool enables companies to exchange information with CAIXA on FGTS of their employees via Internet; and
- 2005 e-finance Awards - For its quality technological solutions for the support of service structure, the Entity was granted five awards: Network sharing, Banking Correspondents, Family Grant, Call Center, and Single Customer Identification Standard.

14 - Information technology

CAIXA has focused its efforts on sharing technological knowledge by means of internalization of a number of systems:

- Lottery outlets - The migration process to single database was concluded in January 2005, thus enabling the calculation, apportionment and transfer of predictions from lottery outlets to be processed in the systems built by CAIXA;
- Education funding (CREDUC) - The Education Funding Management System (SIDUC) was implemented on April 4, 2005, to enable the safer and improved quality of information processing and storage;
- Pawn System - a new, more technologically advanced system, enabling the customer to renew its credits at any CAIXA branch. In the future, its use via Internet will be possible; and
- Single Database (CADUN) - This product is used by municipalities to send and capture Single Database files. This new developed version has brought about improved usability and features, thus improving the information quality.

The Entity is implementing an information security plan, by partnering with the Presidency of the Republic, with the purpose of implementing a security culture to ensure the secrecy of information and the interests of the Entity. It was the first bank to adhere to the Federal Government's National Knowledge Protection Program.

15 - Acknowledgements

The reported results mirror the professional attitude and commitment of over 100 thousand employees to the company's guidelines. Furthermore, they demonstrate the dedication of those who believe that the work undertaken by CAIXA leverages the development of the country.



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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 June 30, 2005 and 2004, and the related statements of income, changes in shareholders' equity and changes in financial position for the semesters 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 June 30, 2005 and 2004 and the results of its operations, changes in its shareholders' equity and changes in its financial position for the semesters 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\$ 1,544 million (R\$ 1,646 million at June 30, 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. 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\$ 216 million (INSS) and R\$ 606 million (PIS/PASEP), at June 30, 2005 (INSS - R\$ 158 million and PIS/PASEP - R\$ 579 million, at June 30, 2004).

August 5, 2005

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

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

Caixa Econômica Federal (CAIXA)

Balance sheets

Semester ended June 30, 2005 and 2004

(In thousands of Reais)

Assets	2005	2004	Liabilities	2005	2004
Current assets	95,577,766	102,648,135	Current liabilities	128,727,216	136,446,809
Cash and cash equivalents	741,945	608,536	Deposits (Note 11)	91,323,395	82,755,827
Interbank funds applied (Note 4)	8,730,300	13,080,516	Demand deposits	5,974,866	5,097,194
Money market funds applied	8,730,300	13,080,516	Savings deposits	50,173,393	46,398,005
Securities and derivative financial instruments (Note 5)	48,207,333	56,459,094	Time deposits	28,268,927	26,777,855
Own portfolio	33,737,503	33,029,630	Special deposits, funds and programs (Note 11 (b))	6,846,629	4,482,773
Subject to repurchase commitments	12,992,347	22,605,793	Others deposits	59,580	-
Deposits with Central Bank	1,224,925	543,813	Money market repurchase commitment (Note 11)	22,492,565	39,152,009
Subject to guarantee services	200,744	251,988	Own portfolio	15,611,768	26,088,063
Derivative financial instruments (Note 5 (e))	51,814	27,870	Third party portfolios	6,880,797	13,063,946
Interbank accounts	18,886,255	16,789,374	Acceptances and endorsements (Note 12)	999,569	226,994
Collections in transit	736,523	581,180	Mortgage note funds	778,839	226,994
Term deposits - Brazilian Central Bank deposits (Note 6 (a))	18,076,817	16,159,757	Real estate credit notes	220,730	-
Correspondents	72,915	48,437	Interbank accounts	482,536	460,715
Interbranch accounts	138,029	2,517,523	Payments and receivables in transit	482,468	460,709
Third party funds in transit	192	326	Correspondents	68	6
Own funds in transit	137,837	2,517,197	Interbranch accounts	189,282	2,537,692
Loans (Note 7)	13,005,927	8,427,914	Third party funds in transit	125,101	110,426
Loans, discounted loans and financing	10,607,577	6,467,621	Own funds in transit	64,181	2,427,266
Real estate financing	3,832,623	3,342,933	Derivative financial instruments (Note 5(e))	124,552	143,283
Provision for doubtful loans (Note 7 (f))	(1,434,273)	(1,382,640)	Other liabilities (Note 15)	13,115,317	11,170,289
Other receivable	4,809,034	3,893,074	Collection of taxes	725,421	484,323
Receivable on guarantees honored	16,959	5,991	Own portfolio	1,176	-
Own portfolio	1,176	-	Due to shareholders	373,911	332,305
Income receivable (Note 8 (a))	855,497	1,186,956	Taxes payable (Note 15a)	1,367,481	1,252,503
Securities clearing accounts	2	-	Securities clearing accounts	1,599	1,113
Specific credits	29,610	101,602	Funds for specific destination: (Note 15 (b))		
Other (Note 8 (b))	3,905,790	2,598,525	Lottery operations	361,009	272,802
Other assets (Note 9)	1,058,943	872,104	Social program and fund obligations	1,303,584	1,981,790
Assets received in settlement of debt	1,152,597	1,144,690	Obligation to financial and development funds	1,470,690	890,084
Valuation allowance	(265,146)	(281,148)	Other (Note 15 (c))	7,510,446	5,955,369
Prepaid expenses	171,492	8,562	Noncurrent liabilities	31,456,151	24,091,821
Noncurrent assets	69,158,077	61,980,960	Deposits (Note 11)	8,002,486	1,082,230
Securities and derivative financial instruments (Note 5)	31,361,163	22,357,943	Time deposits	8,002,486	1,082,230
Own portfolio	28,722,383	18,344,136	Money market repurchase commitment (Note 11)	-	447,294
Subject to repurchase commitments	2,638,780	4,013,807	Own portfolio	-	447,294
Interbank accounts	18,771,531	22,133,120	Acceptances and endorsements	9,759,985	12,148,788
Housing Finance System - SFH (Note 6 (b))	18,771,531	22,133,120	Mortgage note funds	7,224,272	11,672,659
Loans (Note 7)	17,178,803	14,993,511	Real estate credit notes	2,535,713	476,129
Loans, discounted loans and financing	3,370,567	2,848,220	Borrowings (Note 13)	32,121	48,673
Real estate financing	14,361,005	13,388,307	Foreign currency trade finance borrowings	32,121	48,673
Infrastructure and development financing	1,336,541	874,058	Repass borrowings from public sector (Note 14)	13,179,324	9,903,935
Provision for doubtful loans	(1,889,310)	(2,117,074)	National treasury	470,926	456,079
Other receivable	1,846,580	2,496,386	BNDES (Federal Development Bank)	465,337	359,437
Income receivable (Note 8 (a))	292,718	258,255	FGTS (Government Severance Indemnity Fund for Employees)	12,003,236	8,879,896
Other (Note 8 (b))	2,179,189	2,609,836	Other	239,825	208,523
Provision for doubtful receivable (Note 8 (c))	(625,327)	(371,705)	Other liabilities (Note 15)	482,235	460,901
Permanent assets	2,225,083	2,068,319	Taxes payable (Note 15(a))	130,613	137,860
Investments	479,570	356,210	Social program and fund obligations (Note 15(b))	8,784	10,620
Subsidiaries and affiliates	467,124	343,376	Other (Note 15(c))	342,838	312,421
Local (Note 10 (a))	449,899	314,590	Shareholders' equity (Note 16)	6,777,559	6,158,784
Foreign	17,225	28,786	Capital - Domestic	5,083,532	3,885,000
Other investments	23,523	25,355	Capital reserves	10	10
Provision for losses	(11,077)	(12,521)	Revaluation reserves	394,989	409,736
Premises and equipment (Note 10(b))	1,460,932	1,316,345	Revenue reserves	395,195	279,674
Premises	209,728	210,045	Adjustment to market value - Securities and derivative financial instruments	103,501	155,214
Revaluation of premises	574,346	578,449	Retained earnings	800,332	1,429,150
Other fixed assets	1,867,511	1,655,603			
Accumulated depreciation	(1,190,653)	(1,127,752)			
Deferred charges (Note 10 (c))	284,581	395,764			
Deferred charges	979,638	1,005,967			
Accumulated amortization	(695,057)	(610,203)			
	166,960,926	166,697,414		166,960,926	166,697,414

See the accompanying notes to the financial statements.

Caixa Econômica Federal (CAIXA)

Statements of income

Semestres ended June 30, 2005 and 2004

(In thousands of Reais)

	Semester end	
	2005	2004
Financial operations income	11,722,697	10,749,821
Loans	3,405,883	2,662,537
Securities	6,735,805	6,285,431
Derivative financial instruments	(61,387)	(67,846)
Trade finance and foreign exchange	142	371
Compulsory investments	1,642,254	1,869,328
Financial operations expenses	(7,017,427)	(6,746,288)
Deposits, money market and interbank funds	(6,197,828)	(5,983,900)
Borrowings and onlendings	(551,674)	(424,374)
Provision for losses on doubtful receivables	(267,925)	(338,014)
Net income on financial operations	4,705,270	4,003,533
Other operating income/expenses	(3,339,723)	(3,115,567)
Service fee income (Note 19(a))	2,468,987	2,216,778
Equity in earnings of subsidiaries	79,203	48,452
Personnel expenses (Note 19(b))	(2,536,132)	(2,181,854)
Other administrative expenses (Note 19(b))	(1,951,233)	(1,805,079)
Tax expenses	(467,432)	(399,098)
Other income (Note 19 (c))	1,436,976	559,383
Other expenses (Note 19 (c))	(2,370,092)	(1,554,149)
Operating income	1,365,547	887,966
Non-operating income	(17,561)	(37,211)
Net income before income taxes and profit sharing	1,347,986	850,755
Income tax and social contribution tax expenses (Note 18 (b))	(336,092)	(162,548)
Income tax expenses	(170,296)	(82,368)
Social contribution tax expenses	(44,271)	(21,457)
Deferred tax assets	(121,525)	(58,723)
Employee profit sharing (Note 19 (h))	(74,782)	(64,462)
Net income for the semester	937,112	623,745

See the accompanying notes to the financial statements.

Caixa Econômica Federal (CAIXA)

Statements of changes in shareholders' equity

Semester ended June 30, 2005 and 2004

(In thousands of Reais)

	Capital	Capital reserves	Revaluation reserve	Revenue reserves Legal and other	Adjustment to market value	Retained earnings (loss)	Total
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	-	-	-	-	(27,047)	-	(27,047)
Reversal of reserves	-	-	2,982	-	-	-	2,982
Realization of reserves	-	-	(8,771)	-	-	8,771	-
Dividends paid in advance	-	-	-	-	-	(500,000)	(500,000)
Net income for the semester	-	-	-	-	-	937,112	937,112
Distribution of net income (Note 16):							
Legal reserve	-	-	-	50,594	-	(50,594)	-
Lottery reserve	-	-	-	41,869	-	(41,869)	-
Interest on shareholders' equity	-	-	-	-	-	(299,128)	(299,128)
Balances at June 30, 2005	<u>5,083,532</u>	<u>10</u>	<u>394,989</u>	<u>395,195</u>	<u>103,501</u>	<u>800,332</u>	<u>6,777,559</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	-	-	-	-	20,672	-	20,672
Reversal of reserves	-	-	(4,173)	-	-	-	(4,173)
Taxes on revaluation	-	-	4,867	-	-	-	4,867
Revaluation reserve for subsidiaries and affiliates	-	-	(30)	-	-	-	(30)
Realization of reserve	-	-	(9,534)	-	-	9,534	-
Net income for the semester	-	-	-	-	-	623,745	623,745
Distribution of net income (Note 16)							
Legal reserve	-	-	-	31,187	-	(31,187)	-
Lottery reserve	-	-	-	44,980	-	(44,980)	-
Interest on shareholders' equity	-	-	-	-	-	(257,849)	(257,849)
Balances at June 30, 2004	<u>3,885,000</u>	<u>10</u>	<u>409,736</u>	<u>279,674</u>	<u>155,214</u>	<u>1,429,150</u>	<u>6,158,784</u>

See the accompanying notes to the financial statements.

Caixa Econômica Federal (CAIXA)

Statements of changes in financial position

Semester ended June 30, 2005 and 2004

(In thousands of Reais)

	Semester end	
	2005	2004
Sources of funds	21,707,591	16,929,981
Adjusted net income	1,070,810	796,575
Net income for the semester	937,112	623,745
Depreciation and amortization	212,901	221,282
Equity in earnings of subsidiaries	(79,203)	(48,452)
Adjustment to market value - Securities and derivative financial instruments	-	20,672
Investment subsidy	20,503,851	15,902,365
Increase in current and noncurrent liabilities	20,290,356	15,878,499
Deposits	7,553,187	2,813,710
Money market repurchase commitments	8,441,787	5,482,899
Acceptances and endorsements	-	1,418,305
Interbank accounts	413,439	397,768
Interbranch accounts	-	2,097,479
Borrowings	-	489
Repass borrowings from public sector	1,752,871	1,288,737
Derivative financial instruments	52,616	-
Other liabilities	2,076,456	2,379,112
Decrease in current and noncurrent assets	213,495	23,866
Interdepartmental accounts	7,417	-
Other assets	206,078	-
Other receivable	-	23,866
Disposal of assets and investments	132,930	170,211
Investments	-	9,528
Premises and equipment	132,930	160,683
Decrease in deferred charges	-	20,003
Interest on shareholders' equity	-	20,155
Application of funds	21,666,203	16,886,657
Adjustment to market value of securities and derivative financial instruments	27,047	-
Investment in:		
Investments	90,527	24,948
Premises and equipment	-	9,663
	90,527	15,285
Deferred charges	50,829	42,870
Funds applied:	20,698,672	16,560,990
Increase in current and noncurrent assets	19,468,764	16,519,428
Interbank funds applied	4,480,315	8,149,355
Securities and derivative financial instruments	6,734,626	1,291,085
Interbank accounts	3,463,651	2,475,388
Interbranch accounts	-	2,328,181
Loans	4,621,000	1,545,088
Other assets	-	730,331
Other receivable	169,172	-
Decrease in current and noncurrent liabilities	1,229,908	41,562
Interbank accounts	220,978	-
Acceptances and endorsements	1,001,788	-
Borrowings	7,142	-
Derivative financial instruments	-	41,562
Dividends paid in advance	500,000	
Interest on shareholders' equity	299,128	257,849
Increase in cash and cash equipments	41,388	43,324
Changes in cash and cash equivalents:		
Beginning of the period	700,557	565,212
End of the period	741,945	608,536
Increase in cash and cash equipments	41,388	43,324

See the accompanying notes to the financial statements.

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

Semester ended June 30, 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.

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).

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

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

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

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.

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:

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

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 9 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. Permanent assets

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

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

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

d. Current and noncurrent liabilities

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

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

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>1,849,503</u>	<u>16,570</u>
Financial Treasury Bills	1,502	12,944
National Treasury Bills	1,848,001	3,626
Financed position	<u>6,880,797</u>	<u>13,063,946</u>
Financial Treasury Bills	419,051	11,100,314
National Treasury Bills	<u>6,461,746</u>	<u>1,963,632</u>
	<u>8,730,300</u>	<u>13,080,516</u>

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

5 Securities and derivative financial instruments

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

Category	2005	2004
Trading securities	30,417,255	30,365,349
Securities available for sale	9,408,210	8,109,576
Securities held to maturity	39,691,217	40,314,242
Derivative financial instruments	<u>51,814</u>	<u>27,870</u>
	<u>79,568,496</u>	<u>78,817,037</u>

b. Composition of securities

	2005	2004
Own portfolio	<u>62,459,886</u>	<u>51,373,766</u>
Fixed rate securities	<u>62,099,051</u>	<u>51,030,221</u>
Financial Treasury Bills	43,413,447	41,752,435
National Treasury Bills	11,558,575	7,162,766
National Treasury Notes	2,198,807	946,833
Central Bank Notes	75,295	43,561
Financial Treasury Certificates	53,471	470,686
Securitized Credits	4,727,759	581,845
Other securities	71,697	72,095
Investments fund quotas - FND	<u>344,499</u>	<u>327,899</u>
Investments fund quotas - Real Estate Fund	<u>16,336</u>	<u>15,646</u>
Securities subject to commitments	<u>17,056,796</u>	<u>27,415,401</u>

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

	2005	2004
Subject to repurchase commitments	<u>15,631,127</u>	<u>26,619,600</u>
Financial Treasury Bills	15,631,127	20,555,623
National Treasury Bills	-	4,933,112
National Treasury Notes	-	898,552
Central Bank Notes	-	232,313
Deposited with Central Bank - Financial Treasury Bills	<u>1,224,925</u>	<u>543,813</u>
Pledged as guarantees - National Treasury Bills	<u>200,744</u>	<u>251,988</u>
Derivative financial instruments	<u>51,814</u>	<u>27,870</u>
	<u>79,568,496</u>	<u>78,817,037</u>

Caixa Econômica Federal (CAIXA)

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>17,346,477</u>	<u>12,839,655</u>	<u>209,568</u>	<u>21,555</u>	<u>30,417,255</u>	<u>30,374,682</u>	<u>30,417,255</u>
Financial Treasury Bills	10,720,342	7,489,150	209,568	-	18,419,060	18,376,010	18,419,060
National Treasury Bills	6,268,152	5,027,300	-	-	11,295,452	11,294,583	11,295,452
National Treasury Notes	357,983	323,205	-	-	681,188	683,102	681,188
Petrobras Debentures	-	-	-	5,219	5,219	4,651	5,219
Variable Income Fund Quotas - Real Estate Fund	-	-	-	16,336	16,336	16,336	16,336
Available for sale	<u>6,303,076</u>	<u>1,637,166</u>	<u>249,150</u>	<u>1,218,818</u>	<u>9,408,210</u>	<u>9,236,584</u>	<u>9,408,210</u>
Financial Treasury Bills	4,559,811	1,186,849	232,852	318,286	6,297,798	6,207,273	6,297,798
National Treasury Bills	1,688,792	-	-	-	1,688,792	1,689,164	1,688,792
National Treasury Notes	-	371,769	16,298	439,771	827,838	751,801	827,838
Central Bank Notes	-	75,295	-	-	75,295	68,248	75,295
CFT	-	-	-	53,471	53,471	61,677	53,471
ELET	54,039	-	-	-	54,039	54,111	54,039
TDA	434	39	-	169	642	627	642
Petrobras Debentures	-	-	-	62,622	62,622	55,806	62,622
State Securities - Union	-	3,214	-	-	3,214	3,378	3,214
Investment fund quotas - FND	-	-	-	344,499	344,499	344,499	344,499
Held to maturity	<u>11,435,188</u>	<u>21,519,716</u>	<u>2,080,813</u>	<u>4,655,500</u>	<u>39,691,217</u>	<u>39,691,217</u>	<u>37,661,414</u>
Financial Treasury Bills	11,411,694	21,519,716	1,396,306	-	34,327,716	34,327,716	34,370,871
National Treasury Notes	-	-	684,507	5,274	689,781	689,781	671,012
CVS	-	-	-	4,650,226	4,650,226	4,650,226	2,596,305
SUNA	23,494	-	-	-	23,494	23,494	23,226
Derivative financial instruments	<u>51,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,814</u>	<u>51,814</u>	<u>51,814</u>
Total - 2005	<u>35,136,555</u>	<u>35,996,537</u>	<u>2,539,531</u>	<u>5,895,873</u>	<u>79,568,496</u>	<u>79,354,297</u>	<u>77,538,693</u>
Total - 2004	<u>42,813,880</u>	<u>34,141,397</u>	<u>433,391</u>	<u>1,428,369</u>	<u>78,817,037</u>	<u>78,516,367</u>	<u>78,827,078</u>

Although classified with a term of up to 5 years, the Variable Income Fund Quotas - Real Estate Fund and the Investment Funds Quotas - FND do not have a maturity date.

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 (CAIXA)

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 and derivative financial instruments in the six-month period

	Prior balance	Positive adjustment	Negative adjustment	Net adjustment in shareholders' equity	Amount of equity
Securities available for sale					
Financial Treasury Bills	118,133	-	27,607	(27,607)	90,526
National Treasury Bills	(494)	122	-	122	(372)
National Treasury Notes	75,080	-	9,183	(9,183)	65,897
Central Bank Notes	4,267	-	1,887	(1,887)	2,380
Petrobras Debentures	7,500	-	684	(684)	6,816
State Securities	(229)	63	-	63	(166)
Agricultural debt securities	18	-	2	(2)	16
CFT	(7,318)	-	888	(888)	(8,206)
ELETROBRÁS	852	-	923	(923)	(71)
Adjustments in affiliated companies	(6)	6	-	6	-
	<u>197,803</u>	<u>191</u>	<u>41,174</u>	<u>(40,983)</u>	<u>156,820</u>
Taxes on market value	(67,255)	13,936	-	13,936	(53,319)
	<u>130,548</u>	<u>14,127</u>	<u>41,174</u>	<u>(27,047)</u>	<u>103,501</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 six-month period, in the amount of R\$ 14,806. We present below the portfolio of derivative financial instruments designated as hedge and the respective hedged items.

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

Hedged item

	Market value	
	2005	2004
Assets		
Securities indexed to the US dollar	<u>198,473</u>	<u>711,026</u>
NBC-E	43,516	232,312
NTN-D	154,957	478,714
	Notional value	
	2005	2004
Liabilities		
Derivative financial instruments	<u>187,512</u>	<u>675,599</u>
Swap contracts	187,512	675,599

The effective percentage ascertained for the hedge portfolio on June 30, 2005 was 123.91%. Utilized was the weighted average, considering as the weighting factor the original value of the contracts.

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>1,599</u>	<u>25,428</u>
Purchase commitments	1,599	25,428

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.

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(In thousands of Reais)

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

2004 - 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	20,565	35,149	35,159	10	From 31 to 60 days
CDI	Institution	74,626	115,881	116,621	740	From 61 to 90 days
CDI	Institution	43,492	70,606	71,003	397	From 91 to 180 days
CDI	Institution	109,642	177,323	178,411	1,088	From 181 to 360 days
CDI	Institution	140,741	<u>230,805</u>	<u>234,036</u>	<u>3,231</u>	From 1 to 5 years
			<u>629,764</u>	<u>635,230</u>	<u>5,466</u>	
Liability leg						
Dollar	Institution	20,565	45,138	45,429	291	From 31 to 60 days
Dollar	Institution	74,626	123,943	127,089	3,146	From 61 to 90 days
Dollar	Institution	43,492	73,260	75,499	2,239	From 91 to 180 days
Dollar	Institution	109,642	184,501	190,127	5,626	From 181 to 360 days
Dollar	Institution	140,741	<u>248,757</u>	<u>273,855</u>	<u>25,098</u>	From 1 to 5 years
			<u>675,599</u>	<u>711,999</u>	<u>36,400</u>	

2005 - Contracts - Hedge Instrument

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

Swap contracts	Counterpart	Original amount	Curve value	Market value	Unrealized gains/losses	Maturity bracket
Asset leg						
CDI	Institution	5,588	10,971	10,896	(75)	From 61 to 90 days
CDI	Institution	1,547	2,988	3,009	21	From 91 to 180 days
CDI	Institution	6,702	13,111	13,139	28	From 181 to 360 days
CDI	Institution	111,214	<u>217,579</u>	<u>219,257</u>	<u>1,678</u>	From 1 to 5 years
			<u>244,649</u>	<u>246,301</u>	<u>1,652</u>	
Liability leg						
Dollar	Institution	5,588	8,182	8,270	88	From 61 to 90 days
Dollar	Institution	1,547	2,274	2,308	34	From 91 to 180 days
Dollar	Institution	6,702	9,946	10,333	387	From 181 to 360 days
Dollar	Institution	111,214	<u>167,110</u>	<u>178,336</u>	<u>11,226</u>	From 1 to 5 years
			<u>187,512</u>	<u>199,247</u>	<u>11,735</u>	

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(In thousands of Reais)

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\$ 7,811,048, the differential receivable amounts to R\$ 2,132 and the differential payable to R\$ 114,490.

The guarantee margin of operations with derivative financial instruments required on June, 30, 2005 amounts to R\$ 195,514, represented by National Treasury Bills due on April 1, 2005.

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

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

The credit risk is the probability of losses arising from default by the counterpart of any financial instruments, which are recorded in a company's assets, generating lack of receipt from the other party. It is the risk of loss due to changes in the counterpart's capacity to perform contractual obligations with the creditor. The credit risk exposure in futures contracts is minimized due to daily cash adjustments. Swap contracts registered with CETIP and BM&F are subject to credit risk if the counterpart does not have the capacity or is not willing to perform its contractual obligations. The total credit exposure in swap at June 30, 2005 is R\$ 348,371 (2004 - R\$ 447,772).

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.

Caixa Econômica Federal (CAIXA)

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\$ 15,968,363 (2004 - R\$ 9,574,668). The differential payable at this date amounts to R\$ 124,552 (2004 - R\$ 143,283) and the differential receivable to R\$ 51,814 (2004 - R\$ 27,870).

6 Interbank accounts

a. Term deposits

- i. The deposits made with BACEN are mainly comprised of compulsory payments that accrue monetary correction based on official indices and interest rates, except for those resulting from demand deposits.
- ii. The “National Housing System - SFH” account includes prevalingly the residual values of terminated contracts to be paid by the FCVS, in the amount of R\$ 22,829,033, net of provisions, of R\$ 4,215,815, 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	2,656,726	(880,059)
Qualified and not homologated	4,711,682	(2,535,190)
Qualified and homologated	<u>15,460,625</u>	(<u>800,566</u>)
Balance - June 2005	<u>22,829,033</u>	(<u>4,215,815</u>)
Balance - June 2004	<u>21,928,833</u>	(<u>4,970,234</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)).

Caixa Econômica Federal (CAIXA)

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	13,978,144	9,315,841
Real estate financing operations	18,193,628	16,731,240
Infrastructure and development financing operations	1,336,541	874,058
Receivables on guarantees honored	16,959	5,991
Other receivables	<u>1,130,395</u>	<u>1,025,315</u>
	<u>34,655,667</u>	<u>27,952,445</u>

b. Breakdown of loans by activities

Description	2005	%	2004	%
Federal public sector	<u>1,045,338</u>	<u>3.02</u>	<u>950,224</u>	<u>3.40</u>
Government - Direct administration	<u>988,827</u>	<u>2.85</u>	<u>950,123</u>	<u>3.40</u>
Business activities	<u>56,511</u>	<u>0.16</u>	<u>101</u>	-
Industry	63	-	-	-
Commerce	328	-	-	-
Other services	56,120	0.16	101	-
State public sector	<u>1,000,235</u>	<u>2.89</u>	<u>638,255</u>	<u>2.28</u>
Government - Direct administration	<u>618,737</u>	<u>1.79</u>	<u>368,561</u>	<u>1.32</u>
Business activities	<u>381,498</u>	<u>1.10</u>	<u>269,694</u>	<u>0.96</u>
Industry	368,412	1.06	257,412	0.92
Financial intermediaries	12,694	0.04	12,016	0.04
Other services	392	-	266	-

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

Description	2005	%	2004	%
Municipal public sector	<u>171,273</u>	<u>0.49</u>	<u>100,260</u>	<u>0.36</u>
Government - Direct administration	<u>130,635</u>	<u>0.38</u>	<u>83,470</u>	<u>0.30</u>
Business activities	<u>40,638</u>	<u>0.12</u>	<u>16,790</u>	<u>0.06</u>
Industry	40,261	0.12	16,602	0.06
Other services	377	0.00	188	-
Private sector	<u>32,438,821</u>	<u>93.60</u>	<u>26,263,706</u>	<u>93.96</u>
Rural	5,487	0.02	3,924	0.01
Industry	348,793	1.01	167,096	0.60
Commerce	971,581	2.80	544,714	1.95
Financial Intermediaries	303,376	0.88	303,254	1.08
Other services	4,467,059	12.89	3,281,921	11.74
Individuals	9,046,710	26.10	6,047,971	21.64
Housing - Individuals/legal entities	<u>17,295,815</u>	<u>49.91</u>	<u>15,914,826</u>	<u>56.94</u>
	<u>34,655,667</u>	<u>100.00</u>	<u>27,952,445</u>	<u>100.00</u>

c. Concentration of main debtors

	2005	% of portfolio	2004	% of portfolio
Main debtor (1)	681,460	1.97	670,211	2.40
10 main debtors	2,666,966	7.70	1,808,128	6.47
20 main debtors	3,051,343	8.80	2,028,747	7.26
50 main debtors	3,425,428	9.88	2,280,965	8.16
100 main debtors	3,596,253	10.38	2,411,403	8.63

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

- (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*).

d. Composition of loans according to maturity of operations

	<u>2005</u>			<u>2004</u>
	Public sector	Private sector	Total	Total
Current assets	<u>-</u>	<u>13,114,428</u>	<u>13,114,428</u>	<u>8,829,924</u>
0 to 90 days	-	5,335,172	5,335,172	3,322,711
91 to 360 days	-	7,779,256	7,779,256	5,507,213
Noncurrent assets	<u>2,118,789</u>	<u>17,998,620</u>	<u>20,117,409</u>	<u>17,700,474</u>
From 1 to 3 years	281,789	10,633,006	10,914,795	8,683,561
From to 5 years	389,747	5,010,247	5,399,994	5,270,411
From 5 to 15 years	900,793	2,352,381	3,253,174	3,224,912
More than 15 years	<u>546,460</u>	<u>2,986</u>	<u>549,446</u>	<u>521,590</u>
Total - Normal	<u>2,118,789</u>	<u>31,113,048</u>	<u>33,231,837</u>	<u>26,530,398</u>
Total - Overdue	<u>-</u>	<u>1,423,830</u>	<u>1,423,830</u>	<u>1,422,047</u>
Total	<u>2,118,789</u>	<u>32,536,878</u>	<u>34,655,667</u>	<u>27,952,445</u>

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

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	616,302	681,458	625,081	243	1,923,084	5.55	1,914,163	6.85
A	4,472,001	630,370	5,766,108	42,774	10,911,253	31.48	7,715,242	27.6
B	2,118,152	517,476	2,220,519	422,043	5,278,190	15.23	3,962,678	14.18
C	2,041,707	107,405	3,662,892	32,932	5,844,936	16.87	4,785,903	17.12
D	1,508,598	165,501	5,231,589	284,301	7,189,989	20.75	6,176,012	22.09
E	173,118	30,963	470,790	19,227	694,098	2.00	578,921	2.07
F	111,576	15,940	287,855	3,639	419,010	1.21	402,603	1.44
G	139,347	37,910	180,467	612	358,336	1.03	263,376	0.94
H	372,374	237,946	1,084,868	341,583	2,036,771	5.88	2,153,547	7.71
	<u>11,553,175</u>	<u>2,424,969</u>	<u>19,530,169</u>	<u>1,147,354</u>	<u>34,655,667</u>	<u>100.00</u>	<u>27,952,445</u>	<u>100.00</u>

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	22,362	3,151	28,830	213	54,556	1.47	38,576	1.00
B	21,184	5,174	22,204	4,220	52,782	1.42	44,657	1.16
C	61,253	3,222	109,887	986	175,348	4.73	198,560	5.16
D	150,861	16,551	523,158	28,429	718,999	19.4	851,012	22.11
E	51,938	9,288	141,237	5,767	208,230	5.62	174,283	4.53
F	55,791	7,969	143,927	1,818	209,505	5.65	201,304	5.23
G	97,546	26,536	126,326	427	250,835	6.77	186,673	4.85
H	372,374	237,946	1,084,868	341,583	2,036,771	54.94	2,153,547	55.96
	<u>833,309</u>	<u>309,837</u>	<u>2,180,437</u>	<u>383,443</u>	<u>3,707,026</u>	<u>100.00</u>	<u>3,848,612</u>	<u>100.00</u>

g. Movement of the allowance for possible loan losses

	2005	2004
Opening balance - December 2004/2003	3,836,656	3,887,538
Additions for the six-month period	423,903	532,600
Transfer to Loss for the six-month period	(397,555)	(376,940)
Other Write-offs for the six-month period	(155,978)	(194,586)
	<u>3,707,026</u>	<u>3,848,612</u>

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Notes to the financial statements

(In thousands of Reais)

h. Renegotiated loans, posted as loss and recovered

	2005	2004
Total renegotiated loans for the six-month period	528,759	481,742
Total loans entered as loss for the six-month period	397,555	376,940
Total recovered loans for the six-month period	272,606	185,621

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)	292,718	258,256
FGTS	145,511	126,527
Unemployment insurance	77,097	56,645
General Budget of Brazil	167,923	130,675
INSS	56,854	528,426
Social register	140,034	138,961
Family allowance	87,628	72,317
EMGEA - <i>Empresa Gestora de Ativos</i> (Asset Management Company)	28,432	25,645
School grant program	10,015	12,060
PIS	68,095	34,583
FIES	34,885	28,616
Others	<u>39,023</u>	<u>32,500</u>
	<u>1,148,215</u>	<u>1,445,211</u>

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Notes to the financial statements

(In thousands of Reais)

b. Others

	2005	2004
Sundry advances	498,336	375,286
Tax Credits (note 18)	1,544,368	1,646,171
Guarantee deposit debtors	1,809,834	1,259,444
Recoverable taxes and contributions	76,960	33,404
Payments to reimburse	35,472	74,944
Profit sharing paid in advance	<u>15,563</u>	<u>-</u>
Other receivable with characteristics of extension of credit	<u>1,130,395</u>	<u>1,025,315</u>
Debtors for purchase of securities and assets	<u>25,808</u>	<u>80,128</u>
Securities and credits receivable	<u>1,104,587</u>	<u>945,187</u>
Amounts receivable - BAMERINDUS (iii)	302,941	302,941
Credit card	565,767	441,417
Bahia State Government - EMBASA (ii)	233,069	198,019
Other securities and credits receivable	2,810	2,810
Other receivable without characteristics of extension of credit	<u>359,301</u>	<u>249,306</u>
Securities and credits receivable	359,301	249,306
Pernambuco State Government - COMPESA (i)	241,884	228,080
Credit Card	34,148	21,226
PAMS and CAIXA Health Care Program	83,269	-
Other debtors	<u>860,292</u>	<u>860,190</u>
Accrual - Loans and financing (iv)	548,162	384,460
Insurance receivable	158,969	186,617
Other debtors	57,158	105,467
Credits obtained	96,003	183,646
Provision for losses - Sundry debtors (v)	<u>(245,542)</u>	<u>(315,699)</u>
	<u>6,084,979</u>	<u>5,208,361</u>

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- (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.
- (ii) Refer to credits with the bankrupt estate of Banco Bamerindus, originating preponderantly from the acquisition of property credits, which are totally provisioned.
- (iii) 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).
- (iv) Refers mainly to the provision for definitive net loss and housing financing claims for indemnity.

c. Provision for other receivable

In accordance with BACEN Circular Letter 3048/2002, credit securities receivable are classified as “with loan extension features” R\$ 383,443 (2004 - R\$ 348,897) and “without loan extension features”, R\$ 241,884 (2004 - R\$ 22,808).

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.
- (ii) The amount related to “prepaid expenses” - R\$ 171,492 (2004 - R\$ 8,562) refers basically to goodwill on acquisition of INSS consigned credits in the amount of R\$ 99,309, restated based on the maturity term of credits acquired in up to 35 months, and to R\$ 60,541 related to advertising and promotion for the 2007 Pan-American Games.

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Notes to the financial statements

(In thousands of Reais)

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 June 30, 2005, are presented as follows:

	2005	2004
Investee		
Shareholders' equity	1,151,722	959,491
Capital	360,000	360,000
Increase of capital under approval	40,000	87,818
Number of shares	16,930,108	16,930,108
Retained earnings reserve	361,367	233,196
Revaluation/retained earnings reserve	623	644
Gains and losses in the realization of securities	-	(6)
Goodwill reserve	218,448	218,448
Retained earnings in the year	171,284	59,391
Book value per share - R\$	68,03	56,67
Investment		
Number of shares held	8,161,426	8,161,426
Participation (%)	48.20658	48.20658
Book value of the investment	449,899	314,590
Equity income	82,576	28,630
Interest on capital received and included in equity income	-	20,155
Investments subsidiaries	<u>449,899</u>	<u>314,590</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	784,074	(65,693)	718,381	746,428
Buildings	138,144	(16,650)	121,494	127,380
Revaluation of buildings	433,201	(49,043)	384,158	405,472
Land	71,584	-	71,584	71,738
Revaluation of land	141,145	-	141,145	141,838
Fixed assets in progress	138,559	-	138,559	26,322
Furniture, fixtures and equipment in use	389,528	(209,726)	179,802	155,084
Communications system	49,225	(30,010)	19,215	21,807
Data processing system	1,219,634	(855,206)	364,428	324,145
Transport and security system	<u>70,565</u>	<u>(30,018)</u>	<u>40,547</u>	<u>42,559</u>
	<u>2,651,585</u>	<u>(1,190,653)</u>	<u>1,460,932</u>	<u>1,316,345</u>

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

c. Deferred charges

	2005	2004
Expenses on leasehold improvements	234,375	252,946
Expenses with logistical projects	615,080	595,885
Improvements to own property	130,183	157,136
Accumulated amortizations	<u>(695,057)</u>	<u>(610,203)</u>
	<u>284,581</u>	<u>395,764</u>

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Notes to the financial statements

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d. Compliance with index of investment in fixed assets

The index of investment in fixed assets is 34.08%, 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\$ 26,008,487 (2004 - R\$ 24,286,299), which are remunerated based on the Referential Rate (TR). On Judicial deposits of a labor and state nature there is also interest at 6% p.a. The deposits are distributed as follows:

Deposits	2005					2004
	Demand	Time	Savings	Others	Total	Total
Short-term	<u>5,974,866</u>	<u>28,268,927</u>	<u>50,173,393</u>	<u>59,580</u>	<u>84,476,766</u>	<u>78,273,054</u>
Without maturity	5,974,866	26,008,487	50,173,393	59,580	82,216,326	75,781,498
From 31 to 90 days	-	1,144,180	-	-	1,144,180	1,546,190
From 91 to 360 days	-	1,116,260	-	-	1,116,260	945,366
Long-term	<u>-</u>	<u>8,002,486</u>	<u>-</u>	<u>-</u>	<u>8,002,486</u>	<u>1,082,230</u>
	<u>5,974,866</u>	<u>36,271,413</u>	<u>50,173,393</u>	<u>59,580</u>	<u>92,479,252</u>	<u>79,355,284</u>
Money market and interbank funds						
From 31 to 90 days	-	-	-	-	15,611,768	26,088,063
From 91 to 360 days	-	-	-	-	6,880,797	13,063,946
More than 360 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,294</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,492,565</u>	<u>39,599,303</u>

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

	2005	2004
Deposits - FGTS	2,616,125	969,783
Deposits - Special with remuneration	822,154	851,418
Deposits - FAS	352,860	340,465
Deposits - PROGER	2,469,992	1,902,957
Deposits - FISANE	206,868	180,555
Deposits - PRODEC	28,246	26,016
Deposits - PIS	77,636	51,879
Deposits - FAT	71,720	86,759
Deposits - FIEL	38,211	35,110
CAIXA Health Care Program	88,932	-
Others	<u>73,885</u>	<u>37,831</u>
	<u>6,846,629</u>	<u>4,482,773</u>

12 Mortgage note funds

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

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

Average interest of 10.83% 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.

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13 Borrowings

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

14 Repass borrowings from public sector

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

15 Other liabilities

a. Taxes payable

	2005	2004
Taxes on revenue payable	<u>13,052</u>	<u>3</u>
Income tax	12,894	3
Social contribution	158	-
Taxes and contributions payable	<u>239,360</u>	<u>241,431</u>
COFINS	46,409	44,307
PASEP	5,965	7,193
On salaries	148,164	169,405
On services	38,822	20,526
Deferred taxes and contributions	<u>196,764</u>	<u>217,819</u>
Income tax on revaluation reserve - Buildings	96,039	101,368
Social contribution on revaluation reserve - Buildings	34,574	36,492
Income tax on adjustments to market value - Securities available for sale	39,205	58,793

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(In thousands of Reais)

	2005	2004
Social contribution on adjustments to market value - Securities available for sale	14,114	21,166
Income tax on adjustments to market value - Securities to negotiated	9,435	-
Social contribution on adjustments to market value - Securities to negotiated	3,397	-
Provision for tax risks	<u>1,048,918</u>	<u>931,110</u>
PASEP (i)	606,202	578,848
INSS (ii)	215,984	158,479
ISS (iii)	187,256	179,725
Other	<u>39,476</u>	<u>14,058</u>
	<u>1,498,094</u>	<u>1,390,363</u>

- (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\$ 5,770,672 in interest, at June 30, 2005.

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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\$ 606,202 (2004 - R\$ 578,848) is sufficient to cover possible unfavorable decisions on some parts of the proceedings.

- (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\$ 1,197,920 (2004 - R\$ 1,120,675 restated to June, 30 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\$ 215,984 (2004 - R\$ 158,479).

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(iii) CAIXA was assessed by municipal agents in various municipalities of the Federation, on the allegation of lack of collection or insufficient collection of ISS, the total amount of which in June 30, 2005 corresponds to the amount of R\$ 187,256 (2004 - R\$ 179,725), 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.

	2005	2004
Obligations from operations with lotteries	<u>361,009</u>	<u>272,802</u>
Obligations with funds and social programs	<u>1,312,368</u>	<u>1,992,410</u>
FGTS	338,523	787,927
FISANE	32,314	39,111
School grants	110,262	176,924
Gas assistance	114,186	195,524
Food supplement	27,444	100,872
Housing subsidy program/PSH	333,888	337,457
Family allowance	304,709	310,744
Other funds and programs	51,042	43,851
Obligations with financial development funds	<u>1,470,690</u>	<u>890,084</u>
PIS	1,458,726	765,675
Others	<u>11,964</u>	<u>124,409</u>
	<u>3,144,067</u>	<u>3,155,296</u>

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c. Others

	2005	2004
Obligations for SFH contributions	17,478	16,757
Obligations for official agreements	24,979	24,924
Provision for payments to be made	<u>954,833</u>	<u>840,893</u>
Personnel expenses	816,053	725,884
Other administrative expenses	3,281	34
Other payments	135,499	114,975
Provision for contingent liabilities	<u>3,526,349</u>	<u>2,281,869</u>
PREVHAB - Technical Reserves (1)	342,838	312,421
Provision for contingencies (2)	3,183,511	1,969,448
Funds linked to loans	<u>58,232</u>	-
FGTS funds	<u>1,941</u>	<u>1,960</u>
Capital subscriptions to pay in	<u>1,309</u>	<u>1,309</u>
Other creditors - Abroad	<u>468</u>	<u>497</u>
Other creditors - Domestic	<u>3,267,695</u>	<u>3,099,581</u>
Credit cards	606,176	483,067
Accounts payable	366,687	235,256
EMGEA - <i>Empresa Gestora de Ativos</i> (Asset management company)	1,020,950	877,617
Acquired credits	422,661	876,157
Amounts to accrue - Loans and financing (Note 8 (b) (iv))	694,869	475,913
Other sundry creditors	<u>156,352</u>	<u>151,571</u>
	<u>7,853,284</u>	<u>6,267,790</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 1,899 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\$ 3,183,511 (2004 - R\$ 1,969,448), sufficient to cover eventual legal decisions, unfavorable to CAIXA.

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

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16 Shareholders' equity

a. Capital

Based on CAIXA's bylaws, capital amounts to R\$ 5,083,532, solely paid in by the Federal Government.

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

In conformity with Resolution 2099/94 and later regulations, which establish the minimum levels of shareholders' equity for financial institutions, based on the volume of their operations, CAIXA has R\$ 6,777,559 at June 30, 2005, equivalent to 17.67% 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 in the amount of R\$ 50,594 (2004 - R\$ 31,187) calculated at 5% of the net income, and a reserve for incorporation of capital arising from the income from the management of lotteries, in the amount of R\$ 41,869 at June 30, 2005 (2004 - R\$ 44,980).

e. 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 June 30, 2005, dividends in the amount separately presented amount of R\$ 299,128 (2004 - R\$ 257,849) have been distributed, of which R\$ 512,904 (2003 - R\$ 498,924) is related to interest on capital, calculated upon net worth, limited to the *pro rata* variation on the day of the Long Term Interest Rate (TJLP), as provided for in article 9 of Law 9249 of December 26, 1995, which reduced the income tax and social contribution expense by approximately R\$ 101,704 in the period (2004 - R\$ 87,668).

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f. Dividends

In the six-month period ended June 30, 2005 the amount of R\$ 500,000 was distributed in advance to the Federal Government.

17 Remuneration of employees and administrators

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

Remuneration in June 2005	Administrators	Employees
Highest	21,204,00	16,178,00
Average	20,309,00	3,739,00
Lowest	19,414,00	699,00

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\$ 6,402,456 (2004 - R\$ 4,847,765) for IRPJ and R\$ 1,709,095 (2004 - R\$ 1,164,576) for CSLL totaling R\$ 8,111,551 (2004 - R\$ 6,012,341) 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\$ 6,567,183 (2004 - R\$ 4,366,170) resulting in total tax credits net of provision of R\$ 1,544,368 (2004 - R\$ 1,646,171).

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*Origin of the tax credits

	2005		2004	
	IRPJ	CSLL	IRPJ	CSLL
Provision for doubtful loans	922,044	-	922,044	-
Provision for FUNCEF liability	-	-	571,442	205,720
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>3,058,908</u>	<u>716,007</u>
Accumulated temporary differences	1,695,326	616,666	-	(219,373)
Write-offs until the period	(376,132)	(359,886)	(876,210)	(316,947)
Temporary Differences Total Credit	3,806,660	767,067	2,182,698	179,687
Tax loss	2,890,572	-	2,890,572	-
Write-offs until the period	(294,776)	-	(225,505)	-
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	-	(195,081)	-	(152,220)
Total tax credits	<u>6,402,456</u>	<u>1,709,095</u>	<u>4,847,765</u>	<u>1,164,576</u>

Expectations of realization of the tax credits

Book value:

Year	2006	2007	2008	2009	2010	Subtotal	2011 to 2015	Total
IRPJ	68,876	115,508	134,492	160,732	215,998	695,606	622,339	1,317,945
CSLL	<u>42,152</u>	<u>70,691</u>	<u>82,309</u>	<u>31,271</u>	-	<u>226,423</u>	-	<u>226,423</u>
	<u>111,028</u>	<u>186,199</u>	<u>216,801</u>	<u>192,003</u>	<u>215,998</u>	<u>922,029</u>	<u>622,339</u>	<u>1,544,368</u>

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Present value:

Year	2006	2007	2008	2009	2010	Subtotal	2011 to 2015	Total
IRPJ	62,757	96,557	104,098	116,269	146,025	525,706	358,140	883,846
CSLL	<u>38,407</u>	<u>59,093</u>	<u>63,708</u>	<u>25,798</u>	—	<u>187,006</u>	—	<u>187,006</u>
	<u>101,164</u>	<u>155,650</u>	<u>167,806</u>	<u>142,067</u>	<u>146,025</u>	<u>712,712</u>	<u>358,140</u>	<u>1,070,852</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

	2005		2004	
	IRPJ	CSLL	IRPJ	CSLL
Income before income taxes (IR and CSLL) and interest on capital and after employee profit sharing	1,273,204	1,273,204	786,292	786,292
Total IRPJ and CSLL at the rates of 25% and 9%	(318,289)	(114,588)	(196,561)	(70,766)
Tax effects of the additions and exclusions	(7,782)	(2,684)	10,809	3,771
Provision for doubtful loans	(33,889)	(12,200)	(71,794)	(25,846)
Provision for SFH	152,022	54,728	(31,496)	(11,339)
Provisions for contingencies	(315,463)	(113,567)	(56,213)	(20,237)
FGTS expenses/revenues	179,341	64,501	192,581	69,329
Others	10,207	3,854	(22,269)	(8,136)
Interest on own capital	74,782	26,922	64,462	23,206
Employee profit sharing	75,446	46,079	36,391	22,332
Deferred tax assets	<u>5,547</u>	—	<u>2,531</u>	—
Total expenses with IRPJ and CSLL	<u>(170,296)</u>	<u>(44,271)</u>	<u>(82,368)</u>	<u>(21,457)</u>

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c. Movement of tax credit

	Gross amount	Provision	Total
Balance at December 31, 2004	5,921,082	(4,255,189)	1,665,893
Realization of tax credit	(102,543)	-	(102,543)
Write-off of tax credit - Year 2002 MP 2158-35/01	(18,982)	-	(18,982)
Recognition	<u>2,311,994</u>	<u>(2,311,994)</u>	<u>-</u>
Balance at June 30, 2005	<u>8,111,551</u>	<u>(6,567,183)</u>	<u>1,544,368</u>

19 Other information

a. Service fee income

	2005	2004
Administration of FGTS	744,427	666,332
Administration of FCVS	59,022	63,520
Administration of PIS	21,819	23,827
Administration of lotteries	204,761	202,975
FGTS - Tariffs	128,999	113,909
Unemployment insurance	16,959	16,010
General Budget of the Union - OGU	13,966	14,012
Family allowance	113,049	72,317
INSS - Tariffs	24,851	31,815
Administration of investment funds	185,735	154,308
Tariffs for agreements	320,263	307,403
Check and paper clearing services	52,442	50,282
Tariffs on current accounts	141,289	118,450
Collection of securities	116,278	109,205
EMGEA - Services rendered	183,034	147,744
Other services	<u>142,093</u>	<u>124,669</u>
	<u>2,468,987</u>	<u>2,216,778</u>

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b. Administrative and personnel expenses

	2005	2004
Personnel expenses		
Provisions	(1,666,177)	(1,382,540)
Benefits	(303,643)	(298,960)
Social charges:		
FGTS	(118,716)	(104,131)
Social security	(341,104)	(296,326)
Complementary social security	(62,809)	(55,658)
Other	(43,683)	(44,239)
	<u>(2,536,132)</u>	<u>(2,181,854)</u>
Administrative expenses		
Communications	(153,536)	(160,354)
Maintenance and preservation of assets	(148,367)	(135,175)
Water and electricity	(78,894)	(68,415)
Rents	(188,071)	(178,099)
Material expenses	(57,266)	(65,154)
Data processing	(580,344)	(526,026)
Promotions and public relations	(29,479)	(16,796)
Advertising and publicity	(77,010)	(33,006)
Financial system services	(78,693)	(89,766)
Third-party services	(132,322)	(127,852)
Specialized services	(54,272)	(48,644)
Vigilant and security services	(93,725)	(81,005)
Depreciation and amortization	(212,901)	(221,281)
Other administrative expenses	(66,353)	(53,506)
	<u>(1,951,233)</u>	<u>(1,805,079)</u>

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c. Composition of other operating income and expenses

	2005	2004
Other operating income		
Commissions and taxes on operations	230,168	177,743
Expenses recovered	133,386	85,179
Reversal of other operating income provision (i)	743,331	66,419
Other credits income - COMPESA (Note 8 ((b) (i))	-	14,794
Other credits income - EMBASA (Note 8 (b) (ii))	19,139	13,987
Credit card income	72,489	64,700
Dividend income	50,994	53,278
Tax credits - Monetary restatement	53,766	1,807
Restatement of guarantee deposits	59,720	14,300
INSS - Payment of benefits	-	38,967
Other operating income	<u>73,983</u>	<u>28,209</u>
	<u>1,436,976</u>	<u>559,383</u>
Other operating expenses		
Expenses with actuarial reserves - FUNCEF/PREVHAB	(22,083)	(16,653)
Expenses with FCVS receivable - Residual	(124,819)	(251,835)
Expenses with fund and program obligations	(70,527)	(68,328)
Remuneration - Lottery dealerships	(74,291)	(117,840)
Contingent provisions (ii)	(1,273,834)	(239,173)
EMGEA/UNION	(29,547)	(92,440)
Expenses - Lottery dealerships	(116,618)	(122,515)
Expenses - Credit card	(74,549)	(67,885)
Expenses with automated services	(56,336)	(60,010)
Losses in judgment of financed real estate	-	(106,894)
Discounts on loans operations	(96,020)	(193,713)
Correspondent banks	(102,441)	(30,679)
Losses from fraudulent electronic withdrawals	(58,183)	(41,169)
Real estate expenses	(42,491)	(10,404)
Other operating expenses	<u>(228,353)</u>	<u>(134,611)</u>
	<u>(2,370,092)</u>	<u>(1,554,149)</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.

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(In thousands of Reais)

- (ii) Labor provisions were recalculated taking into account assumptions used by BACEN technicians, by calculating the additional provision in the amount of R\$ 501,050, and the amount of R\$ 283,689 accrued as post-employment benefits in view of Food Supplements the payment of to retired employees, duly recorded in the balance sheet for the six-month period.

d. Administration of social entities

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

	2005	2004
Entities		
PIS	21,579,987	20,225,878
FGTS	19,757,884	17,834,842
FAR	2,820,333	2,405,385
FDS	656,804	581,321
FAS	382,473	370,334
PCE	85,324	332,532
FGS	31,174	42,581
FIEL	<u>35,872</u>	<u>33,187</u>
	<u>45,349,851</u>	<u>41,826,060</u>
FCVS (i)	<u>(76,324,627)</u>	<u>(75,292,395)</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 Economizadores 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.

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(In thousands of Reais)

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\$ 62,809 (2004 - R\$ 55,658). The costing plan of the entity is considered a defined benefit plan for 41,676 members, while for 8,308 members it is a defined contribution plan.

CAIXA, as a sponsor, submitted to the appreciation of the Ministry of Finance and obtained its approval, as well as a favorable manifestation by the Department of Coordination and Control of State-Owned Companies (*Departamento de Coordenação e Controle das Empresas Estatais - DEST*), the amendment in the Regulation of the Benefit Plan of FUNCEF, with respect to (i) partial adaptation of Complementary Laws 108 and 109, both of May 29, 2001, (ii) the incorporation of new conditions for costing of the Plan by the participants and the sponsor; and (iii) the establishment of criteria for migration of the participants of the REPLAN/REB benefit plans to the new version of the defined contribution REB plan. To implement the migration process, CAIXA recorded a provision in the amount of R\$ 77,982 (2004 - R\$ 78,523).

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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(In thousands of Reais)

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\$ 62,930), 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\$ 74,782 (2004 - R\$ 64,462) 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.

20 Reclassification for comparison purposes

For a better comparison of the financial statements, certain June 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)	(3,115,567)	_____ -	(3,115,567)
Revenue from services rendered	2,112,782	103,996	2,216,778
Other operating income	663,379	(103,996)	559,383

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Notes to the financial statements

(In thousands of Reais)

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	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ expenses
	1 st half of 2005		2 nd half of 2005	
Interest on shareholders' equity/dividends received				
Caixa Seguros	-	82,570	18,869	52,020
Tariffs receivable				
STN - National Treasury Department	307,283	129,233	259,062	95,485
PIS	3,720	21,819	4,371	23,827
PCE	728	1,124	4,832	3,113
FIEL	2,649	219	2,220	203
FGTS	125,625	625,723	115,175	562,337
FCVS	-	59,022	-	63,520
FAS	64	402	73	418
FAR	5,307	17,537	858	18,391
FGS	217	106	347	183
FDS	-	6,348	-	5,549
EMGEA	28,432	183,035	25,646	147,745
SH	3,766	1,487	3,243	1,101
CAIXA SEGUROS	-	6,884	-	3,968
Deposits of remunerated funds and programs				
SH	(82)	(75)	(2,059)	(187)
PIS	(55,333)	(111,522)	(42,841)	(51,091)
PCE	(154)	(43)	(1,496)	(228)
FIEL	(38,211)	(1,607)	(35,111)	(1,297)
FGTS	(2,615,558)	(276,951)	(969,165)	(215,415)
FGS	(29,319)	(3,250)	(5,869)	(1,272)
FCVS	(90)	(125)	(101)	(8)
FAS	(352,860)	(4,542)	(340,171)	(2,602)
FAR	(29,219)	(3,473)	(8,869)	(2,094)
Funds in transit with third parties				
FCVS	(53)	-	(287)	-
Repass borrowings from public sector				
FGTS	(12,023,561)	500,585	(8,859,975)	332,184

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

Operations/entities	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ expenses
	1 st half of 2005		2 nd half of 2005	
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	(330,919)	(25,836)	(269,514)	(19,735)
Sundry debtors - PAIS				
EMGEA	10,342	-	1,058	-
Other operating income				
FCVS	-	4,966	-	2,259
EMGEA	-	3,636	-	2,345
Other operating expenses				
FAR	-	-	-	(365)
EMGEA	-	(5,862)	-	(8,177)
Caixa Seguros	-	(16,635)	-	(10,010)

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.

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

	2005	2003
Operational activities		
Net income	<u>937,112</u>	<u>623,745</u>
Adjustments to reconcile net income with net cash originating from (applied in) operational activities:		
Allowance for possible loan losses	267,925	338,014
Depreciation and amortization	212,901	221,282
Equity in the earnings of subsidiary and associated companies	<u>(79,203)</u>	<u>(48,452)</u>
Changes in assets and liabilities:		
Decrease (increase) in short-term interbank investments	(4,480,315)	(8,149,355)
Decrease (increase) in derivative financial instruments	(6,734,626)	(1,291,085)
Decrease (increase) in interbank relations	(2,804,190)	(1,235,459)
Decrease (increase) in intercompany relations	(213,561)	(230,702)
Decrease (increase) in loans	(4,491,367)	(1,557,839)
Decrease (increase) in other receivables	206,078	(678,654)
Decrease (increase) in other assets	(169,172)	23,866
Write-off of allowance for possible loan losses	(397,555)	(376,940)
Increase (decrease) in other liabilities	2,076,456	2,379,112
Net cash originating from (applied in) operating activities	<u>(16,606,629)</u>	<u>(10,606,212)</u>
Investments		
Increase (decrease) in compulsory deposits at Central Bank of Brazil	(246,024)	(842,161)
Disposal of investments	-	9,528
Disposal of property and equipment and leased assets	132,930	160,683
Purchase of investments	-	(9,663)
Purchase of property and equipment and leased assets	(90,527)	(15,285)
Decrease in deferred charges	-	20,003
Deferred charges	(50,829)	(42,870)
Interest on shareholders' equity/dividends received - associated companies	-	20,155
Net cash originating from (applied in) investments	<u>(254,450)</u>	<u>(699,610)</u>

Caixa Econômica Federal (CAIXA)

Notes to the financial statements

(In thousands of Reais)

	2005	2003
Loans		
Increase (decrease) in deposits	7,553,187	2,813,710
Increase (decrease) in deposits received under security repurchase agreements	8,441,787	5,482,899
Increase (decrease) in funds from issuance of securities	(1,001,788)	1,418,305
Increase (decrease) in derivative financial instruments	52,616	(41,562)
Increase (decrease) in borrowings and onlendings	1,745,728	1,289,226
Dividends anticipated	(500,000)	-
Interest on shareholders' equity paid and/or provisioned	(299,128)	(257,849)
Adjustment to market value	(27,047)	20,672
Net cash originating from (applied in) loan activities	<u>15,965,355</u>	<u>10,725,401</u>
Increase in funds available, net	<u>41,388</u>	<u>43,324</u>
Modifications in funds available, net		
Beginning of the period	700,557	565,212
End of the period	<u>741,945</u>	<u>608,536</u>
Increase in funds available	<u>41,388</u>	<u>43,324</u>

Caixa Econômica Federal (CAIXA)

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President

Aser Cortines Peixoto Filho
Vice President

Clarice Coppetti
Vice President

Fábio Lenza
Vice President

Fernando Nogueira da Costa
Vice President

Francisco Egídio Pelúcio Martins
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