

(A free translation of the original in Portuguese)

**Caixa Econômica
Federal - CAIXA**
Financial Statements
at December 31, 2006 and 2005
and Report of Independent Auditors

Caixa Econômica Federal - CEF

Management Report

Brazilian citizens,

We are hereby submitting the Management Report and Financial Statements of Caixa Econômica Federal (CAIXA), relating to 2006, in the terms established by the Brazilian Central Bank (BACEN).

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1 Introduction

CAIXA ends yet one more year in which it stands out for its economic and financial performance, for carrying out the social policies of the federal government and for its support for public administration, and for its range of actions in social responsibility.

In 2006, in accordance with the guidelines and the objectives of the federal government, CAIXA kept the housing area as a priority, seeking to encourage and to stimulate the granting of finance through loan transactions aimed at catering to the low income population, reducing the housing deficit and the social and regional inequalities, and also at generating new jobs. In 2006, the volume of R\$ 14.17 billion under contract in the housing segment was reached, which means the largest volume ever under contract in CAIXA's history.

CAIXA acts strongly in favor of sustainable development, by means of its products and services, fostering housing, environmental sanitation, environmental infrastructure and efficiency, and working to induce responsible socioenvironmental behavior in its customers and partners.

2 Economic and Financial Performance

Net income in 2006 was R\$ 2.39 billion, enabling the amount of R\$ 1,146 million to be set aside for the federal government in dividends and interest on own capital. Added to the amounts passed on from the lotteries, taxes and charges collected, the amount intended for the National Treasury in the year rises to R\$ 5.8 billion. The return on stockholders' equity was 26%. Stockholders' equity at December 31, 2006 is equivalent to 25.3% of the risk-weighted assets, and fixed assets represent 19.8% of stockholders' equity.

Income from financial intermediation showed a positive variation of 12% in relation to the same period of the previous year, in which the 19% growth of loan transaction revenues is to be highlighted.

PROFITABILITY AND PERFORMANCE INDICATORS (%)

Indicators	4 th Qtr 05	1 st Qtr 06	2 nd Qtr 06	3 rd Qtr 06	4 th Qtr 06
Gross Margin	40.34	44.03	34.34	40.47	39.62
Operating Margin	15.07	11.59	9.79	13.89	9.45
Net Margin	11.62	9.82	9.66	8.35	6.35
Efficiency	66.11	54.71	74.57	63.10	66.55
Personnel Expenses Coverage	84.02	91.98	88.40	93.41	84.97

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3 Carrying out Social Policies and Supporting Public Administration

CAIXA Fácil Account

The CAIXA Fácil [Easy CAIXA] account, responsible for the inclusion of thousands of Brazilians in the banking system, reached, in 2006, 4.7 million accounts opened, showing 24.9% growth in relation to the previous year. Of the total of transactions carried out by the customers, 87% were done in such alternative channels as self-service terminals, lottery shops, banking correspondents, and purchases with debit cards, this last one accounting for 21% of the transactions.

In October 2006, CAIXA launched a new modality of loan, to cater to the public of informal workers. This modality of loan is intended for people who have a CAIXA Fácil account, with an initial loan amount of R\$ 200, which may reach R\$ 600. Payment is made in up to 12 monthly installments, using either a payment booklet or a direct debit in the account, according to the customer's request.

Social interest and market housing programs

In the course of 2006, CAIXA distributed budgets and targets relating to the various programs implemented with funds from FGTS, PAR, CAIXA/SBPE and FAT – Housing; of the total amount under contract in the real estate segment, which also includes resources passed on from the OGU for housing, in the total amount of R\$ 14.17 billion, 53.0% originated from the FGTS source, 27.7% from own resources of the CAIXA/SBPE, and the remaining 19.3% from the other sources: FAT, PAR, FDS and OGU/Housing.

Comparing growth from the 2005 total of housing contracts, in the amount of R\$ 8.90 billion, to 2006, in the amount of R\$ 14.17 billion, a 59.30% increase is to be seen. In relation to the number of units, the change in the same period was from 435,135 units to 601,026 units, 38.10% growth.

Through the intermediary of the housing programs implemented with resources from the FGTS, intended for families with an income of up to R\$ 4,900.00 – with priority for the income bracket of up to 5 minimum salaries, which is targeted with a housing subsidy -, CAIXA attended to 360,377 families, 85% of which included in the income bracket of up to 5 minimum salaries. As a result of these investments, roughly 1.6 million persons were benefited and about 719 thousand direct and indirect jobs created, all over the Brazilian territory.

Through the intermediary of the Residential Leasing Program (PAR), which acts in the income bracket of up to 6 minimum salaries, transactions for acquiring enterprises in the amount of R\$ 1.27 billion were contracted in 2006, growing 24.7% in relation to 2005.

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

Amounts in R\$ thousand / Quantities in units

Origin of Funds/ Program	Amounts contracted	Housing units	Population benefit	Jobs created
FGTS and Subsidies ⁽¹⁾	7,517,308	360,378	1,595,780	718,616
FAT	50,016	4,941	19,764	4,754
FAR/ Residential Leasing	1,270,471	40,247	160,988	122,980
CAIXA ⁽²⁾	3,922,726	85,869	343,476	373,903
FDS	96,536	4,413	17,652	9,203
Onlent from OGU ⁽³⁾	992,656	99,234	841,751	112,121
CAIXA consortium	329,754	5,944	23,776	31,433
	14,179,467	601,026	3,003,187	1,373,010

Notes: ⁽¹⁾ Includes PSH and Pro-Housing; ⁽²⁾ Includes Construcard; ⁽³⁾ Relating to Housing (FNHIS).

Support for Urban Development

CAIXA's technical support for urban development takes place under the auspices of the various programs for housing, environmental sanitation and infrastructure, with funds from the FGTS, FAT, CAIXA, OGU, FAR and FDS. Activities are also carried out in analyzing the technical viability of projects, in valuations and in the monitoring of works. In the production of housing for low income families, social technical actions are implemented with the intention of strengthening, organizing and allocation of the goods produced, so as to provide the enterprises with sustainability and fixing the families in areas of intervention.

As an instrument of support for urban development, CAIXA also has the National Cost and Civil Construction Indices Research System (SINAPI), which is used as an official benchmark for analyzing the costs of public works carried out funds from the General Federal Government Budget (OGU).

The Federal Government Works Portal (Obrasnet), which makes information available on all the projects with funds from the General Federal Government Budget under way in the country, was developed by the Ministry of Planning, Budget and Management in partnership with CAIXA. The major objective of the portal is to promote the process of planning, approval, contracting and monitoring of these works. The address to access the portal is: www.obrasnet.gov.br.

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Sanitation and infrastructure programs

In 2006, CAIXA's activity was concentrated on using the global limit of R\$ 2.54 billion authorized by the National Monetary Council (CMN), in November 2005, in the context of the policy of temporary budget cuts in credit to the public sector, for contracting transactions with municipal and state public entities, under direct and indirect administration.

It has, however, to be mentioned that the use of this limit by CAIXA Financial Agent was limited both by the activities of the other financial agents accredited to the Brazilian Central Bank, given that the limit is authorized for the whole National Financial System, and by the margin linked to referential equity, which limits contractings with entities from the public sector.

The participation of CAIXA Financial Agent in 2006 in the authorized limit of R\$ 2.20 billion intended for financing environmental sanitation measures merits highlighting; of this amount, CAIXA formalized the amount of R\$ 1.06 billion in contractings referring to the sanitation for all program, in transactions with funds from the FGTS.

Added to this amount are the contractings in the amount of R\$ 357 million in sanitation and infrastructure with private sector companies and the demand shown by takers from the public sector that availed themselves of the Fiscal Adjustment Programs entered into with the federal government, with authorization obtained for indebtedness to contract R\$ 208 million relating to the financing of housing infrastructure works, R\$ 57 million for urban collective transport infrastructure, and R\$ 3.4 million in the improvement of urban mobility; in 2006, 169 credit transactions were signed in all, in the total amount of R\$ 1.68 billion.

Technological innovation in urban development

In 2006, CAIXA invested heavily in the quest for innovative solutions for problems like the housing deficit and the lack of basic sanitation, in particular for the lower income classes.

In the sphere of the Social Technology Network, R\$ 150 thousand was invested in 2006 in the maintenance of the network and in supporting the 1st National Forum of the Social Technology Network. In 2005, R\$ 900 thousand was invested in five projects in the context of the MCT/FINEP/MDS Public Tender - Social Technology Network – Technology for Incubating cooperative enterprises.

With the objective of seeking ideas and solutions for social housing, in 2006 CAIXA, in partnership with the Brazilian Institute of Architects, sponsored the third edition of the CAIXA IAB Award, with the intention of bringing to the technical and professional circles the discussion about social housing and the destination of empty or underused properties.

CAIXA Hospitals

CAIXA contributed towards meeting the philanthropic hospitals' immediate needs for working capital by means of the credit transaction called CAIXA Hospitals. In 2006, 365 transactions totaling R\$ 368.58 million were carried out. Compared with the 2005 results, growth of 7.63% is to be seen.

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Support for public management

In 2006, the new version of the Brazilian Municipalities' Socioeconomic Information System (SIMBRASIL) was developed and implanted, culminating with the version 3.0 launch event. The data in this new version of SIMBRASIL is visualized in three dimensions: Brazil, state, and municipality, and within these dimensions information is shown on fiscal, economic, demographic, educational, urban and social aspects, CAIXA's service network and its products, environment, services and results, amongst others, besides the visualization of some of the data by means of maps.

Since 2001, by force of an agreement entered into with the National Treasury Secretariat (STN), CAIXA has been carrying out the collection of the accounting data of the components of the federation – states, federal district and municipalities – through the intermediary of the SISTN. In 2006, the ratification or delivery was recorded of 96.60% of the balance sheets and budgets of the municipalities relating to financial year 2005, and 100.00% of those relating to the states and federal district, while the receipt of the Fiscal Management Report was recorded from 56.13% of the municipalities and from 100% of the states; with regard to the Summarized Report on Budgetary Performance, these percentages came to 59.69% and 100.00% respectively.

The National Program of Support for the Modernization of the Management and Planning of the States and of the Federal District (PNAGE) is a program of the Ministry of Planning, Budget and Management (MPOG) that is part of the federal government's Efficiency Agenda. Constructed by means of a partnership between the MPOG, the National Council of Administration Secretaries (CONSAD), the National Forum of Planning Secretaries and the Inter-American Development Bank (IDB), it has the purpose of supporting the modernization of the state public administrations, from an integrated transversal view of the public management cycle.

The Modernization Program of the External Control System of the Brazilian States, Federal District and Municipalities (PROMOEX) is a program of the Ministry of Planning, Budget and Management (MPOG) that has as its objectives modernization and the institutional strengthening of the external control system in the sphere of the states, federal district and municipalities.

Transfers of FNS and FUNASA Funds

In 2006, CAIXA transferred R\$ 94.05 million to bodies and entities of the direct, self-governed or foundational public administrations or private philanthropic entities, referring to the agreements with the National Health Fund (FNS) and with the National Health Foundation (FUNASA). In the same period of 2005, the transfers amounted to R\$ 80.3 million, which represents a 17% increase in these transfers.

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

12,168 transactions were contracted in 2006, a 31.7% increase over the figures of the previous year. These transactions reached the amount R\$ 3.86 billion, exceeding by 88.5% the amount contracted in 2005 and creating 634,724 jobs.

With regard to the disbursements for account of signed onlending contracts, drawdowns in the amount of R\$ 1.90 billion were approved, a 92.9% increase in relation to the same period of 2005.

Best practices in local management program

CAIXA contributed towards fulfilling the commitments of the Habitat Agenda in 2006, publicizing widely successful and sustainable experiences in local management, with a tangible and visible impact on the improvement of people's lives. By making this information public, CAIXA makes it possible for federal public bodies, private companies, universities and nongovernmental organization to assimilate the lessons learnt, to produce new projects capable of transforming the local realities.

In 2006, under the auspices of the Best Practices Program, CAIXA held workshops for replicating projects with a focus on the themes of Local Development, Social Interest Housing, Management of Water Resources and Urban Management. The objective was to disseminate knowledge about the best practices given awards by CAIXA and to inspire partners to adopt the solutions for similar problems.

In June, CAIXA took part in the 3rd World Urban Forum, in Vancouver/Canada, where it presented the results achieved with the program and the experiences aimed at social interest housing in the award-winning "Best Practices" projects.

Employees Severance Indemnity Fund (FGTS)

In its capacity as operating agent of the FGTS, CAIXA recorded in 2006 the amount of R\$ 36.51 billion in receipts of contributions to the fund, by means of 44.56 million payment slips. In relation to the previous year, the amount received showed a nominal growth of 13.2%.

23.96 million payments were made in the various modalities of withdrawal, totaling R\$ 29.68 billion. In comparison with 2005, these figures were 18.2% and 14.4% higher, respectively.

In 2006, Caixa, as operating agent of the FGTS, was ranked amongst the three best companies in the category of public and mixed capital companies and awarded the SILVER SASH of the National Award for Public Management.

Complementary Credits of the FGTS

The payment of the complementary credits, authorized by Complementary Law nº 110/2001, reached the amount of R\$ 34.10 billion, from June 2002 to December 2006, resulting from 84.56 million credits. In 2006, the total credited was R\$ 3.7 billion.

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Salary Variations Compensation Fund (FCVS)

As an instrument of the government's social policy, the FCVS subsidizes the housing finance contracts of the National Housing System (SFH), taking on the imbalance in the housing financings that may be occasioned by the mismatch between the readjustments of the installments and the debit balances during the period of validity of the contracts, as well as the discounts granted in anticipated settlements and transfers.

In 2006, 36,247 contracts were qualified for the FCVS, the borrowers of which settled their financings using the prerogative of Law nº 150/2000, with a 100% discount, benefiting a total of roughly 136,289 persons.

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

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

In 2006, receipts of premiums were R\$ 382.57 million. The volume of claims paid was R\$ 366.50 million, which is equivalent to attending to roughly 21 thousand families that had their properties refurbished or settled.

Cooperative Credit Program with Funds of the Social Development Fund (FDS)

The Social Development Fund (FDS) has funds in the order of R\$ 728 million to apply in housing finance aimed at the low income population. In 2006, part of these funds was directed towards investment in the Cooperative Credit program, which seeks to attend to families with an income of up to three minimum salaries.

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

In 2006, 4,413 housing units were constructed, with the use of R\$ 90.56 million, which benefited 17.65 thousand citizens in various Brazilian municipalities, created 8.63 thousand jobs, and made access to regular dwelling and social inclusion of the families viable.

With the objective of investing in the Cooperative Credit program, the FDS contracted a loan in the amount of R\$ 150 million and set aside R\$ 30 million for the Guarantee Fund, which made it possible for CAIXA to contract the amount of R\$ 91.55 million for 6,030 housing units selected by the Ministry for the Cities, with 24,362 persons benefited and creating about 9,563 jobs.

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National Social Interest Housing Fund (FNHIS)

The National Social Interest Housing Fund (FNHIS) was created by Law nº 11124, of 6/16/2005, which makes provisions for the National Social Interest Housing System (SNHIS), and is one more government product aimed at the generation of benefits for the low income population, with CAIXA performing the role of operating agent. The funds of the FNHIS will be invested in a decentralized manner through the intermediary of the states, municipalities and federal district, in measures linked to social interest housing programs. In 2006, R\$ 1.2 billion was contributed from the General Federal Government Budget.

Delegated services and income transfer programs

In 2006, CAIXA made 189.5 million payments of benefits under the Federal Government Income Transfer and Delegated Services programs. The volume of funds involved totaled R\$ 22.1 billion, representing a 20.8% increase in relation to 2005, according to the table below:

Amounts in R\$ thousand / Quantities in Units

Programs	2005		2006	
	Quantity	Amount	Quantity	Amount
Income transfer	173,643,148	6,483,809	141,224,025	7,594,144
Delegated services	45,355,308	11,868,805	48,231,203	14,583,679
	218,998,456	18,352,614	189,455,228	22,177,823

In the Income Transfer programs, represented by the Family Allowance, Remaining Programs (School Allowance, Food Allowance, Food Card and Gas Allowance), PETI, Young Agent, Student Allowance, Crop Guarantee, Back Home, Pro-Youth, Athlete Allowance, Factory School and Emergency Against Drought, CAIXA made the payment of 141.2 million benefits in 2006, in all Brazilian municipalities, in the total of R\$ 7.5 billion, as shown below:

Amounts in R\$ thousand / Quantities in Units

Programs	2005		2006	
	Quantity	Amount	Quantity	Amount
Family Allowance	80,733,926	5,301,301	113,899,575	7,117,394
School Allowance	40,286,851	604,301	8,914,822	133,722
Food Allowance	540,224	8,103	107,039	1,606
Gas Allowance	48,417,525	363,131	15,298,633	114,740
PETI	1,460,123	59,525	942,360	39,216
Young Agent	31,770	2,065	98,636	6,411
Food Card	1,161,306	58,065	570,519	28,526
Student Allowance	339,979	10,199	16,520	496
Crop Guarantee	634,470	69,784	737,152	86,435
Back Home	16,753	4,036	2,495	599
Pro-Youth	16,337	1,563	632,443	63,165
Athlete Allowance	883	1,130	1,073	1,421
Factory School	-	-	2,758	414
Emergency Against Drought	3,001	602	-	-
	173,643,148	6,483,805	141,224,025	7,594,145

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By means of the Family Allowance program, the government's main Income Transfer program, CAIXA made payment of 113.9 million benefits, in the amount of R\$ 7.12 billion, meaning increases of 41.1% and 34.3%, respectively, in relation to 2005, which made it possible for CAIXA to meet the target of 11.1 million of families benefited, as stipulated by the federal government .

The growth of the Family Allowance program is also a result of the migration of families from the remaining programs (Food Allowance, School Allowance, Food Card program and Gas Allowance) and of the inclusion of new families with the municipal governments given an incentive to update the register of families in the Centralized Registry (CADÚNICO), as well as to include families with per capita income of up to 1.5 minimum salaries resident in the municipality.

With the objective of optimizing the management of public funds, 13 agreements / contracts were entered into to integrate the Family Allowance program with state and municipal programs, which generated a complement in benefits for 99.11 thousand families, in the amount of R\$ 44.8 million. In 2006, 2 new agreements / contracts to integrate the Family Allowance program with the municipalities of São Paulo-SP and Nova Lima-MG were signed.

In the provision of services delegated by the federal government, Unemployment Insurance, Salary Bonus and PIS Quotas and Earnings, R\$ 14.5 billion was paid, with the distribution of over 47.9 million benefits, as shown below:

Programs	Amounts in R\$ thousand / Quantities in Units			
	2005		2006	
	Quantity	Amount	Quantity	Amount
Salary Bonus	8,112,853	2,352,492	9,389,931	3,193,377
PIS Earnings	14,446,600	503,599	14,335,199	551,845
PIS Quotas	564,571	479,482	526,629	481,203
Unemployment Insurance	22,223,782	8,532,277	23,675,466	10,322,847
	45,347,806	11,867,850	47,927,225	14,549,272

Some 30.5 million workers were identified with a right to the earnings of the PIS and roughly 9.8 million workers with a right to the Salary Bonus, in the financial year from July 2005 to June 2006. Of the total of workers identified, 87.7% have now received the Salary Bonus benefit and 42.9% have received the earnings of the PIS.

In 2006, CAIXA distributed the Salary Bonus to 9.39 million identified as having a right to the benefit, with about R\$ 3.19 billion, representing a 35.7% increase in the total of funds distributed, in relation to 2005.

14.33 million earnings benefits of the Social Integration Program (PIS) were paid, totaling R\$ 551.85 million, which represents a 9.6% increase in the amount of funds passed on to the beneficiaries. With regard to the quotas of the PIS, CAIXA paid about 526.63 thousand benefits, with the disbursement of R\$ 481.20 million.

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As far as the Unemployment Insurance is concerned, 23.67 million installments were paid to the insured, amounting roughly to R\$ 10.32 billion.

In 2006, CAIXA carried out 3.4 million services relating to the issue of a CPF.

Centralized Registry

Through the intermediary of the Centralized Registry (CADÚNICO), CAIXA made viable the registration by municipal governments of poor Brazilian families, under the coordination of the Ministry of Social Development and Hunger Alleviation, making possible the management and application of the policies defined by the federal government. With a view to providing conditions and promoting a better registry classification, CAIXA has been qualifying all the Brazilian municipalities to operationalize the registry application.

This year, CAIXA acted with a focus on the classification of the Centralized Registry, processing and managing about 90 million records of inclusion and registry alterations sent by the municipal governments in the period from January to May 2006.

In 2006, 3,100,628 families were registered in the database of the Centralized Registry. By December 2006, 18,831,771 families had been registered, covering a total of 68,154,827 persons.

Social cards

In 2006, 4.41 million Citizen Cards were generated, intended for the beneficiaries of social programs, making it possible for them to carry out withdrawals and to issue statements in the service channels, by means of a personal password.

Furthermore, there was an increase in the volume of cards of the Family Allowance program, attributed to meeting the program's target and to the replacement of 6.3 million cards of the beneficiaries of the remaining programs migrated to the Family Allowance. In total, 9.43 million cards of the program were issued.

School attendance

With the intention of keeping a control over school attendance by the children benefited by the School Allowance and Family Allowance programs in all the Brazilian municipalities, CAIXA makes available a system for controlling school attendance. This year, considering all the information collected, CAIXA processed 44.40 million records referring to the registry of the children that are members of the beneficiary families of the programs.

Lottery administration

In 2006, the products that make up the portfolio of CAIXA Lotteries raised the amount of R\$ 4.23 billion. Of this total, R\$ 2 billion (47.21% of the receipts, including income tax) was passed on to the federal government and to nongovernmental entities, for investment in programs in the areas of education, culture, sport and security, amongst others, according to the table below:

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Amounts in R\$ thousand		
Destination	2005	2006
Ministry of Sport	184,716	178,533
Football Clubs	7,222	6,842
Brazilian Olympic Committee – COB	70,873	68,817
Brazilian Paralympic Committee – CPB	12,507	12,144
Higher Education Investment Fund (FIES)*	308,861	298,841
National Culture Fund – FNC	125,070	121,441
National Penitentiary Fund – FUNPEN	131,084	127,230
Social Security	742,748	720,356
Special Tests (APAE, Red Cross)	270	693
Income Tax	505,996	463,411
CPMF	1,287	1,277
Total Passed On	2,090,634	1,999,585
Net Premium	1,449,967	1,382,341
Accumulated for Prizes	(18,198)	37,077
Cost Defrayal and Maintenance Expenses	840,345	815,663
Total Receipts	4,362,748	4,234,666

* Including the time-barred prizes passed on to the FIES

It should be pointed out that, in 2006, the migration to the New Technological and Logistic Model of the Lottery Channel was concluded; a specific processing system was developed, and the whole integration with the other processes was taken on (data capture and transmission, production of coupons and rolls and distribution of coupons, rolls and tickets) to support the operationalization of the distribution channels, which made it possible to take up all the intelligence and effective management of the lottery business.

Student Financing Program (FIES)

The Student Financing Program (FIES) is intended to finance the graduation in higher education of students who are regularly enrolled in institutions that are not free and who are not in a condition to bear the costs of their education. By means of the FIES, the federal government meets one of the basic prerogatives for the development of any nation: educational qualification, which results in citizens prepared to enter the increasingly competitive labor market.

279.52 thousand amendment transactions were carried out, totaling R\$ 584.46 million. The amendments are the half-yearly renewals of the FIES contracts, mandatory for the maintenance of the financing.

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Crop Guarantee Fund (FGS)

The objective of the Crop Guarantee Fund (FGS) is to ensure minimum conditions of survival for the family farmers of municipalities located in the area of operation of the Northeast Development Agency (ADENE) that are systematically subject to emergency situations or a state of public calamity because of drought. The Fund is constituted by the annual individual contribution of the family farmer, by the annual contributions from the states and municipalities that join the program, by funds from the federal government, and by the proceeds of the financial investments of these funds.

In December 2005, CAIXA took on the receipt of the contributions from the farmers in municipalities taking part in the Crop Guarantee program, an activity that came to join the financial management of the Crop Guarantee Fund (FGS) and the payment of the program's benefits. This brought forward to the first half of 2006 receipts of about R\$ 35 million for the Fund, an amount that, in the previous process, would only be contributed by the states in the second half of the year.

4 CAIXA Service Channels

Present in all the Brazilian municipalities and abroad, at 12.31.2006 the service network amounted to 19,951 points of service, and carried out 4.60 billion banking transactions, distributed as follows:

Physical Network – Type of Unit	Quantity of Units (in units)	Quantity of Banking Transactions (in millions)
Branches	1,981	467.18
Banking Service Stations – PAB	461	20.38
Advanced Service Stations – PAA	1	-
Electronic Service Station - PAE	964	65.69
Banking Correspondents – Lottery Shops	8,873	3,106.46
Banking Correspondents – Others	4,382	69.93
Self-Service Halls*	2,380	879.00
	19,042	4.608,64

Of the 3.10 million transactions processed in the Lottery Shops, 1.96 million were on account of the various lottery games and 1.14 million in banking services; for its social relevance, to be highlighted is the growing preference of the Brazilian population for this channel, for paying their electricity, water and telephone bills, as well as for receiving the federal government's benefits:

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Modalities of Transaction	Quantities in units / Amounts in R\$ thousand	
	2006	
	Quantity	Amount
Bank payment slips	205,132,576	29,057,756,16
Agreements	623,518,548	38,773,508,58
Withdrawals, deposits and bank queries	182,155,901	23,012,240,22
Social benefits	107,162,669	12,616,321,57
Other transactions	24,849,232	81,420,56
Total of Banking Services	1,142,818,926	103,541,247,09

The other banking correspondents, which make CAIXA's presence feasible in all the 5,564 Brazilian municipalities, recorded 69.9 million transactions, amongst which about 15 million payments of the various social benefits of the federal government.

In the sharing of CAIXA and Banco do Brasil terminals, in the course of 2006 CAIXA offered 4,355 points of services, 580 of which in Electronic Service Stations (PAEs), and Banco do Brasil made available 2,901 points of service. As a result of the partnership, in 2006 4.31 million Banco do Brasil transactions were carried out on the CAIXA network and 9.90 million CAIXA transactions on the Banco do Brasil network.

Virtual service channels

In 2006, the CAIXA portal on the Internet, <http://www.caixa.gov.br/>, received a monthly average of 1.8 million individual visitors, by means of which 568.7 million visits to its pages were observed. The FGTS portal had over 229 million accesses for balances, statements and alterations to addresses, amongst other services. The Electronic Bank – CAIXA Internet Banking totaled 4.4 million accounts registered, with 215 million transactions.

The telemarketing network made 118.29 million calls to Brazilian society, of which 27.08 million relating to the federal government's social programs.

5 Loan Transactions

Individuals

At this moment at which the main economic indicators confirm Brazil's return to the route of growth, CAIXA has a fundamental role in the supply and expansion of credit, and, with this challenge, has been responsibly reducing the interest rates in all its lines of credit to individuals.

CAIXA closed 2006 with its commercial loan portfolio for individuals in the amount of R\$ 8.6 billion, which represents a 4.5% share in this highly competitive market.

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Growth is to be highlighted in the products of consignment credit, financing of building material – CAIXA funds, and Overdraft for Individuals, which together added up to R\$ 7.4 billion, representing 77.2% of the revenue-generating balance of the overall loan portfolio for individuals, which does not include credit cards.

CAIXA CONSTRUCARD, financing intended for the acquisition, by means of a specific card, of materials for building, refurbishing and expanding properties, at the over 42 thousand commercial establishments accredited to CAIXA, reached the mark of 87,553 contracts in 2006 and came close to a balance of R\$ 1.5 billion in portfolio.

In the period from 2005 to 2006, the Overdraft for Individuals showed growth of 15.6%, rising from 1,663,478 to 1,924,459 contracts and showing a 31.5% increase in the amounts invested, with the volume invested expanding from R\$ 504 billion to R\$ 663 billion.

CAIXA Direct Credit (CDC), a pre-approved line of credit for transactions repaid in installments, showed an increase in the order of 23.5% in its revenue-generating balance, when compared with the previous year. Pre-approval of the credit limit is one of the ways of automating the product, which makes this option one of the lines of credit most sought after by the customers and most attractive for them.

In 2006, a line of credit for defraying the costs of MBA/Postgraduate courses was launched, aimed at both academic and professional applicants. This modality of credit has come to benefit a needy public, encouraging their professional growth and giving them the opportunity to improve their knowledge and to increase their competitiveness in the market.

In the transaction for Anticipating the Restitution of Individual Income Tax, the mark of 25,504 transactions contracted was reached, in the amount of R\$ 38 million, and in the transaction for Anticipating the 13th Salary, 9,901 transactions were contracted, totaling R\$ 10.5 million.

Characterized for its practicality and accessible interest rates, CAIXA Pawnbroking invested R\$ 4.57 billion in 2006, in a total of 8.2 million contracts. With the remodeling of the process for auctioning jewels, 29,610 lots were sold to 1,603 purchasers, totaling a revenue of R\$ 23 million.

With its vocation for serving the less favored layers of the population and for acting in the retail banking market, CAIXA started its strategy of acting in the microfinance segment in 2003 and today is a partner of 11 microfinance institutions, which act as operators of CAIXA Microcredit in various regions of the country.

This partnership helps CAIXA to reach the entrepreneurs who operate informally and live on the fringe of banking transactions, for lacking the conditions for maintaining an account in a credit institution. Without red tape and without requiring collateral for which they cannot respond, capital is offered capable of updating their instruments of work, with loans that vary from R\$ 250 to R\$ 5 thousand.

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Businesses

In 2006, commercial loan transactions for businesses totaled investments of R\$ 22.8 billion, growth of 38.8% in relation to the volume invested in 2005.

The balance of business loans grew 16.5 % in 2006 to a total of R\$ 6.62 billion, against R\$ 5.59 billion in 2005.

Amongst some specific programs for micro and small businesses, the lines of credit under the National Tourism Program showed 20.8% growth in relation to 2005, to a total of R\$ 817 million in 2006.

Also to be highlighted are the Working Capital transactions (Discounts, CAIXA Company Check, GIM, and Secured Account) that account for 77.6% of the total volume invested.

In the lines for Investment, where the total invested was R\$ 1.2 billion, PROGER, a line of credit instituted by the Ministry of Labor for enterprises that aim at generating employment and income, reached a balance of R\$ 1.54 billion in 2006, which represents 142% growth, in comparison with 2005. Transactions with funds from the BNDES reached a total balance of R\$ 327 million, with 74.43% of the funds invested lent to Micro, Small and Medium Businesses.

With 97.1% of the funds granted in micro and small businesses, CAIXA continues to contribute to the current government policy on the expansion of and access to credit, reinforced by the approval of the new law on Micro and Small Businesses, benefiting economic growth in a sustainable manner for the forthcoming years.

Administration and recovery of loans

In 2006, commercial loan transactions in the amount of R\$ 945.8 million were regularized, which included 55,171 contracts in the amount of R\$ 291.7 million providing for repayment in installments, a 67.77% increase in relation to 2005. R\$ 654.1 million was recovered at sight, a 50.3% increase, compared the previous year.

With regard to the housing loan portfolio, 338,177 loans were renegotiated in 2006, in the amount of R\$ 423 million, In the same period of 2005, 317,007 loans were regularized, corresponding to R\$ 455 million.

Settlement was carried out in 85,479 contracts, whose total debt at the time of the settlements was equivalent to the amount of R\$ 1.22 billion. In 2005, 75,979 contracts were settled, in the amount of R\$ 1.11 billion.

In total, commercial and housing loan contracts amounting to a debt of R\$ 1.3 billion were regularized in 2006, of which R\$ 9.2 million at sight, representing 131% of the amount regularized in 2005.

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With commercial and housing loans once again performing, it was possible to increase the funds intended for new financings, making it possible to improve the quality of life in society, fostering urban development and the housing segment, as well as the creation of new jobs.

Administration of third party loans and loans linked to the FCVS

In its capacity as service provider, CAIXA administers housing loan contracts assigned to the Asset Management Company (EMGEA) and also those in which the creditors are the Employee Severance Indemnity Fund (FGTS), Credit Guarantee Fund (FGC), Brazilian Central Bank (BACEN), Hydroelectric Company of the São Francisco (CHESF), National Institute of Social Security (INSS) and Federal Government Property Secretariat (SPU), besides the contracts for the functional properties of federal government bodies / self-governed entities and contracts of CAIXA itself arising from portfolios assigned and acquired, in which the activities include the maintenance, collection, recovery of credits and realization of FCVS, encompassing the modalities of settlement, debt renegotiation and transfers of debtors. The FCVS realization activities also encompass CAIXA's own credits whose contracts provide for covering of the residual balance by the FCVS.

In 2006, R\$ 1.97 billion was received and passed on to the creditors, relating to 462,387 contracts, generating a revenue in fees of R\$ 294.6 million for the provision of services.

Of the qualified credits, 59,097 credits were validated in 2006, in the amount of R\$ 2.9 billion, while in 2005 54,845 contracts were validated, in the amount of R\$ 1.9 billion.

The ratification of credits by the Fund allows the Financial Agent to release the credit's mortgage collateral, by means of the issue and delivery to the taker of an official letter of quittance. The cancellation of the mortgage is issued after a careful examination of the contracts. In 2006, 123,157 mortgages for housing financings were released, 53% higher than the figure for 2005, in which year 80,474 encumbrances through mortgage were cancelled. The increase is explained by the inclusion of mortgage cancellations issued for contracts without the FCVS. Releasing mortgages for thousands of families represents the fulfillment of CAIXA's social role in granting housing loans.

6 Funding and Management of Funds

Asset management

CAIXA closed 2006 with 115 products under its responsibility, including mutual funds, managed portfolios and social portfolios, of which 40 branch network funds, of which 7 open to taking funds; 43 exclusive funds; 4 open pension funds; 19 managed portfolios; 6 social portfolios; 2 credit rights funds; and 1 real estate fund.

14 products were launched in the period, including 5 branch network funds and 2 credit rights funds, besides the constitution of 6 new exclusive funds and 1 managed portfolio, generating a net equity of R\$ 3.12 billion in December 2006.

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In the ranking of investment fund managers of the National Association of Investment Banks (ANBID), CAIXA recorded growth of 34.93% in net equity, which rose from R\$ 39.65 billion in December 2005 to R\$ 53.51 billion at the end of 2006; it is to be stressed that the funds market grew 26.49%. In relation to 2005, CAIXA expanded its market share from 5.45% to 5.79% in 2006, consolidating itself in 4th place in ANBID's ranking of investment fund managers.

The total net equity under management, including investment funds, managed portfolios and social portfolios, showed growth of 28.48% in the year, going up from R\$ 130.34 billion in December 2005 to R\$ 167.46 billion in December 2006. Annual revenue recorded a nominal growth of 15,45% in relation to 2005, amounting to R\$ 751.66 million.

CAIXA has been recognized and given awards for its investment fund management by various publications: Guide to the Best Investment Funds - *Investidor Individual* magazine; Ranking of the Best Funds – *Agência Estado*; 17th Top Asset – Ranking of the Biggest and Most Focused – *Investidor Institucional* magazines; The Best Investment Funds and The Best Managers – *ValorInveste* magazine: The Funds with the Best Return and the Best Managers – *GazetaInvest* magazine; The Best Investment Options – *ISTOÉ DINHEIRO* magazine; The Best Investment Funds – *+dinheiro* magazine; Pension Funds with the Best Returns – *Valor Econômico* magazine; *Exame* Guide to Personal Investments (Best Mega Fund Manager) – *EXAME* magazine; 18th Top Asset – Ranking of the Biggest and Most Focused – *Investidor Institucional* magazine; The Best Investment Funds – *+dinheiro* magazine; and Ranking of the 300 Best Funds for Investing In, where CAIXA was given the second highest mark by the criterion for Investment Funds, contributing towards CAIXA's 3rd place in the overall ranking of the best banks for investing in – *VOCÊ S/A* magazine - December.

Transactions with Securities

In 2006, CAIXA acquired R\$ 25.93 billion in Federal Government Securities, as follows: R\$ 18.96 billion purchased in the primary and secondary markets, and R\$ 6.97 billion received in exchanges with the Central Bank and National Treasury. In the year, R\$ 17.02 billion in Federal Government Securities matured and R\$ 21.31 billion was sold, of which R\$ 14.23 billion in transactions in the secondary market and R\$ 7.08 billion delivered in exchanges with the Central Bank and National Treasury; this generated a decrease of R\$ 208 million in the position of the portfolio of Federal Government Securities and Securitized Instruments, in relation to December 31, 2005.

The portfolio of Federal Government Securities, in the position at December 31, 2006, showed a balance of R\$ 92.43 billion.

Capital market transactions

CAIXA took part in the consortium of banks responsible for the launch of the first Credit Rights Investment Fund (FIDC) for the sanitation sector. In the capacity of coordinating bank, it acted in the structuring and distribution of the senior quotas with the community of qualified investors, and is carrying on in the structure as the managing bank of the FIDC during all its existence, which is 60 months.

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The success of the structure set up is evidenced by the demand for the quotas on the part of the investors, exceeding the supply by three times. For a volume on offer of R\$ 250 million, the FIDC had a demand of R\$ 780 million, which brought about a reduction in the final rate of remuneration to be paid to the investors to CDI + 0.70 % p.a., against the initial proposal of CDI + 1.25 % p.a.

CAIXA supported the initiative of the BNDES to popularize investments by individuals in fixed income instruments issued by companies. Accordingly, it took part, as contracted coordinator, in the public distribution of debentures issued by BNDESPar S.A., a R\$ 600 million operation, in which R\$ 90 million was acquired by small investors.

Structured finance transactions

On 4.19.2006, CAIXA and the Petrobras Social Security Foundation (PETROS) signed an agreement that makes it possible for the 90 thousand participants in PETROS to buy a home of their own, on differentiated interest rate conditions. This structured operation was made viable by virtue of the constitution of an exclusive investment fund under CAIXA's management.

CAIXA's activity as a BACEN dealer

CAIXA has been qualified as a primary dealer (one of the group of 12 institutions authorized to operate directly with the Central Bank's dealing room) since March 2002. In 2006, CAIXA intermediated the onlending of R\$ 93.08 billion in funds to other institutions in its activity as a dealer, which represents a 56.74% increase in relation to the volume intermediated in 2005.

Funding products

CAIXA's savings ended 2006 with 31.5 million accounts. In this period, the balance of the portfolio reached the level of R\$ 59.81 billion, which represents a 12.79% increase in relation to 2005 and guarantees a market share in the order of 32.8%.

The Housing Credit Bills (LCI) reached, in December, a balance of R\$ 5.8 billion, of which R\$ 1.4 billion originated from LH and LCI maturities.

CDB/RDBs reached a volume of R\$ 14.1 billion, with a growth of 11% in relation to the balance of 2005. CAIXA's market share remained at 6%, the same percentage as in 2005.

Demand deposits reached, in 2006, a total balance of R\$ 8.67 billion, representing a positive change of 23% when compared with the balance existing at the end of 2005.

Net funding from Judicial Deposits in 2006 amounted to R\$ 997 million, a higher amount than that shown in 2005.

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CAIXA International

CAIXA International is the axis of CAIXA's activity that's looking for a relationship with Brazilian residents abroad, providing the opening of accounts and remittances of funds to Brazil. To do so, CAIXA International operates the Remittance Program, by means of the e-Account, its partner banks (through agreements), and correspondent banks (SWIFT).

In 2006, through the Remittance Program, CAIXA received a total of US\$ 37.29 million in international remittances and paid the beneficiaries the amount of R\$ 79.70 million.

With the CAIXA e-Account, which uses a simplified current account on the Internet, Brazilian citizens resident abroad who hold a credit card with the Visa brand can make transfers of their savings to Brazil, in an agile and secure manner and with low fees. In 2006, CAIXA turned over a total of R\$ 1.62 million in 4,050 e-Accounts.

In order to strengthen the relationship with Brazilian resident abroad, in March CAIXA signed a partnership agreement with Iwata Shinkin Bank to send remittances originating in Japan, a market that has over three hundred thousand resident Brazilians. The Japanese bank now provides a Portuguese-language service in five branches (Toyoda, Kounodai, Toshincho, Aoicho and Kamoe).

In the first half of the year, it is worth pointing out that foreign currency cash services and dealing with remittances with businesses started. In the second half of the year, the highlights were the authorization of the Brazilian Central Bank (BACEN) for CAIXA to open representative offices in Jersey City (USA) and in Hamamatsu (Japan), as well as the expansion of its activity in the international market, with the authorization to carry out foreign trade transactions.

7 Banking Services and Loyalty Products

Banking services

CAIXA is also a highlight in the provision of banking services, offering society services in various modalities. In 2006, 1.01 billion transactions were carried out, involving R\$ 200 billion in salary credits, bank collections, receipts of union dues, taxes, social security (GPS) and public utility payment forms and payments of INSS benefits, amongst others, representing 13% growth in relation to the previous year, as described below:

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Amounts in R\$ thousand / Quantities in thousands

Services	2005		2006	
	Quantity	Amount	Quantity	Amount
Receipts of public utility bills	602,792	41,576,422	560,652	37,846,842
Receipts of taxes*	58,789	19,716,453	53,700	19,695,099
Receipts of Union Dues	4,504	917,249	4,580	1,073,658
Receipts of FGTS	19,636	12,178,527	18,816	12,850,951
Bank Collections	178,125	48,585,445	181,316	59,109,019
Payrolls	21,282	20,212,857	24,187	24,918,496
Sundry Receipts	153,959	5,112,315	99,357	8,519,487
Receipts of GPS	31,133	8,843,119	32,020	11,617,377
Payments of INSS Benefits	40,530	20,800,285	44,005	24,603,088
	1,110,750	177,942,672	1,018,633	200,234,017

(*) Receipts of Taxes are made up of receipts for the three spheres of government: federal, state and municipal.

Social Security for States and Municipalities (PEM CAIXA)

In compliance with the federal government policy of carrying out a sustainable adjustment in public accounts, CAIXA provided, in the segment of social security for states and municipalities, consultancy in structuring or restructuring specific social security regimes, with the objective of ensuring their solvency in the long term.

In 2006, CAIXA signed consultancy contracts for restructuring the Social Securities of 4 states and 154 municipalities, contributing towards guaranteeing the payment of the social security benefits of about 422 thousand insured persons, amongst servants on active service, inactive servants and pensioners.

CAIXA INSURANCE Group

CAIXA offers in its branch network the insurance, private pension plan and capitalization products and the real estate consortium of associated companies in the CAIXA Insurance Group, with a view to expanding the portfolio of products offered and meeting the needs of its customers.

In 2006, 3.07 million products were traded, representing billings of R\$ 3.56 billion. The highlight was the Housing Consortium, with its 7.01% growth in the quantity of quotes sold. This result raised the share of CAIXA Consortiums to 2nd place in the market.

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Products	Quantity in units / Amounts in R\$ thousand			
	2005		2006	
	Quantity	Amount	Quantity	Amount
Private Pension Plans *	507,572	997,501	550,134	926,391
Capitalization	4,047,533	298,821	1,294,877	267,390
Insurance	1,595,772	179,772	1,184,246	261,943
Housing Consortium	37,530	1,861,612	40,161	2,074,936
Auto Consortium Auto **	-	-	982	25,719
	6.188.407	3.337.706	3.070.400	3.556.379

(*) The quantity in Private Pension Plans refers to the stock, the amount to the financial flow;

(**) Traded as from January 2006.

Card Administration – Credit and Debit

CAIXA closed 2006 with 2.95 million credit cards, representing 24% growth in relation to the previous year. 70.42 million transactions were carried out, totaling R\$ 5.64 billion. The number of transactions and the financial volume were 15.8% and 25.3% higher, respectively.

In 2006, CAIXA's debit card base, with the MasterCard Maestro and VISA Electron brands, totaled 38.47 million cards, 2.0% more than in 2005. The transactions and the financial volume turned over grew 32.9% and 37.2%, respectively, maintaining CAIXA's position as the largest issuer in the world under the MasterCard Maestro brand.

CAIXA closed 2006 with 6,145 BNDES cards marketed and the best rate of activation amongst the issuers of the product, with 24.2% of the cards issued being used.

CAIXA ended the year having accredited another 14,500 commercial establishments to the Visanet system and 19,000 to the Redecard system, reaching the mark of 210 thousand bank domiciles.

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8 Personnel Management

At the end of 2006, CAIXA had the following workforce:

Workers	Quantities in unit	
	2005	2006
Employees admitted after entrance exam	68,257	72,252
Trainees	11,632	11,722
Service providers	18,541	12,820
Adolescent apprentices	3,314	3,600
	101,744	100,394

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

Activities	Quantities in units	
	2005	2006
Courses at the Corporate University	286,129	233,371
Professional and Academic Postgraduate Studies	311	212
Higher Education	407	1,063
Workshops and seminars	13,639	31,373
	300,486	266,019

The CAIXA Health Program has 231,010 beneficiaries, including employees and their dependents.

CAIXA was given the “Best Companies to Work For” award from Editora Abril’s *EXAME* and *VOCÊ S/A* magazines, in the category of recognition for Personnel Management.

The following projects relating to personnel management, implemented in 2006, amongst others, also merit highlighting: Integration Course held for 6,000 employees admitted in the course of 2006; Implantation of the SIPON – Integrated Timekeeping System, linking the daily registration in SIPON to access to CAIXA’s computing resources; Cooperation agreement signed with the Secretariat for Policies to Promote Racial Equality (SEPPIR) to contract descendents of runaways slaves as Adolescent Apprentices; Implementation of CAIXA’s Organizational Climate Management Model; Quality of Life Program; Launching, publicizing and singing up for the New Pension Plan of the Foundation of Federal Economists (FUNCEF); Program for Recognizing and Valuing: homage to the employees with over 25 years with CAIXA and “CAIXA People Integration” action; Diversity Program: making available gender and race equity data from all CAIXA’s units and winning the Gender Pro-Equity seal from the

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Special Secretariat for Policies for Women; Launch of the Future Life Program, which has the objective of promoting the management of knowledge and the humanization of the in-house relationships in situations that involve severance from CAIXA and/or a new career direction; Training of Agents in Foreign Trade – training of CAIXA employees, businessmen and representatives of institutions focused on foreign trade, in partnership with the Ministry of Development, Industry and Trade – MDIC; Adoption of mechanisms for retaining employees with expertise in the Information Technology area.

9 Risk Management

CAIXA adopted as its main guidelines for operating in 2006 a return adequate to the risk, effective and secure processes, and corporate governance.

Following the guideline of participating in the whole credit process, seeking opportunities and ensuring a return, 81 million evaluations for granting commercial and housing credit were made, representing a 73.8% increase in relation to 2005, corresponding to the approval of limits of R\$ 160.4 billion, a figure that shows the opportunity for secure growth of CAIXA's market share in credit.

To ensure equilibrium in its operations and to carry on performing its mission of expanding the supply of credit, including credit for the needier classes, CAIXA monitors the loss level by product, seeking to stratify its monitoring by segments and by regions, and, whenever necessary, the Risk Area intervenes in the processes and in management.

With regard to credit for the public sector, CAIXA has been attending to the demands made, keeping itself within the established legal limits and with a net margin available for further contractings.

For a full control of the risk/return ratio of CAIXA's products and portfolios, new risk indicators for assets and liabilities were implanted, and the scope of this management was expanded, with the implantation of market risk management for the FGTS portfolios, improving governance and transparency in the management of these funds.

Considering the need for a Capital Structure compatible with CAIXA's challenges, the Risk Policy was instituted, establishing principles and guidelines for managing each modality of risk, defining rules and limits on exposure for its business and the respective levels of provisioning.

In observance of BACEN Resolution 3380/06, operational risks are now identified by means of the mapping of critical processes, with the adoption of the Integrated Process Management methodology, applied initially to the asset management area. The roles of the areas involved in the management of this risk were redefined according to the new legal requirements.

The losses arising from operational risk were evidenced after the application of the Operational Risk Inventory and, together with their causes, are now included in the reports prepared for the Committees and Councils. Another important measure was the revision of the Business Continuity Plans for the dealing room and for the area that controls investment funds and the

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custody and settlement of securities, which removes the possibility of any problems that could interrupt operations.

CAIXA has been adopting the best practices for Risk and Business Management and is an active participant in the process supervised by BACEN as to the modernization of the Financial System and to the adoption of international standards of Control and Governance, converging towards a good capital adequacy ratio, which in the period from January to November 2006 oscillated between 28.9% and 26.3%, higher therefore than the minimum requirement of 8%, adopted internationally, and higher than the 11% ratio adopted in Brazil.

10 Governance and Corporate Sustainability

Structure of governance

All the levels of authority instituted by CAIXA's Bylaws, approved by Decree 5056 of 4/29/04 and available on www.caixa.gov.br, have now been installed and are operating normally.

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

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

CAIXA has committees, commissions and councils that take tactical, operational and administrative decisions: Ethics Commission; Credit Commission; Head Office Credit and Renegotiation Committee; Audit Committee; Strategic Funding and Investment Committee; Strategic Funds Management, Programs and Services Delegated by the Federal Government Committee; Strategic Asset Management Committee; Purchasing and Contracting Committee; Risk Committee; Prevention of Money Laundering Crimes Committee; Business Security Council; Disciplinary Councils; Head Office Structured Operations Credit Risk Rating Committee; Business Social Responsibility Committee; and CAIXA Health Users Council.

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

Internal Control System

The Standard Checklist (RP) has been perfected, with procedures simplified and new resources implemented. The RP carries out the control and the management of the processes of launching, repositioning and withdrawing products and services in the Distribution Network, implantation of technological solutions, extinction/ migration of units/ activities, and publication

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of normative instruments, with a view to the optimization of the results and the minimization of the risks.

Prevention of Money Laundering

In compliance with the current legislation, the Prevention of Money Laundering Activities were carried out and fulfilled satisfactorily their objective of making unviable, inhibiting or making difficult the use of CAIXA in processes of this nature.

CAIXA's participation in the following events in 2006 relating to the prevention of corruption and money laundering merit highlighting: Fourth edition of the National Strategy for Fighting Corruption and Money Laundering (ENCCLA) and Forum of the Financial Action Task Force of South America Against Money Laundering and the Financing of Terrorism (GAFISUD), in partnership with the Latin American Federation of Banks (FELABAN).

11 Social Responsibility

Environmental policy

In compliance with CAIXA's social responsibility guidelines, CAIXA implemented the Corporate Environmental Policy to orientate internal business and processes, integrating environmental questions with management practices and business activities and decisions, and acting according to the principle of socioenvironmental responsibility.

CAIXA's environmental positioning and experience motivated the development and attraction of new businesses, such as the Environmental Compensation Fund, an innovative solution for making viable financial management and the carrying out, in an agile and transparent way, of the resources of environmental compensation, which is today the main financial mechanism for investing in conservation units.

In 2006, CAIXA developed instruments and procedures for preventing and managing environmental risks in terrain that is the subject of proposals for housing enterprises where there is a risk of contamination.

Another highlight in 2006 was the holding of the Environmental Responsibility in Business course by CAIXA University, which has now qualified 1,146 employees who will be better prepared to carry out their activities.

Brazilian Popular Pharmacy Program

In April 2006, CAIXA started to open the first current accounts for transferring amounts to the establishments accredited under the program, which seeks to expand the access of the low income population to medicines regarded as essential.

The program was born to guarantee the purchase of medicines without any interruption in the treatment for lack of resources. The Brazilian Popular Pharmacy program contributes towards reducing the impact on the family budget caused by the purchase of medicines, and also

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seeks to reduce the spending of the Centralized Health System - SUS with internments that are brought about because the course of treatment has been abandoned.

The program provides for subsidizing the price of a group of 12 medicines used in the treatment of high blood pressure and diabetes. With this measure, the federal government is going to permit the treatment of about 3.5 million new patients, the estimated number of people who are treated in the private sector network.

In 2006, the accounts opened with CAIXA received the amount of R\$ 2.9 million.

CAIXA Zero Hunger

Created in 2003, the CAIXA Zero Hunger project brings together the institution's efforts to take part in the struggle of the government and society in fighting hunger and poverty, as a way of guaranteeing Brazilians the full exercise of citizenship and their rights.

CAIXA was the first institution to receive the Zero Hunger Program Partner Company Certification, for the actions on its own initiative and those carried out jointly with the Ministry of Social Development (MDS).

The initiatives of the CAIXA Zero Hunger Project cover seven fronts of work:

- supporting the Fund for Fighting and Eradicating Poverty;
- guaranteeing basic civil documentation for the low income population;
- guaranteeing the rights of children and adolescents;
- supporting reading rooms and libraries;
- social assistance;
- holding the CAIXA We Can Do It Seminar;
- actions of social inclusion and generating employment and income for communities with lower HDIs.

Another initiative carried out by CAIXA was the launch in March 2003 of the CAIXA FI Zero Hunger investment fund, where 50% of the management fee is donated to the Fund for Fighting and Eradicating Poverty. In the year, R\$ 447.9 thousand was passed on to the Fund, 56.82% of which donated by CAIXA, following the marketing of CAIXA FI Zero Hunger.

For three years, CAIXA has been promoting the Women's Week" institutional event, in commemoration of the International Women's Day, issuing CPFs free of charge, with the intention of guaranteeing the female population of lower spending power access to the public policies of the federal government under the auspices of the Zero Hunger Program, such as the Family Allowance Program, the National Program for Strengthening Family Farming (PRONAF), banking inclusion and microcredit. In 2006, 239 thousand women were benefited with this action, with a 24% decrease being recorded in relation to the demand in the previous year. This behavior was foreseen, considering that the target public for this action decreases as the level of the low income population with access to basic civic documentation improves.

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Another action carried out is the partnership with the National Program for Female Rural Worker Documentation (PNDTR), coordinated by the Ministry of Agrarian Development (MDA) and the National Institute for Agrarian Reform and Colonization (INCRA), where CAIXA promotes the free issue of CPFs for women from the rural regions.

In June 2006, the first edition of the “Warming Hearts” campaign was run, with the purpose of collecting warm clothing for low income families. 30 thousand of clothes, blankets and shoes were collected, benefiting 100 entities and 9,690 needy persons. The campaign mobilized 437 volunteers in 52 municipalities from 17 states.

This year, the “You Too Transform This Christmas” campaign benefited needy families and children attended to by the CAIXA MDG Project, with the distribution of 46,868 items, including toys, foodstuffs, clothing, school material, shoes and others, in 33 municipalities from 16 states (interim position).

As a member of the National Movement for Citizenship and Solidarity and a signatory of the Global Pact, CAIXA has been sponsoring since 2004 the CAIXA We Can Do It Seminar, in commemoration of the National Week for Citizenship and Solidarity. This initiative has the objective of mobilizing governments and society towards complying with the Millennium Development Goals (MDG), defined by the United Nations (UN).

CAIXA carries out the CAIXA MDG Project as a company with social responsibility that seeks to foster sustainable local and regional development. This institutional strategy has national scope and the objective of promoting the carrying out of social projects for inclusion and generation of employment and income in municipalities with lower HDI-M, communities of pickers of recyclable material, descendents of runaways slaves, indigenous people and low income communities.

Sports sponsorships

To be highlighted in 2006 is the renewal of the contract with the Brazilian Athletics Confederation (CBAt) in the amount of R\$ 9 million, for the period from January to December 2006. Athletics adds important social values to the principle that sustain CAIXA’s corporate image, strengthening its sociocultural activity, as a fosterer of citizenship and the main executor of the federal government’s social policies, since sport, and athletics in particular, for their undeniable popular appeal, are important recovery factors for youngsters in situations of risk.

CAIXA signed an unprecedented sponsorship with the Brazilian Gymnastics Federation (CBG), which covers the period from May 2006 to July 2007, in the amount of R\$ 1.8 million, involving the men’s and women’s teams. The social benefit afforded by the sponsorship is the continuation of the development of Brazilian gymnastics with a view to contributing towards the strengthening of culture in Brazilian social and economic development, whether by means of projects for new institutional and financial arrangements or in support for the implantation of programs and projects of the CBG.

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Management Report

Other sporting events sponsored by CAIXA are: CAIXA Rio Grande do Sul Athletics Meeting; Belém Grand Prix; Fortaleza South American GP; Rio de Janeiro GP; Super 40 Relay Race; São Paulo International Marathon XII; CAIXA Little Marathon Circuit; CAIXA Race Circuit; 3rd CAIXA Run Round the Lake; DescalSOS Club Project; Londrina 2006 Athletics Project; Sponsorship of the Brazilian Paralympic Committee; and World Wheelchair Tennis and Gymnastics Gala.

In 2006, CAIXA Lotteries invested R\$ 3.8 million in the sponsorship of the Brazilian Paralympic Committee, making it possible to hold the CAIXA Lotteries Brazil Paralympic Committee in 4 stages – in the states of São Paulo, Pará, Ceará and Rio Grande do Sul - and the CAIXA Lotteries High Level Athletes Program, which this year makes possible the current offer of scholarships to 14 athletes. The Belém and Porto Alegre stages of the CAIXA Lotteries Brazil Paralympic Athletics and Swimming Circuit were also held.

Events

In the program of cultural publicity promotions carried out with CAIXA's sponsorship, the highlight of 2006 was the "Hi Carioca Nights", which had the participation of the following artists: SKANK; Barão Vermelho; Kid Abelha; Paralamas do Sucesso; Rita Lee; Emerson Nogueira; Titãs; Vanessa da Mata; Capital Inicial; and Los Hermanos.

Sociocultural and Marketing Activities

In 2006, CAIXA consolidated its strategy of a strategic marketing policy, ratifying its support for cultural projects in various artistic manifestations and languages. These events, held in their cultural spaces located in the cities of Brasília (DF), São Paulo (SP), Rio de Janeiro (RJ), Salvador (BA) and Curitiba (PR), belong to the segments of plastic arts, photography, theater and dance, and were chosen by means of a public selection.

Besides this schedule, CAIXA also promoted other projects and events held in third party spaces in different localities from the north to the south of the country. A decentralization of the federal government's investments in culture was thus carried out, promoting free access by the population to cultural events and projects with nationwide repercussion, consider as being of interest and opportune, reaffirming itself as an institution focused on the redemption, disclosure and support for Brazilian artistic production, with the access of the Brazilian population to cultural assets, contributing towards social inclusion and the development of the country.

Customer Service (SAC)

In 2006, CAIXA received 3,190 customer complaints originating from the Brazilian Central Bank - BACEN. The reason for most customer and user complaints was requests for documentation or information not attended to, which showed growth of 168.4% when compared with 2005.

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With Procon, 797 complaints against CAIXA were registered. The reason for the highest number of complaints in the course of the period under analysis were contested entries and withdrawals in savings accounts, contested entries and withdrawals in current account, and delay in the reversal of credit card purchases.

In 2006, CAIXA's External Ombudsman received 210.2 thousand occurrences with products and services from external customers. Of the total of the manifestations, 93.2% corresponded to complaints, with praises and suggestions coming next, equivalent to 3.3% and 2.6% of the records respectively.

In 2006, 42.9 thousand occurrences were received by the Internal Ombudsman, which represents a 3.45 reduction in relation to 2005.

On August 1, 2006, the Ombudsman's call center migrated to the CAIXA Integrated Call Center (CEATI), which will represent gains in terms of infrastructure and quantity of operators/supervisors for attending to external customers. For example, the maximum time for the call to be answered is 20 seconds.

Program to rationalize expenditure and eliminate waste (PROGED)

Created to provide permanent adequacy of the bank's level of administrative expenditure to its real capacity for generating operating revenues, PROGED's target for 2006 is to make it feasible to contain spending and eliminate waste, in the amount of R\$ 200 million. In 2006, savings of R\$ 512 million were achieved with actions and projects carried out under the auspices of the PROGED, which corresponds to 256.49% of the target stipulated for the year.

Since its creation, the Program has now recorded savings in the order of R\$ 1.74 billion.

12 Information Technology

Internalization of lotteries

In 2006, the process of internalizing the Lottery Channel was concluded, with the finalization of the installation of about 22,900 lottery financial terminals in 8,870 Lottery Units. In December 2006, the mark of 268 million gambling and banking transactions in the new Lottery system was reached.

Digital inclusion

The process of donating CAIXA's unserviceable computers is covered by the federal government's digital inclusion policy. In the process of renewing its technological installations, indispensable for providing adequate support for CAIXA's business, 29,000 personal computers were donated, with free office suite and operating system software.

Caixa Econômica Federal - CEF

Management Report

Information security

In partnership with the Presidency of the Republic, the CAIXA's information security program was developed, with the objective of implanting a security culture to ensure the secrecy of information and the interests of the company.

13 Acknowledgments

The results now reported reflect the professional posture and commitment of the employees and other partners to complying with CAIXA's guidelines. More than this, they come from the dedication of those who believe that the CAIXA's work is a fulcrum for the country's development.

(A free translation of the original in Portuguese)

Report of Independent Auditors

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

- 1 We have audited the accompanying balance sheet of Caixa Econômica Federal - CAIXA as of December 31, 2006, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the year and six-month period then ended. These financial statements are the responsibility of CAIXA's management. Our responsibility is to express an opinion on these financial statements.
- 2 Except for the matter described in the following paragraph, we conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of CAIXA, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 As mentioned in Note 21 to the financial statements, CAIXA is the sponsor of a defined contribution benefit plan REG/REPLAN of the Fundação dos Economiários Federais (CAIXA Employees Foundation) - FUNCEF, which is currently under review and adaptation to new criteria and conditions, including the partial enrollment of the participants in a new defined contribution plan, which was completed on November 30, 2006. Moreover, in 2002 CAIXA established a healthcare plan denominated SAÚDE CAIXA on which it has certain obligations in accordance with the conditions of the plan. In this context, CAIXA has not yet carried out the studies and calculations required by Accounting Standard and Procedure (NPC) 26 of The Institute of Independent Auditors of Brazil (IBRACON), which determines specific criteria for calculating the costs to provide benefits to employees of sponsors of a private pension fund of a defined benefit nature. Accordingly, we were unable to conclude as to the effects on the financial statements of CAIXA arising from the application of this standard.

Caixa Econômica Federal - CAIXA

- 4 In our opinion, except for the effects of possible adjustments that may arise from the matter mentioned in the preceding paragraph, the financial statements audited by us present fairly, in all material respects, the financial position of Caixa Econômica Federal - CAIXA at December 31, 2006, and the results of its operations, the changes in stockholders' equity and the changes in its financial position for the year and the six-month period then ended, in accordance with accounting practices adopted in Brazil.
- 5 Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The statements of cash flow and of social and environmental information that are presented to provide supplementary information on Caixa Econômica Federal - CAIXA, are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.
- 6 As described in Note 18 (a) to the financial statements, at December 31, 2006 CAIXA had R\$ 8,820 million (2005 - R\$ 8,458 million) of income tax and social contribution on net income credits calculated on tax losses, temporary differences and social contribution for offset, and a valuation allowance for the realization of these credits of R\$ 7,517 million (2005 - R\$ 7,067 million). The net amount of R\$ 1,303 million (2005 - R\$ 1,391 million), recorded as an asset, is management's estimate of the realization expected in the following years. The amount to be used for tax offset purposes in the future is subject to the generation of taxable income and may vary from the current management estimate.
- 7 As described in Note 1 to the financial statements, the financial and economic management of CAIXA is considered within the decisions of the Federal Government. In this context, as described in Note 6, CAIXA has credits receivable from the Salary Variation Compensation Fund (FCVS) of R\$ 25,424 million (2005 - R\$ 23,674 million). Housing loans already signed with coverage of the FCVS, but awaiting approval, amount to R\$ 7,795 million (2005 - R\$ 7,143 million) and their effective realization depends on the adherence to a set of rules and procedures defined in regulations issued by the FCVS. CAIXA established criteria to estimate the losses arising from transactions that do not comply with these rules and recorded a provision therefor of R\$ 3,427 million (2005 - R\$ 3,281million). The realization of the credits relating to housing loans already approved by the FCVS, in the net amount of R\$ 16,909 million (2005 - R\$ 15,695 million), is subject to a securitization process, as prescribed by Law 10150/00.

Caixa Econômica Federal - CAIXA

- 8 As described in Note 20 (c), CAIXA was assessed R\$ 11,093 million (2005 - R\$ 10,714 million) by the Federal Revenue authorities on the allegation of underpayments and improper offsets of Social Integration Program/Public Service Employee Savings Program (PIS/PASEP) contributions, on which it recorded a provision of R\$ 645 million (2005 - R\$ 621 million). Also, CAIXA was assessed R\$ 1,182 million (2005 - R\$ 1,218 million) by inspectors from the National Institute of Social Security (INSS), claiming non-payment of social security contributions on certain payments made to its employees, on which a provision of R\$ 222 million (2005 - R\$ 217 million) was recorded. Based on a study carried out and on the opinion of its legal and tax advisors, CAIXA believes that it is not necessary to record additional provisions for contingencies related to these matters.
- 9 The financial statements at December 31, 2005, presented for comparison purposes, were audited by other independent auditors who issued an unqualified opinion thereon dated February 10, 2006, with paragraphs of emphasis relating to: (i) the realization of credits receivable from the Salary Variation Compensation Fund (FCVS) of R\$ 23,674 million; (ii) the realization and maintenance of income tax and social contribution on net income credits in the net amount of R\$ 1,391 million, subject to the generation of future taxable income; (iii) the assessment by the INSS claiming non-payment of the social security contributions on certain payments made to employees, and on the assessment of the Federal Revenue authorities alleging underpayments of PIS/PASEP contributions.

Brasília, February 9, 2007

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" DF

Paulo Sergio Miron
Contador CRC 1SP173647/O-5 "S" DF

Caixa Econômica Federal - CEF

Balance Sheet At December 31

(in thousands of reais)

(A free translation of the original in Portuguese)

Assets	2006	2005
Current Assets	115,654,857	95,024,739
Cash and Cash Equivalents	1,715,323	935,710
Short-Term Interbank Investments		
Money market investments	16,865,765	9,738,005
	16,865,765	9,738,005
Securities and Derivative Financial Instruments (Note 5)		
Own portfolio	34,396,405	23,832,496
Subject to repurchase agreements	15,980,000	18,336,622
Pledged in guarantee	80	2,802
Derivative financial instruments (Note 5(f))	15,595	62,351
	50,392,080	42,234,271
Interbank Accounts		
Payments and receipts pending settlement	57,047	56,274
Restricted deposits - Brazilian Central Bank deposits (Note 6(a))	21,838,495	19,434,853
Correspondent banks	60,661	23,275
	21,956,203	19,514,402
Interdepartmental Accounts		
Third party funds in transit	69	664
Internal transfers of funds	73,330	108,291
	73,399	108,955
Loan Operations (Note 7)		
Loans, bills discounted and financing	13,382,772	12,384,652
Real estate financing	5,235,415	4,201,115
Allowance for loan losses (Note 7(f))	(2,190,378)	(1,695,215)
	16,427,809	14,890,552

Caixa Econômica Federal - CEF

Balance Sheet

At December 31

(in thousands of reais)

(continued)

Other Receivables		
Receivables from guarantees honored	14,556	9,812
Foreign exchange portfolio	21	7,814
Income receivable (Note 8(a))	684,004	894,462
Negotiation and intermediation of securities		236
Specific credits	88,085	77,951
Sundry (Note 8(b))	6,540,956	5,626,092
Provision for other losses (Note 8(c))	(76,144)	(37,359)
	7,251,478	6,579,008
Other Assets (Note 9)		
Other assets	1,198,044	1,157,061
Provision for losses	(287,116)	(268,611)
Prepaid expenses	61,872	135,386
	972,800	1,023,836
Non-current Assets	93,877,979	93,652,922
Long-term Receivables	91,469,735	91,406,679
Securities and Derivative Financial Instruments (Note 5)		
Own portfolio	32,412,120	44,828,737
Subject to repurchase agreements	8,485,506	4,266,644
Pledged in guarantee	555,904	435,523
Deposits with the Brazilian Central Bank	1,834,916	1,695,333
	43,288,446	51,226,237
Interbank Accounts		
SFH - National Housing System (Note 6(b))	21,534,404	19,720,891
	21,534,404	19,720,891
Loan Operations (Note 7)		
Loans, bills discounted and financing	3,637,236	2,956,993
Real estate financing	20,877,252	16,006,679
Infrastructure and development financing	2,555,977	1,645,936
Allowance for loan losses (Note 7(f))	(2,278,321)	(2,077,374)
	24,792,144	18,532,234

Caixa Econômica Federal - CEF

Balance Sheet

At December 31

(in thousands of reais)

(continued)

Other Receivables		
Income receivable (Note 8(a))	444,995	331,761
Sundry (Note 8(b))	1,985,596	2,158,218
Provision for other losses (Note 8(c))	(575,850)	(595,886)
	1,854,741	1,894,093
Other Assets (Note 9)		
Prepaid expenses		33,224
		33,224
Permanent Assets	2,408,244	2,246,243
Investments		
Investments in subsidiary and associated companies	498,781	484,119
. Domestic (Note 10 (a))	485,915	464,377
. Foreign	12,866	19,742
Other investments	54,451	54,456
Provision for loss	(11,081)	(11,078)
	542,151	527,497
Property and Equipment (Note 10(b))		
Properties in use	186,790	209,510
Revaluations of properties in use	831,549	574,859
Other property and equipment in use	2,005,786	1,995,103
Accumulated depreciation	(1,454,450)	(1,303,911)
	1,569,675	1,475,561
Deferred Charges (Note 10(c))		
Organization and expansion costs	663,716	976,957
Accumulated amortization	(367,298)	(733,772)
	296,418	243,185
Total	209,532,836	188,677,661

Caixa Econômica Federal - CEF

Balance Sheet At December 31 (in thousands of reais)

(continued)

Liabilities and Stockholders' Equity	<u>2006</u>	<u>2005</u>
Current Liabilities	172.138.233	155.386.161
Deposits (Note 11)		
Demand deposits	8.638.277	6.937.756
Savings deposits	60.062.653	53.280.825
Interbank deposits		26.073
Time deposits	42.113.230	38.679.569
Special deposits and deposits of funds and programs (Note 11(b))	10.344.427	7.881.303
Other deposits	154.058	37.325
	<u>121.312.645</u>	<u>106.842.851</u>
Deposits Received Under Security Repurchase Agreements (Note 11)		
Own portfolio	24.466.291	22.574.022
Third party portfolio	9.145.755	7.003
Free portfolio		9.731.002
	<u>33.612.046</u>	<u>32.312.027</u>
Funds from Acceptances and Issue of Securities		
Mortgage notes (Note 12)		925.686
Real estate credit notes	177.646	199.192
	<u>177.646</u>	<u>1.124.878</u>
Interbank Accounts		
Receipts and payments pending settlement	62.692	51.272
Correspondent banks	1	26
	<u>62.693</u>	<u>51.298</u>
Interdepartmental Accounts		
Third party funds in transit	425.305	388.518
Internal transfers of funds	41.835	83.217
	<u>467.140</u>	<u>471.735</u>

Caixa Econômica Federal - CEF

Balance Sheet At December 31 (in thousands of reais)

(continued)

	<u>2006</u>	<u>2005</u>
Derivative Financial Instruments (Note 5(f))		
SWAP transactions	6.580	157.426
	6.580	157.426
Other Liabilities (Note 15)		
Collection and payment of taxes and social contributions	145.323	116.766
Foreign exchange portfolio	4.412	7.814
Social and statutory	1.644.200	736.994
Taxes and social security contributions (Note 15(a))	1.668.633	1.575.016
Negotiation and intermediation of securities	9.595	4.140
Funds with specific purposes: (Note 15(b))		
Lottery operations	358.467	348.081
Social funds and programs	1.601.383	1.461.499
Financial development funds	1.716.086	1.333.887
Sundry (Note 15(c))	9.351.384	8.841.749
	16.499.483	14.425.946
Non-current liabilities	37.394.603	33.291.500
Long-Term Liabilities	28.212.133	25.339.558
Deposits (Note 11)		
Time deposits	77.847	56.737
	77.847	56.737
Funds from Acceptances and Issue of Securities (Note 12)		
Mortgage notes	759.385	5.153.131
Real estate credit notes	5.864.667	3.716.482
	6.624.052	8.869.613
BORROWINGS (Note 13)		
Foreign borrowings	22.888	29.661
	22.888	29.661

Caixa Econômica Federal - CEF

Balance Sheet

At December 31

(in thousands of reais)

(continued)

Local Onlendings - Official Institutions (Note 14)

Federal Treasury	496.919	505.529
National Bank for Economic and Social Development (BNDES)	611.841	538.196
Government Severance Indemnity Fund for Employees (FGTS)	15.601.949	11.105.749
Other	336.071	249.767

17.046.780 **12.399.241**

Other liabilities (Note 15)

Taxes and social security contributions (Note 15(a))	202.564	127.645
Sundry (Note 15(c))	438.933	357.080
Subordinated debts eligible for capital (Note 15(d))	3.799.069	3.499.581

4.440.566 **3.984.306**

Stockholders' Equity (Note 16)

Capital - local residents	6.556.161	5.917.080
Revaluation reserve	623.548	389.599
Revenue reserves	541.852	416.666
Adjustment to market value - securities and derivative financial instruments	107.182	76.469
Retained earnings	1.353.727	1.152.128

9.182.470 **7.951.942**

Total

209.532.836 **188.677.661**

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

Caixa Econômica Federal - CEF

Statement of Income

(in thousands of reais)

(A free translation of the original in Portuguese)

	Six-month period ended December 31, 2006	Years ended December 31	
		2006	2005
Income from Financial Intermediation			
Loans	4,663,123	8,922,263	7,497,183
Securities	7,623,913	15,399,127	15,099,675
Derivative financial instruments	(308.471)	(392,569)	(239,895)
Foreign exchange, net	5,794	18,125	7,393
Compulsory deposits	2,202,139	4,032,579	3,648,491
	14,186,498	27,979,525	26,012,847
Expenses from Financial Intermediation			
Deposits and money market funding	(6.991.343)	(14,142,137)	(13,822,924)
Borrowings and onlendings	(878.341)	(1,592,898)	(1,283,229)
Allowance for loan losses (Note 7(f))	(636.105)	(1,136,907)	(980,040)
	(8,505,789)	(16,871,942)	(16,086,193)
Net Financial Intermediation Income	5.680.709	11,107,583	9,926,654
Other Operating Income (Expenses)			
Service fees (Note 19 (a))	2.848.707	5,594,725	5,166,384
Equity in the earnings of subsidiary and associated companies	135.131	177,917	140,300
Personnel expenses (Note 19 (b))	(3.199.292)	(6,244,151)	(5,584,780)
Other administrative expenses (Note 19 (b))	(2.328.750)	(4,477,935)	(4,155,057)
Taxes	(564,888)	(1,094,712)	(942,152)
Other operating income (Note 19 (c))	1.113.126	2,490,349	3,339,147
Other operating expenses (Note 19 (c))	(2.029.980)	(4,419,992)	(4,809,078)
	(4,025,946)	(7,973,799)	(6,845,236)
Net Operating Income	1.654.763	3,133,784	3,081,418
Non-Operating Expenses, Net	(98.153)	(95,435)	(29,650)
Profit Before Taxation and Profit Sharing	1.556.610	3,038,349	3,051,768

Caixa Econômica Federal - CEF

Statement of Income

(in thousands of reais)

(A free translation of the original in Portuguese)

Income Tax and Social Contribution on Net Income (Note 18(b))			
Income tax	(88,524)	(117,097)	(386.941)
Social contribution on net income	(23.126)	(30,275)	(100,242)
Deferred tax	(65,718)	(87,478)	(274.993)
	<u>(177,368)</u>	<u>(234,850)</u>	<u>(762.176)</u>
Profit Sharing (Note 19(h))	<u>(337.030)</u>	<u>(417,309)</u>	<u>(216,576)</u>
Net Income for the Six-month Period /Year	<u>1.042.212</u>	<u>2,386,190</u>	<u>2,073,016</u>

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

Caixa Econômica Federal - CEF

Statement of Changes in Stockholder's Equity

(in thousands of reais)

(A free translation of the original in Portuguese)

	<u>Capital</u>	<u>Capital Reserves</u>	<u>Revaluation Reserve</u>	<u>Revenue Reserves Legal and Other</u>	<u>Adjustment to Market Value</u>	<u>Retained Earnings</u>	<u>Total</u>
At June 30, 2006	5,917,080		383,853	513,748	55,651	1,485,066	8,355,398
Adjustments to market value - Securities and derivative financial instruments					51,531		51,531
Capital increase	639,081			(86,953)		(552,128)	
Reversal of reserves							
Tax effects on realization of revaluation reserve			(77,880)				(77,880)
Payment of taxes on revaluation reserve			(1,108)				(1,108)
Revaluation reserve in associated / subsidiary companies			(76)				(76)
Realization of reserves			(6,131)			6,131	
Recording of revaluation reserve			324,890				324,890
Interim dividend						293,376	293,376
Net income for the six-month period						1,042,212	1,042,212
Dividends distributed in prior years						(286,163)	(286,163)
Appropriations of net income: (Note 16)							
Legal reserve				52,111		(52,111)	
Lottery reserve				62,946		(62,946)	
Interest on own capital						(268,786)	(268,786)
Dividends						(250,924)	(250,924)
At December 31, 2005	6,556,161		623,548	541,852	107,182	1,353,727	9,182,470
At December 31, 2005	5,917,080		389,599	416,666	76,469	1,152,128	7,951,942
Adjustments to market value - Securities and derivative financial instruments					30,713		30,713
Capital increase	639,081			(86,953)		(552,128)	
Reversal of reserves							
Tax effects on realization of revaluation reserve			(74,919)				(74,919)
Payment of taxes on revaluation reserve			(1,108)			(2,974)	(4,082)
Revaluation reserve in associated / subsidiary companies			(76)				(76)
Realization of reserves			(14,838)			14,838	
Recording of revaluation reserve			324,890				324,890
Interim dividends							
Net income for the period						2,386,190	2,386,190
Dividends distributed in prior years						(286,163)	(286,163)
Appropriations of net income: (Note 16)							
Legal reserve				119,310		(119,310)	
Lottery reserve				92,829		(92,829)	
Interest on own capital						(589,901)	(589,901)
Dividends						(556,124)	(556,124)
At December 31, 2006	6,556,161		623,548	541,852	107,182	1,353,727	9,182,470

Caixa Econômica Federal - CEF

Statement of Changes in Stockholder's Equity

(in thousands of reais)

(continued)

At December 31, 2004	5,083,532	10	400,778	302,732	130,548	746,040	6,663,640
Adjustments to market value - Securities and derivative financial instruments					(54,079)		(54,079)
Capital increase	833,548	(10)		(87,498)		(746,040)	
Reversal of reserves			512				512
Tax effects on realization of revaluation reserve			5,951				5,951
Revaluation reserve in associated /subsidiary companies			(104)				(104)
Realization of reserves			(17,538)			17,538	
Net income for the period						2,073,016	2,073,016
Appropriations of net income: (Note 16)							
Legal reserve				114,479		(114,479)	
Lottery reserve				86,953		(86,953)	
Interest on own capital						(598,684)	(598,684)
Dividends						(138,310)	(138,310)
At December 31, 2005	<u>5,917,080</u>		<u>389,599</u>	<u>416,666</u>	<u>76,469</u>	<u>1,152,128</u>	<u>7,951,942</u>

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

Caixa Econômica Federal - CEF

Statement of Changes in Financial Position

(in thousands of reais)

(A free translation of the original in Portuguese)

	Six-month period ended December 31, 2006	Years ended December 31	
		2006	2005
Financial Resources Were Provided By:	14.173.495	26,054,068	43,994,108
Adjusted Net Income			
Net income	1.042.212	2,386,190	2,073,016
Depreciation and amortization	121.985	349,970	429,994
Equity in the earnings of subsidiary and associated companies	(135.131)	(177,917)	(140,300)
	1,029,066	2,558,243	2.362.710
Adjustments to market value - Securities and Derivative Financial Instruments	51.531	30,713	
Funds Originating From:	12.854.853	23,117,421	41,433,543
Increase In Liabilities			
Deposits	9.425.375	14,490,904	15,126,894
Deposits received under security repurchase agreements		1,300,019	18,261,249
Interbank accounts		11,395	
Interdepartmental accounts	270.475		61,475
Local onlendings - official institutions	2.090.763	4,647,539	972,788
Derivative financial instruments			85,490
Other liabilities	1.010.861	2,529,755	6,889,156
	12,797,474	22,979,612	41.397.052
Decrease In Current Assets And Long-Term Receivables			
Interbank accounts		53,549	
Interdepartmental accounts			36,491
Other assets	57.379	84,260	
	57,379	137,809	36.491
Sale of Assets and Investments:			
Investments	119.224	163,174	13,172
Property and equipment	118.821	184,517	184,683
	238,045	347,691	197.855
Financial Resources Were Used For:	13.710.643	25,274,455	43,758,955
Adjustment to Market Value - Securities and Derivative Financial Instruments			54,079

Caixa Econômica Federal - CEF

Statement of Changes in Financial Position

(in thousands of reais)

(A free translation of the original in Portuguese)

Investments In:			
Property and equipment	161,460	258,090	267,130
	161,460	258,090	267,130
Increase In Deferred Charges	120,972	177,800	112,930
Financial Resources Were Used For:	12,622,338	23,406,377	42,587,822
Increase in Current Assets and Long-Term Receivables			
Short-term interbank investments	1,564,335	7,127,760	5,488,020
Securities	1,885,072	220,018	20,626,638
Interbank accounts	2,068,209	4,255,314	5,041,158
Interdepartmental accounts	17,993	17,993	
Loan operations	3,621,854	7,797,167	7,859,056
Other receivables	114,541	633,118	1,611,409
Other assets			167,289
	9,272,004	20,051,370	40.793.570
Decrease in Liabilities			
Deposits received under security repurchase agreements	2,333,346		
Funds from acceptances and issue of securities	401,297	3,192,793	1,766,851
Interbank accounts	524,239		17,799
Interdepartmental accounts		4,595	
Borrowings	2,381	6,773	9,602
Derivative financial instruments			
	3,350,334	3,355,007	1.794.252
Prior-year Dividends	286,163	286,163	
Proposed Dividends	250,924	556,124	138,310
Interest On Own Capital	268,786	589,901	598,684
Increase in Cash and Cash Equivalents	462,852	779,613	235,153
Changes in Cash and Cash Equivalents			
At the beginning of the period/year	1,252,471	935,710	700,557
At the end of the period/year	1,715,323	1,715,323	935,710
Increase in Cash and Cash Equivalents	462,852	779,613	235,153

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

(A free translation of the original in Portuguese)

Caixa Econômica Federal - CEF

Notes to the Financial Statements at December 31, 2006 and 2005

In thousands of reais

1 Operations

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

Areas of activity

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

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

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

2 Presentation of the financial statements

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

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

Caixa Econômica Federal - CEF

Notes to the Financial Statements at December 31, 2006 and 2005

In thousands of reais

3 Significant accounting policies

The significant accounting policies are summarized as follows:

(a) Net Income

Net income is determined on the accrual basis of accounting.

(b) Current assets and long-term receivables

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

Securities - The Brazilian Central Bank, 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 purchased with the objective of being frequently and actively traded, and adjusted to market value with a contra entry to income or expense for the period.
- . Securities available for sale - Securities which are not considered as trading securities nor held to maturity. These securities are adjusted to market value with a contra entry to a separate account in stockholders' equity, denominated "Adjustment to market value - securities and derivative financial instruments", net of tax, when applicable. Gains and losses, when realized, are recorded as income or expense for the period.
- . Securities held to maturity - Securities which management intends and has the financial capacity to hold to maturity, and stated at cost of purchase plus accrued income.

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

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

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

Caixa Econômica Federal - CEF

Notes to the Financial Statements at December 31, 2006 and 2005

In thousands of reais

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

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

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

<u>Period in arrears</u>	<u>Classification of the customer</u>
. from 15 to 30 days	B
. from 31 to 60 days	C
. from 61 to 90 days	D
. from 91 to 120 days	E
. from 121 to 150 days	F
. from 151 to 180 days	G
. more than 180 days	H

The interest accrued on loans overdue up to 60 days is recorded as income from loans, and as from the 61st day as unearned income.

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

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Notes to the Financial Statements

at December 31, 2006 and 2005

In thousands of reais

(c) Tax credits

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

(d) Permanent Assets

Investments

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

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

Property and equipment

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

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

Deferred charges

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

(e) Current and long-term liabilities

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

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

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Notes to the Financial Statements at December 31, 2006 and 2005

In thousands of reais

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

(f) Contingent assets and liabilities

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

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

4 Short-term Interbank Investments

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

	<u>2006</u>	<u>2005</u>
Held position		
Financial Treasury Bills	587,736	
Federal Treasury Bills	4,936,080	
Federal Treasury Notes	2,696,192	
	<u>8,220,008</u>	
Financed position		
Financial Treasury Bills	546,347	7,003
Federal Treasury Bills	7,375,437	9,731,002
Federal Treasury Notes	723,973	
	<u>8,645,757</u>	<u>9,738,005</u>
	<u>16,865,765</u>	<u>9,738,005</u>

Caixa Econômica Federal - CEF

Notes to the Financial Statements at December 31, 2006 and 2005

In thousands of reais

5 Securities and derivative financial instruments

(a) Summary of the classification of securities and derivative financial instruments

Category	2006	2005
Trading securities	35,283,633	32,705,446
Securities available for sale	4,104,301	6,413,474
Securities held to maturity	54,276,997	54,279,237
Derivative financial instruments	15,595	62,351
	93,680,526	93,460,508

(b) Analysis of the securities portfolio

	2006	2005
OWN PORTFOLIO	66,808,525	68,661,233
Fixed income securities	66,420,162	68,296,257
Financial Treasury Bills	31,027,492	40,625,619
Federal Treasury Bills	18,537,008	16,694,927
National Treasury Notes	11,455,649	6,057,281
Brazilian Central Bank Notes		72,891
Financial Treasury Certificates	57,371	52,642
Securitized credits - CVS	5,226,635	4,726,984
Other securities	116,007	65,913
Shares in investment fund	376,982	348,687
Shares in real estate fund	11,381	16,289
SECURITIES SUBJECT TO COMMITMENTS	26,856,406	24,736,924
Securities subject to repurchase agreements	24,465,506	22,603,266
Financial Treasury Bills	23,589,961	22,603,266
National Treasury Bills	875,545	
Deposits with the Brazilian Central Bank	1,834,916	1,695,333
Federal Treasury Notes	1,834,916	1,695,333
Pledged in guarantee	555,984	438,325
Federal Treasury Notes	442,500	438,325
Financial Treasury Bills	113,484	
DERIVATIVE FINANCIAL INSTRUMENTS	15,595	62,351
	93,680,526	93,460,508

Caixa Econômica Federal - CEF

Notes to the Financial Statements

at December 31, 2006 and 2005

In thousands of reais

(c) Consolidated classification by categories and maturities

Securities	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Book Value	Cost plus accrued income	Market value
TRADING SECURITIES	11,306,139	18,290,307	4,040,270	1,646,917	35,283,633	34,604,500	35,283,633
Financial Treasury Bills	1,966,100	7,101,566			9,067,666	9,012,018	9,067,666
Federal Treasury Bills	9,194,374	10,218,179			19,412,553	19,056,585	19,412,553
National Treasury Notes	145,665	970,562	4,040,270	1,630,414	6,786,911	6,519,954	6,786,911
Petrobrás debentures				5,123	5,123	4,563	5,123
Shares in real estate fund				11,380	11,380	11,380	11,380
SECURITIES AVAILABLE FOR SALE	1,423,555	885,817	430,639	1,364,290	4,104,301	3,942,039	4,104,301
Financial Treasury Bills	1,422,377	292,539		337,639	2,052,555	2,026,747	2,052,555
Federal Treasury Bills		593,278	430,639	482,593	1,506,510	1,370,606	1,506,510
CFT				57,371	57,371	63,607	57,371
TDA	17			223	240	204	240
Petrobrás Debentures				109,482	109,482	102,726	109,482
State Government securities	1,161				1,161	1,167	1,161
Shares in investment fund - FND				376,982	376,982	376,982	376,982
SECURITIES HELD TO MATURITY	13,669,297	31,732,414	3,642,687	5,232,599	54,276,997	54,276,997	53,835,431
Financial Treasury Bills	11,909,708	28,058,323	3,642,687		43,610,718	43,610,718	43,852,831
Federal							
Treasury Notes	1,759,589	3,674,091		5,964	5,439,644	5,439,644	5,611,869
CVS				5,226,635	5,226,635	5,226,635	4,370,731
DERIVATIVE FINANCIAL INSTRUMENTS	15,595				15,595	15,595	15,595
Total - 2006	<u>26,414,586</u>	<u>50,908,538</u>	<u>8,113,596</u>	<u>8,243,806</u>	<u>93,680,526</u>	<u>92,839,131</u>	<u>93,238,960</u>
Total - 2005	<u>22,266,006</u>	<u>48,674,650</u>	<u>16,562,878</u>	<u>5,956,974</u>	<u>93,460,508</u>	<u>93,070,536</u>	<u>91,791,276</u>

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Notes to the Financial Statements at December 31, 2006 and 2005

In thousands of reais

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

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

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

Securities available for sale	Opening balance	Positive adjustment	Negative adjustment	Net adjustment to stockholders' equity	Balance in stockholders' equity
Financial Treasury Bills	62,251		36,442	(36,442)	25,809
Federal Treasury Notes	53,819	82,280		82,280	136,099
Brazilian Central Bank Notes	1,614	2,954	4,568	(1,614)	
Petrobrás debentures	5,507	1,249		1,249	6,756
State Government securities	(79)	73		73	(6)
Agricultural debt securities	19	17		17	36
CFT	(8,698)	2,418		2,418	(6,280)
CVS	1,433		1,433	(1,433)	
Adjustments in associated companies	(2)		10	(10)	(12)
	115,864	88,991	42,453	46,538	162,402
Taxes on the market value adjustment	(39,395)		15,825	(15,825)	(55,220)
	76,469	88,991	58,278	30,713	107,182

Securities with foreign exchange variations and the derivative financial instruments (swaps) related to them, classified in category II - Securities available for sale, as a result of their market risk hedge characteristics, had their adjustments to market value recorded as income for the six-month period, in the amount of R\$ 544.

(e) Derivative Financial Instruments

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

Caixa Econômica Federal - CEF

Notes to the Financial Statements at **December 31**, 2006 and 2005 in thousands of reais

DERIVATIVES	2006	2005
Futures contracts (DI)	9,594	4,140
Purchase commitments	9,594	4,140

Swap derivative instruments are used to hedge own positions of Federal Government Securities indexed to foreign exchange variations against price oscillations and foreign exchange fluctuations.

The hedging strategies of the balance sheet positions are in line with the macroeconomic analyses.

The operations of CAIXA with derivative financial instruments are classified as "Market Risk Hedge" in accordance with Brazilian Central Bank Circular 3082/02.

The last positions of *hedge* contracts existing during the year fell due in October 2006.

The guarantee margin on transactions with derivative financial instruments required at December 31, 2006 amounts to R\$ 555,904, represented by Federal Treasury Notes maturing on December 16, 2009.

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

The market risk is the possibility of loss caused by the impact of fluctuations of prices, indices 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).

Credit risk is the possibility of loss arising from default by the counterparty of any financial instruments, which are recorded in one company's assets, with a resulting lack of receipt by the other party. It is the risk of loss due to changes in the counterparty's capacity to perform the contractual obligations to the creditor. The credit risk exposure in futures contracts is minimized due to the daily cash adjustments. Swap contracts registered with CETIP and BM&F are subject to credit risk if the counterparty does not have the capacity or is not willing to perform its contractual obligations. The total credit exposure in swaps at December 31, 2006 is R\$ 197,330 (2005 - R\$ 348,371).

Operational risk is the possibility of loss arising from shortcomings 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 valuing and measuring the market value of derivative financial instruments uses as a parameter the net probable realizable value obtained through the use of curves of future values of interest rates, foreign exchange rates, price indexes and currencies, disclosed by BM&F, ANDIMA and the Brazilian Central Bank.

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

The positions of these derivatives, which refer to swap contracts, have their notional amounts recorded in memorandum accounts and the adjustments in balance sheet accounts. The notional amount of these transactions at December 31, 2006 is R\$ 10,977,448 (2005 - R\$ 21,378,843). The differential payable at this date amounts to R\$ 6,580 (2005 - R\$ 157,426) and the differential receivable to R\$ 15,595 (2005 - R\$ 62,351).

(f) Securities held to maturity

Resolution 3.181/04 establishes, in its article 1, that sales of Federal Government Securities classified as securities held to maturity simultaneously with the purchase of new securities of the same nature, with a longer maturity and in an amount equal to or higher than that of the securities sold, do not imply any change in the financial institution's intention as to their classification in this category.

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

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

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

Caixa Econômica Federal - CEF

Notes to the Financial Statements at December 31, 2006 and 2005 In thousands of reais

6 Interbank accounts - restricted deposits

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

	<u>2006</u>	<u>2005</u>
On demand deposits	2,251,770	2,063,558
On savings deposits	11,860,069	10,567,175
Additional requirement	<u>7,726,656</u>	<u>6,804,120</u>
	<u>21,838,495</u>	<u>19,434,853</u>

- (b) The "National Housing System - SFH" account includes predominantly the residual amounts of terminated contracts to be reimbursed by the FCVS, totaling R\$ 25,423,825, and provisions of R\$ 4,146,788, as per the following table, which are in the process of renewal with the Fund. These contracts currently accrue interest of up to 6.17% a year and are updated monetarily according to the Referential Interest Rate (TR). The effective realization of these credits depends on adherence to a set of rules and procedures defined in regulations issued by the FCVS. CAIXA's management has implemented a process for analyzing and checking the conditions and details of these contracts as to their qualifying under the rules and procedures, which justified the establishment of criteria to estimate the probable losses arising from contracts that do not meet the rules and procedures defined by the FCVS.

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

<u>Contracts status</u>	<u>Balance</u>	<u>Provision</u>
Not qualified (i)	2,379,164	(643,435)
Qualified and not approved (ii)	5,416,187	(2,783,379)
Qualified and approved (iii)	17,628,474	(719,974)
Total 2006	25,423,825	(4,146,788)
Total 2005	23,673,958	(4,117,196)

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

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

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

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

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Notes to the Financial Statements at December 31, 2006 and 2005 In thousands of reais

7 Loan portfolio

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

Description	2006	2005
Loans, bills discounted and financing	17,020,008	15,341,645
Real estate financing	26,112,667	20,207,794
Infrastructure and development financing	2,555,977	1,645,936
Other receivables	1,574,965	1,358,033
	47,263,617	38,553,408

(b) Analysis of loans by sector of activity

Description	2006	%	2005	%
FEDERAL GOVERNMENT	1,051,261	2.22	1,014,856	2.64
Government - Direct and indirect administration	1,046,462	2.21	1,012,720	2.63
Business activities	4,799	0.01	2,136	0.01
Industry	577		311	
Commerce	2,863	0.01	1,263	0.01
Other services	1,359		562	
STATE GOVERNMENT	1,930,122	4.08	1,284,924	3.33
Government - Direct and indirect administration	1,087,656	2.30	776,021	2.01
Business activities	842,466	1.78	508,903	1.32
Industry	823,686	1.74	486,889	1.27
Financial intermediaries	13,802	0.03	13,107	0.03
Other services	4,978	0.01	8,907	0.02
MUNICIPAL GOVERNMENT	382,573	0.81	243,356	0.63
Government - Direct and indirect administration	315,374	0.67	193,828	0.50
Business activities	67,199	0.14	49,528	0.13
Industry	65,069	0.14	48,475	0.13
Other services	2,130		1,053	
PRIVATE SECTOR	43,899,661	92.89	36,010,272	93.40
Rural	7,682	0.02	6,373	0.02
Industry	651,507	1.38	474,149	1.23
Commerce	1,528,736	3.23	1,167,534	3.03
Financial intermediaries	303,218	0.64	303,165	0.79
Other services	6,031,668	12.76	5,260,465	13.64
Individuals	10,341,574	21.88	9,609,806	24.93
Housing - Individuals/Companies	25,035,276	52.98	19,188,780	49.76
	47,263,617	100.00	38,553,408	100.00

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(c) Concentration of the main debtors

	<u>2006</u>	<u>% of the portfolio</u>	<u>2005</u>	<u>% of the portfolio</u>
Main debtor (*)	691,555	1.46	689,580	1.79
10 largest debtors	2,897,352	6.13	2,215,411	5.74
20 largest debtors	3,650,860	7.72	2,666,058	6.91
50 largest debtors	4,350,721	9.21	3,097,758	8.03
100 largest debtors	4,628,709	9.79	3,317,740	8.60

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

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

	<u>2006</u>		<u>2005</u>	
	<u>Public sector</u>	<u>Private sector</u>	<u>Total</u>	<u>Total</u>
Current		16,436,962	16,436,962	14,934,207
From 0 to 90 days		6,871,267	6,871,267	5,876,214
From 91 to 360 days		9,565,695	9,565,695	9,057,993
Long-term	3,363,956	25,279,138	28,643,094	21,966,920
From 1 year to 3 years	511,270	13,927,270	14,438,540	11,704,032
From 3 years to 5 years	544,841	7,079,711	7,624,552	5,795,556
From 5 years to 15 years	825,164	3,765,227	4,590,391	3,917,148
Over 15 years	1,482,681	506,930	1,989,611	550,184
Total normal	3,363,956	41,716,100	45,080,056	36,901,127
Total overdue		2,183,561	2,183,561	1,652,281
Total	3,363,956	43,899,661	47,263,617	38,553,408

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

<u>Risk level</u>	<u>Loans and bills discounted</u>	<u>Financing</u>	<u>Financing for real estate, Infrastructure and development</u>	<u>Other receivables</u>	<u>Total in 2006</u>	<u>%</u>	<u>Total in 2005</u>	<u>%</u>
AA	772,724	692,370	889,139	333	2,354,566	4.98	2,095,593	5.44
A	6,718,225	1,168,819	12,571,356	125,946	20,584,346	43.55	15,150,104	39.30
B	1,881,696	753,612	4,286,356	553,543	7,475,207	15.82	5,506,410	14.28
C	1,729,313	175,417	7,067,910	105,656	9,078,296	19.21	6,451,119	16.73
D	901,988	147,498	1,419,786	379,418	2,848,690	6.03	5,123,043	13.29
E	245,266	88,190	242,983	59,657	636,096	1.35	847,859	2.20
F	130,108	72,454	152,485	10,241	365,288	0.77	418,117	1.08
G	306,360	62,785	132,017	1,117	502,279	1.06	324,272	0.84
H	748,874	424,309	1,906,612	339,054	3,418,849	7.23	2,636,891	6.84
	13,434,554	3,585,454	28,668,644	1,574,965	47,263,617	100.00	38,553,408	100.00

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

<u>Risk Level</u>	<u>Loans and bills discounted</u>	<u>Financing</u>	<u>Financing for real estate, Infrastructure and development</u>	<u>Other receivables</u>	<u>Total in 2006</u>	<u>%</u>	<u>Total in 2005</u>	<u>%</u>
A - 0.5	33,591	5,844	62,856	629	102,920	2.11	75,751	1.82
B - 1.0	18,816	7,536	42,862	5,535	74,749	1.53	55,064	1.32
C - 3.0	51,879	5,262	212,036	3,169	272,346	5.58	193,534	4.65
D - 10.0	90,174	14,749	142,038	37,924	284,885	5.84	512,304	12.30
E - 30.0	73,579	26,456	72,894	17,897	190,826	3.91	254,358	6.11
F - 50.0	65,054	36,226	76,242	5,120	182,642	3.74	209,058	5.02
G - 70.0	214,452	43,949	92,411	781	351,593	7.21	226,990	5.45
H - 100.0	748,874	424,309	1,906,610	339,054	3,418,847	70.08	2,636,891	63.33
	1,296,419	564,331	2,607,949	410,109	4,878,808	100.00	4,163,950	100.00

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

	<u>2006</u>	<u>2005</u>
Opening balance - December 2005/2004	4,163,950	3,836,656
Additional allowances	1,136,907	980,040
Loans transferred to loss for the year	<u>(422,049)</u>	<u>(652,746)</u>
	<u>4,878,808</u>	<u>4,163,950</u>

(h) Loans renegotiated, written off and recovered

	<u>2006</u>	<u>2005</u>
Loans renegotiated	1,290,401	1,064,730
Loans written off and recovered	404,673	591,262

8 Other receivables

(a) Income receivable

Income receivable refers to amounts receivable for services rendered.

	<u>2006</u>	<u>2005</u>
Dividends and interest on own capital receivable from the National Development Fund (FND)	444,995	331,761
FGTS	154,962	148,732
Unemployment insurance	46,967	55,493
General Federal Government Budget	209,027	180,887
INSS	50,392	77,860
Social Register	36,997	141,733
Family allowance	14,566	89,441
EMGEA - Empresa Gestora de Ativos	28,715	28,481
School grant program	9,843	9,838
PIS	33,100	87,413
FIES	35,095	37,494
Others	<u>64,340</u>	<u>37,090</u>
	<u>1,128,999</u>	<u>1,226,223</u>

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at December 31, 2006 and 2005

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(b) Sundries

	<u>2006</u>	<u>2005</u>
Advances	302,354	613,009
Tax credits (Note 18)	1,303,421	1,390,900
Receivables from guarantee deposits	2,804,022	2,065,125
Taxes and contributions to offset	96,043	88,264
Payments to be reimbursed	23,472	29,916
Prepaid profit sharing (Note 16 (e))	999,389	565,413
Other receivables with loan characteristics	1,560,410	1,348,221
Receivables from sale of assets and rights	16,444	24,475
Securities and credits receivable	1,543,966	1,323,745
Amounts receivable - Bamerindus (iii)	302,941	302,941
Credit cards	987,875	763,311
Government of the State of Bahia - EMBASA (ii)	250,340	254,684
Other securities and credits receivable	2,810	2,810
Other receivables without loan characteristics	918,364	538,732
Securities and credits receivable	918,364	538,732
Government of the State of Pernambuco - COMPESA (i)	241,885	241,885
Credit cards	25,652	48,049
Provisioning fund - VISANET	35,897	
PAMS and Saúde CAIXA Health Care Plan (vi)	614,930	248,798
Sundry debtors	714,543	1,343,257
Amounts to allocate - Loans and financing (iv)	413,948	1,024,447
Insurance receivable	132,031	140,193
Other debtors	53,541	76,105
Credits purchased	115,023	102,512
Provision for losses - Sundry (v)	(195,466)	(198,527)
	<u>8,526,552</u>	<u>7,784,310</u>

- (i) Advance of privatization funds to the Government of the State of Pernambuco (COMPESA), which is fully provided.
- (ii) Debt confession contract with the Government of the State of Bahia (EMBASA), with agreement for the rescission of the purchase and sale of shares, resulting in the reclassification of the transaction from "Other receivables with loan characteristics" to "Other receivables without loan characteristics".
- (iii) Credits with the bankrupt estate of Banco Bamerindus, originating preponderantly from the acquisition of real estate credits, which are fully provided.
- (iv) Mainly amounts recorded as debits to real estate financing, not classified by the SIACI - Sistema de Controle de Financiamentos, being identified for allocation to the corresponding contracts. These amounts relate to credits of the same nature, explained in Note 15(c).

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- (v) Mainly the provision for definitive net loss and indemnity claims for housing financing.
- (vi) Amounts paid by CAIXA to those accredited under the CAIXA Healthcare Plan (SAÚDE CAIXA), as a result of discussions of the criteria for classification and of the implementation of a new specific system to control this plan.

(c) Provision for loss of other receivables

In accordance with BACEN Circular 3048/02, securities and credits receivable are classified as "with loan characteristics" - R\$ 410,109 (2005 - R\$ 391,360) and "without loan characteristics", R\$ 241,885 (2005 - R\$ 241,885).

	<u>2006</u>	<u>2005</u>
Provision with loan characteristics	410,109	391,360
CARD	79,324	45,993
EMBASA	25,034	25,468
BAMERINDUS	302,941	302,941
UNIMAR	2,810	2,863
DEBTORS		14,095
Provision without loan characteristics	241,885	241,885
COMPESA	241,885	241,885
	<u>651,994</u>	<u>633,245</u>

9 Other assets

- (i) The assets not in use mainly refer to adjudicated properties, properties received as payments in kind for loans and also properties no longer used in CAIXA's own operations. The provision for loss of these properties is recorded based on an appraisal report prepared by specialized companies.
- (ii) The amount relating to "Prepaid expenses" - R\$ 61,872 (2005 - R\$ 168,610) refers mainly to goodwill on the purchase of INSS consignment credits of R\$ 28,075 (2005 - R\$ 115,235), updated on the basis of the maturity of the credits purchased, in up to 35 months, and R\$ 33,224 (2005 - R\$ 53,158) of advertising and publicity costs for the 2007 Pan-American Games.

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10 Permanent assets

(a) Investments

The investments in subsidiaries substantially relate to CAIXA SEGUROS S.A. and are recorded on the equity method of accounting. The main details of the investee and investment at December 31, 2006 are presented as follows:

	<u>2006</u>	<u>2005</u>
Investee		
Stockholders' equity (A)	1,138,615	1,137,845
Capital	400,000	360,000
Capital increase under approval	200,000	40,000
Number of shares (B)	16,930,108	16,930,108
Retained earnings	271,733	361,367
Revaluation reserve/retained earnings	247	406
Unrealized gains and losses with securities	(24)	(5)
Goodwill reserve	130,630	174,539
Net income for the period	136,029	389,293
Book value per share (A/B)- R\$	67,25	67,21
Investment		
Number of shares held	8,161,426	8,161,426
Shareholding interest (%)	48,20658	48,20658
Book value of the investment	485,915	464,377
Equity in earnings	184,425	97,154
Dividends proposed	163,201	42,106
Interest on own capital received	43,265	45,796
Total of investments in associated companies	<u>485,915</u>	<u>464,377</u>

(b) Property and equipment in use

			<u>2006</u>	<u>2005</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>	<u>Net</u>
Properties in use	1,018,339	(7,077)	1,011,262	707,095
- Buildings	116,186	(1,520)	114,666	118,554
- Revaluation of buildings	601,332	(5,557)	595,775	375,425
- Land	70,604		70,604	71,494
- Revaluation of land	230,217		230,217	141,622
Construction in progress	3,463		3,463	168,044
Furniture, installations and equipment in use	419,155	(265,231)	153,924	189,501
Communications system	54,878	(39,144)	15,734	16,777
Data processing system	1,441,905	(1,100,516)	341,389	345,057
Transport and security system	86,385	(42,482)	43,903	49,087
	<u>3,024,125</u>	<u>(1,454,450)</u>	<u>1,569,675</u>	<u>1,475,561</u>

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Based on the option provided in BACEN Circular 2824/98, CAIXA adopts the procedure of revaluing property in use. Accordingly, following the rules of this Circular, the properties previously revalued in December 2002 were revalued in December 2006 with a consequent increase of R\$ 330.447 in permanent assets and of R\$ 248,217 in stockholders' equity, net of the provision for taxes.

(c) Deferred charges

	<u>2006</u>	<u>2005</u>
Expenses with leasehold properties	260,358	239,261
Expenses with logistical projects	291,701	622,128
Improvements to own properties	111,657	115,568
Accumulated amortization	<u>(367,298)</u>	<u>(733,772)</u>
	<u>296,418</u>	<u>243,185</u>

(d) Compliance with the capitalization ratio

The capitalization ratio is 19.75% and CAIXA is therefore in compliance with the limits defined by National Monetary Council (CMN) Resolution 2669/99, which establishes the limit of 50% as from December 31, 2002.

11 Deposits and deposits received under security repurchase agreements

- (a) Time deposits include judicial deposits totaling R\$ 28,065,249 (2005 - R\$ 26,028,036), which are remunerated based on the Referential Interest Rate (TR). They also include deposits in CDB FLEX, of R\$ 12,245,768 which, despite of having a maturity of over 360 days, are classified as having no maturity since they have the option of early redemption. The judicial deposits of a labor and state government nature also incur interest of 6% p.a. The deposits are distributed as follows:

Deposits					<u>2006</u>	<u>2005</u>
	<u>Demand</u>	<u>Time</u>	<u>Savings</u>	<u>Others</u>	<u>Total</u>	<u>Total</u>
Current	8,638,277	42,113,230	60,062,653	154,058	110,968,218	98,961,548
No maturity	8,638,277	40,311,018	60,062,653	154,058	109,166,006	96,974,087
From 31 to 90 days		1,341,412			1,341,412	1,213,263
From 91 to 360 days		460,800			460,800	774,198
Long-term		77,847			77,847	56,737
	<u>8,638,277</u>	<u>42,191,077</u>	<u>60,062,653</u>	<u>154,058</u>	<u>111,046,065</u>	<u>99,018,285</u>

The deposits received under security repurchase agreements of R\$ 33,612,046 (2005 - R\$ 32,312,027), are guaranteed by federal government securities, and these transactions are carried out in the short term.

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- (b) The special deposits and deposits of funds and programs comprise those of the Fundo de Garantia do Tempo de Serviço - FGTS and of other funds and programs. The FGTS deposits are restated by the SELIC rate and the other deposits in accordance with Resolutions 279 and 295 of the FGTS Trustee Council, of February 17 and August 26, 1998, and the others - Special remunerated deposits, FAS, FISANE and PRODEC, are restated by the TR. The PIS deposits are updated based on a rate calculated by BACEN.

	2006	2005
Deposits - FGTS	4,772,664	3,684,633
Deposits - Special with remuneration	810,163	844,646
Deposits - FAS	8,382	2,766
Deposits - FAT (*)	3,680,569	2,666,893
Deposits - FISANE	251,860	221,953
Deposits - PRODEC	31,590	29,176
Deposits - PIS	89,891	73,004
Deposits - FIEL	43,374	39,992
CAIXA Health Care Program	557,970	230,885
Others	97,964	87,355
	10,344,427	7,881,303

(*) 74.48% of the resources of the Fund for Workers' Assistance (FAT) is intended for the Program for Generating Employment and Income (PROGER), in the amount of R\$ 2,741,105, 21.95% for Housing, in the amount of R\$ 807,940, and 3.57% for Other Lines of Credit (Digital Inclusion and BCD - Durable Consumer Goods and infrastructure), in the amount of R\$ 131,524. The resources free for investment, updated on the basis of the SELIC rate, in the amount of R\$ 760,949, correspond to 20.67% of the total resources. The balance of the resources invested, of R\$ 2,919,620, equivalent to 79.33% of the total of funds, is updated by the TJLP.

12 Funds from Acceptances and Issue of Securities

Paper	Index	Minimum redemption term				Balance in 2006	Balance in 2005
		3 months	12 months	3 years	years		
LH	IGPM			8,750	387,740	396,490	1,070,467
LH	INPC				8,624	8,624	223,306
LH	TR			169,926	184,456	354,382	4,785,044
LCI	IGPM	4,055	1,845	24,214	11,864	41,978	124,726
LCI	INPC	12,873	88,567		28,286	129,726	164,643
LCI	TR	4,806	65,500	5,800,192		5,870,498	3,626,305
		21,734	155,912	6,003,082	620,970	6,801,698	9,994,491

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

The issues in TR (including all original transactions with and without swap, weighted in accordance with the updated balance) also incur average interest of 7.6% per annum and have a minimum redemption term of three months.

The issues in IGP-M and INPC also incur average interest of 10.81% and 10.94% per annum, respectively, and have a minimum redemption term of three months.

The issues of LCIs indexed to the IGP-M and INPC also incur average interest of 10.92% and 10.82% per annum, respectively, and have a minimum redemption term of three months.

13 Borrowings

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

14 Local onlendings - Official institutions

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

	<u>2006</u>	<u>2005</u>
FGTS	15,601,949	11,105,749
BNDES	611,841	538,196
UNIÃO	24,008	22,376
PIS	493,736	483,153
INCRA	216,732	190,931
PRODEC	15,801	15,473
Other institutions	82,713	43,363
	<u>17,046,780</u>	<u>12,399,241</u>

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15 Other liabilities

(a) Taxes and social security

	<u>2006</u>	<u>2005</u>
Taxes and contributions on profits	61,908	123,654
Income tax		23,787
Social contribution on net income		2,281
COFINS	53,955	84,120
PASEP	7,953	13,466
Taxes and contributions payable	165,069	254,622
On salaries	156,665	153,883
On services	8,325	100,616
Others	79	123
Deferred taxes and contributions	488,784	240,922
Income tax (IR) on revaluation reserve - Buildings	148,944	93,856
Social contribution (CS) on revaluation reserve - Buildings	53,620	33,788
IR on adjustments to market value - Securities available for sale	40,604	28,967
CS on adjustments to market value - Securities available for sale	14,617	10,428
IR on adjustments to market value - Trading securities	169,852	54,326
CS on adjustments to market value - Trading securities	61,147	19,557
Provision for tax risks (Note 20 (c))	1,155,436	1,083,463
PASEP	644,666	621,097
INSS	222,347	216,975
ISS	218,353	204,344
Others	70,070	41,047
	<u>1,871,197</u>	<u>1,702,661</u>

(b) Funds with specific purposes

	<u>2006</u>	<u>2005</u>
Lottery operations	358,467	348,081
Social funds and programs	1,601,383	1,461,499
FGTS	840,789	526,350
FISANE	20,065	28,624
School grants	2,257	93,408
Gas allowance	6,663	92,910
Food supplement	1,036	23,768
Housing Subsidy Program (PSH)	341,446	308,756
Family allowance	270,654	309,245
Income allowance	15,326	13,288
Others funds and programs	103,147	65,150
Financial development funds	1,716,086	1,333,887
PIS	1,418,126	1,267,952
Others	297,960	65,935
	<u>3,675,936</u>	<u>3,143,467</u>

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(c) Sundry

	<u>2006</u>	<u>2005</u>
Contributions to the SFH	19,081	17,996
Official agreements	60,371	32,523
Accrued expenses	1,014,603	934,755
Personnel expenses	804,622	761,405
FUNCEF (Note 21 (a))	1,297	79,232
Other administrative expenses	5,728	3,923
Other payments	202,956	90,195
Provision for contingent liabilities	4,442,786	3,863,895
PREVHAB - Technical reserves (2)	438,933	357,080
Provision for contingencies (Note 20 (a))	4,003,853	3,506,815
Labor	1,375,150	1,399,536
Lawsuits	2,255,811	1,796,922
Others	372,892	310,357
Post-employment benefits (1)	688,194	661,318
Real estate financing	135,891	
Funds linked to loans (3)	55,454	120,927
FGTS funds for amortizations	1,681	1,841
Capital subscriptions payable		1,309
Sundry creditors - overseas	514	318
Sundry creditors - Brazil	3,371,742	3,563,947
FGTS - Amounts to reimburse	71,890	
Credit cards	1,050,603	821,042
Accounts payable	195,271	582,781
EMGEA - Empresa Gestora de (4)	303,879	360,034
Credits acquired	441,408	426,093
Amounts to allocate - Loans and financing (Note 8 (b)(iv))	610,996	1,185,502
Other sundry creditors	697,695	188,495
	<u>9,790,317</u>	<u>9,198,829</u>

(1) Post-employment benefit

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

(2) PREVHAB - Technical reserves

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

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

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

Of the 2,772 retired members and beneficiaries of PREVHAB, 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, relating to the mathematical reserves appraised and positioned on October 1, 1998, and restated to R\$ 784,655 as of June 2002, including provisions for lawsuits.

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

As a result of the cancellation of this contract, the total guaranteeing resources of the Special Benefit Plan were transferred by CAIXA SEGUROS to CAIXA, and to avoid a lapse in the payment of the complementary benefits to the participants of that plan, payment of the benefits was authorized by the Department of Complementary Pensions (SPC), through Notice 2099/SPC/CGAJ, of December 13, 2002. Payment was authorized on an exceptional basis, from November 2002 until the implementation of the necessary conditions for FUNCEF to be able to administer the plan(s) to be instituted for this group of participants, at which time a provision was recorded for the payments to the retired members and beneficiaries until the full adherence thereof to the existing plans or those to be instituted at FUNCEF.

As from April 15, 2003, the process for transferring retired members and beneficiaries from PREVHAB to FUNCEF was launched, through adherence to the Benefit Plan (REB), and up to the present moment 2,070 members have now been transferred to that entity.

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

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(3) Funds linked to loans

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

(4) EMGEA - Empresa Gestora de Ativos

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

(d) Subordinated debts eligible for capital

Under National Monetary Council - CMN Resolution nº 2837/01, part of the existing debt relating to CAIXA's loan obligations with the Government Severance Indemnity Fund for Employees (FGTS) was converted into subordinated debt, which is included in the referential equity used in the calculation of the Basel limits. This transaction was approved by the Brazilian Central Bank in October 2005 and totals R\$ 3,439,717 of principal of R\$ 359,352 of price-level restatement at December 31, 2006. The return of the debt thus contracted will start on March 20, 2013. The grace period of 88 (eighty eight) months for payment of the subordinated debt will be extended until February 20, 2013, and will be automatically extended should the CAIXA not comply with the minimum capitalization required by the current legislation, as from March 20, 2013, or in the case of the payment itself resulting in noncompliance. The total amount of debt, during the grace or noncompliance periods, will incur monetary restatement and interest capitalized monthly at the rate of 6.125%, corresponding to the effective rate of 6.300% p.a., equivalent to the average rate considered in the agreements in effect.

16 Stockholders' equity

(a) Capital

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

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

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

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A – Reference stockholders' equity - Tier I		8,130,699
Stockholders' equity	9,182,470	
Revaluation reserves	(623,548)	
Tax credits - Resolution 3059 - after 5 years	(428,223)	
B – Reference stockholders' equity - Tier II		4,063,265
Revaluation reserves	623,548	
Subordinated debts eligible to capital	3,439,717	
C - Required stockholders' equity (PLE)		5,303,816
Reduced risk - 20%		560,905
Reduced risk - 50%		1,484,285
Normal risk - 100%		2,720,746
Tax credits - 300%		288,815
Swap credit risk		39,466
Market risk - Interest rate		209,599
D - Sufficiency (A + B - C)		6,890,148
E -Classification index [(A+B)*11/C]		25.29%

(c) Revaluation reserves

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

(d) Revenue reserves

The revenue reserves comprise a legal reserve calculated at 5% of the annual net income, and a reserve for incorporation as capital arising from the income from the management of lotteries, equivalent in 2006 to R\$ 119,310 (2005 - R\$ 114,479) and R\$ 92,829 (2005 - R\$ 86,953), respectively.

(e) Dividends and interest on own capital

The Federal Government is guaranteed a minimum dividend of 25% of adjusted net income in accordance with Decree 2673, dated July 16, 1998. During the year ended December 31, 2006, dividends of R\$ 1,146,025 (2005 - R\$ 1,066,140) have been distributed, equivalent to 52% of the net income for the year, of which R\$ 556,124 (2005 - R\$ 467,456) in dividends and R\$ 589,901 (2005 - R\$ 598,684) as interest on own capital, calculated on net equity based on the Long-Term Interest Rate (TJLP), as provided for in article 9 of Law 9249 of December 26, 1995. This latter amount, which is considered a tax-deductible expense, reduced corporate income tax and social contribution on net income expense by approximately R\$ 200,566 in the year (2005 - R\$ 203,553). The Federal Government received interim dividends in the year ended December 31, 2006 of R\$ 919,691, updated by the SELIC interest rate, totaling R\$ 999,389.

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The amount of R\$ 286,163 of principal and R\$ 42,983 of monetary restatement using the SELIC rate was provided, totaling R\$ 329,146, relating to dividends for 2005, to be transferred to the Federal Government.

	<u>2006</u>
Net income	2,386,190
Legal reserve	(119,310)
Realization of the revaluation reserve	11,864
Lottery reserve	(92,829)
Basis for the calculation of the dividends	2,185,915
Dividends proposed - 52%	1,146,025
Interest on own capital - 2006	589,901
Supplementary dividends - 2006	556,124
Prior-year dividends - 2005	329,146
Dividends for 2005	286,163
Monetary restatement	42,983

17 Remuneration Paid to Employees and Management

The remuneration paid to employees and management is shown below, without the payments disallowed referred to in Decree-Law N° 2355/87 and Law N° 8852/94.

<u>December 2006 remuneration</u>	<u>Management</u>	<u>Employees</u>
Highest	22,637.00	14,876.00
Average	20,579.00	4,094.00
Lowest	17,149.00	808.00

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

(a) Tax credits

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

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

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- CSLL credits relating to accumulated losses and temporary differences determined as from 1999.

The tax credits recorded amount to R\$ 6,951,393 (2005 - R\$ 6,674,731) for IRPJ and R\$ 1,869,081 (2005 - R\$ 1,783,134) for CSLL, totaling R\$ 8,820,474 (2005 - R\$ 8,457,864). As a result of studies with respect to the realization of the tax credits in the next following tax years, management decided to record valuation allowances of R\$ 7,517,053 (2005 - R\$ 7,066,965) resulting in total tax credits net of valuation allowances of R\$ 1,303,421 (2005 - R\$ 1,390,899).

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

Origin of the tax credits

	2006		2005	
	IRPJ	CSLL	IRPJ	CSLL
Allowance for loan losses	1,492,498	52,743	1,437,622	59,065
Provision SFH	1,036,697	373,211	1,029,299	370,548
Provision for contingencies	1,278,604	460,297	1,143,430	411,635
Others	697,295	228,959	563,796	184,252
CSLL prior criterion - Provisional Measure - MP 1998		(96,705)		(126,136)
Subtotal of temporary differences	4,505,094	1,018,505	4,174,147	899,364
Tax losses	2,890,572		2,890,572	
Write-offs up to the period	(444,273)		(389,988)	
Tax losses up to 2000		512,595		512,595
Tax loss in 1998 - 18%		176,291		176,291
Temporary differences 1998 - 18%		448,223		448,223
write-offs up to the beginning of the period		(286,533)		(253,339)
Total tax credits	6,951,393	1,869,081	6,674,731	1,783,134

Expected realizations of the tax credits

Book value

Year	2007	2008	2009	2010	2011	2012	2013 to 2017	TOTAL
IRPJ	27,955	64,234	87,886	127,220	147,449	172,699	541,006	1,168,449
CSLL	17,108	39,311	42,076	32,060	4,417			134,972
	45,063	103,545	129,962	159,280	151,866	172,699	541,006	1,303,421

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Present value

Year	2007	2008	2009	2010	2011	2012	2013 to 2017	TOTAL
IRPJ	26,233	60,519	78,237	107,159	117,513	130,230	366,044	885,935
CSLL	16,055	37,038	37,457	27,004	3,520			121,074
	<u>42,288</u>	<u>97,557</u>	<u>115,694</u>	<u>134,163</u>	<u>121,033</u>	<u>130,230</u>	<u>366,044</u>	<u>1,007,009</u>

The present value of the credits was calculated in compliance with BACEN Circular N° 3171/02, at the average funding rate, net of tax effects.

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

(b) Calculation of IRPJ and CSLL

	2006		2005	
	IRPJ	CSLL	IRPJ	CSLL
Profit before IRPJ and CSLL	3,038,349	3,038,349	3,051,768	3,051,768
IRPJ and CSLL expense at the rates of 25% and 9%	(759,563)	(273,451)	(762,942)	(274,659)
Tax effects of the additions and deductions	326,831	117,715	(9,532)	(3,284)
Provision for SFH	(7,398)	(2,663)	176,677	63,604
Provision for contingencies	(137,137)	(47,155)	(398,193)	(141,177)
Allowance for loan losses	(56,483)	(20,271)	(164,068)	(59,065)
Result from the FGTS	601,986	216,715	430,036	154,813
Others	(74,137)	(28,911)	(53,984)	(21,459)
Realization of the revaluation reserve	4,494	1,618		
Interest on own capital	147,475	53,091	149,671	53,882
Profit sharing	104,327	37,558	54,144	19,492
Deferred tax asset	54,284	33,194	170,666	104,327
Tax incentive	5,055		11,052	
Total IRPJ and CSLL expense	(117,097)	(30,275)	(386,941)	(100,242)

(c) Changes in the tax credits

	Gross Amount	Provision	Net
Balance at December 31, 2005	8,457,864	(7,066,965)	1,390,899
Realization of tax credits (i)	(73,791)		(73,791)
Write off of tax credits - 2002 MP 2158-35/01	(13,687)		(13,687)
Additional tax credits	450,088	(450,088)	
Balance at December 31, 2006	8,820,474	(7,517,053)	1,303,421

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In accordance with the projections in 2005, the estimated realization of tax credits in 2006 for IRPJ and CSLL was R\$ 221,979. The amount realized in the year ended December 31, 2006 was R\$ 87,478.

19 Statement of income

(a) Service fee income

	2 nd six-month period of	Years ended December 31	
	2006	2006	2005
Administration of the FGTS	726,493	1,504,898	1,475,807
Administration of the FCVS	50,872	107,054	115,781
Administration of the PIS	41,144	61,832	64,249
Administration of lotteries	206,324	418,300	425,888
FGTS - Collection and payment fees	162,818	317,595	259,662
Unemployment insurance	33,901	55,236	34,139
General Federal Government Budget (OGU)	33,800	52,893	26,534
Family allowance	110,417	222,389	227,773
INSS - Collection and payment fees and GFIP	46,056	87,677	60,896
Management of investment funds	287,329	561,449	405,514
Fees from agreements	317,167	634,377	664,870
Check and paper clearing services	75,768	152,753	126,714
Current account maintenance fees	208,407	370,421	292,929
Collection of bills	126,888	245,676	235,731
EMGEA - Administration of contracts	151,252	300,924	343,776
Other services	270,071	501,251	406,121
	2,848,707	5,594,725	5,166,384

(b) Personnel and administrative expenses

	2 nd six-month period of 2006	Years ended December 31	
		2006	2005
Personnel expenses			
Salaries	(1,999,239)	(3,923,641)	(3,637,403)
Benefits	(489,394)	(918,361)	(716,144)
Social charges:			
FGTS	(171,493)	(313,561)	(251,640)
Social security	(429,241)	(838,554)	(718,449)
Supplementary social security pensions (Note 21 (a))	(44,205)	(134,327)	(159,088)
Others	(65,720)	(115,707)	(102,056)
	(3,199,292)	(6,244,151)	(5,584,780)

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	2 nd six-month period of 2006	Years ended December 31	
		2006	2005
Administrative expenses			
Communication	(239,306)	(356,635)	(291,769)
Maintenance and repairs of assets	(184,738)	(348,990)	(309,952)
Water and electricity	(99,876)	(194,073)	(164,769)
Rent	(245,916)	(481,396)	(407,686)
Materials	(51,979)	(104,335)	(111,658)
Data processing	(534,109)	(1,112,699)	(1,231,641)
Promotions and public relations	(60,982)	(85,956)	(80,153)
Advertising and publicity	(145,751)	(273,739)	(213,927)
Financial system services	(85,380)	(167,624)	(158,716)
Third party services	(210,401)	(383,031)	(279,009)
Specialized services	(93,172)	(156,807)	(122,025)
Surveillance and security services	(141,691)	(271,837)	(208,258)
Depreciation and amortization	(121,985)	(349,970)	(429,993)
Other administrative expenses	(113,464)	(190,843)	(145,501)
	(2,328,750)	(4,477,935)	(4,155,057)

(c) Other operating income/expenses

	2 nd six-month period of 2006	Years ended December 31	
		2006	2005
Other operating income			
Commissions and fees on operations	480,286	1,045,242	562,251
Expenses recovered	174,610	357,395	291,390
Reversal of other operating provisions	126,839	376,282	811,543
Revenues from other credits - EMBASA (Note 8(b)(ii))	17,162	36,962	40,753
Credit card revenues	110,263	211,187	157,349
Dividend income	44,846	120,932	169,921
Tax credits - monetary restatement	2,681	8,405	57,769
Restatement of guarantee deposits	44,011	208,722	330,977
Analysis of housing contracts			693,196
Other operating income	112,428	125,222	223,998
	1,113,126	2,490,349	3,339,147

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	2 nd six-month period of 2006	Years ended December 31	
		2006	2005
Other operating expenses			
Expenses with actuarial reserves - FUNCEF/PREVHAB	(29,280)	(85,967)	(38,463)
Expenses with FCVS receivable - Residual amounts	(278,100)	(409,597)	(326,698)
Expenses with obligations with funds and programs	(147,832)	(273,466)	(178,196)
Remuneration of lottery resellers	(1,311)	(2,635)	(75,690)
FCVS provision receivable	(161,239)	(161,239)	98,619
Provision for contingencies	(357,823)	(926,344)	(2,368,406)
Provision for taxes on trading securities	(123,172)	(157,116)	(73,883)
EMGEA/Federal Government	(28,720)	(383,979)	(70,419)
Expenses with lottery resellers	(91,090)	(233,773)	(242,947)
Expenses with credit cards	(117,860)	(227,830)	(195,596)
Expenses with automated services	(92,500)	(184,861)	(103,511)
Discounts on loans	(7,930)	(32,993)	(217,195)
Banking correspondents	(198,307)	(385,000)	(296,513)
Premiums paid on the purchase of commercial portfolios	(24,497)	(61,204)	(57,793)
Expenses with business promotion	(34,679)	(81,826)	(22,784)
Losses from fraudulent electronic withdrawals		(52,219)	(98,620)
Expenses with FUNCEF - PMPP/PREVHAB transactions		(91,398)	
Adverse legal judgments	(85,620)	(138,232)	(81,941)
Expenses with receivables managed by third parties	(14,239)	(68,398)	(29,968)
Expenses with financial management of pension funds	(38,132)	(63,335)	(37,607)
Other operating expenses	(197,649)	(398,580)	(391,467)
	(2,029,980)	(4,419,992)	(4,809,078)

(d) Non-operating expenses, net

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

(e) Employee profit sharing

R\$ 417,309 (2005 - R\$ 216,576) was provided for payment of employee profit sharing.

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20 Contingent assets and liabilities

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

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

CAIXA is currently of reviewing and adjusting its contingent liabilities to the new criteria provided for in the accounting standards Resolution 1066/05 of the Federal Accounting Council and NPC 22, of the Brazilian Institute of Independent Auditors - IBRACON, which determine specific criteria for recognition and bases for measurement applicable to provisions and contingent liabilities and assets.

The provisions for contingencies are shown as follows:

(a) Provisions recorded

(i) Analysis of balance sheet balances

	2005	Additions	Reversals	Uses	Monetary restatement	2006
Tax	1,083,463	72,050		77		1,155,436
Civil	1,796,922	600,933		142,044		2,255,811
Labor	1,399,536	49,484		73,870		1,375,150
Other	310,357	62,535				372,892
	4,590,278	785,002		215,991		5,159,289
Judicial deposits	2,065,125	942,667	16,097	(416,058)	196,191	2,804,022

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(ii) Analysis by risk classification

	2006		2005	
	Amount	Provision	Amount	Provision
Probable	4,240,216	4,240,216	3,720,634	3,720,634
Losses and damages	1,628,609	1,628,609	986,704	986,704
Housing	161,488	161,488	232,068	232,068
Mortgage	7,282	7,282	42,455	42,455
Savings	426,835	426,835	504,123	504,123
Labor	1,375,150	1,375,150	1,399,536	1,399,536
Tax	267,960	267,960	245,391	245,391
Others	372,892	372,892	310,357	310,357
Possible	12,588,671	919,073	12,052,871	869,644
Tax	12,275,214	887,476	11,932,154	838,072
Others	313,457	31,597	120,717	31,572
	16,828,887	5,159,289	15,773,505	4,590,278

(b) Labor and civil lawsuits

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

Management believes, based on reports from its legal advisors, that the procedures followed by CAIXA are in accordance with existing laws and regulations and that these lawsuits will not cause significant losses in excess of the balance of the provision for these contingencies, of R\$ 4,003,853 (2005 - R\$ 3,506,815), sufficient to cover eventual legal decisions unfavorable to CAIXA.

(c) Tax lawsuits

(i) On December 6, 1996, CAIXA was notified by the Federal Revenue authorities on the allegation of underpayment of PIS/PASEP from January 1991 to December 1995, a period in which Decree Laws 2445 and 2449/1988 were in force, and offsetting, supposedly improperly, overpayments from January 1992 to May 1993, of R\$ 2,691,943 in principal, R\$ 6,390,180 in fines and R\$ 644,666 (2005 - R\$ 621,097) in interest, at December 31, 2006 price levels. The provision recorded amounts to R\$ 644,666 (2005 - R\$ 621,099).

CAIXA presented an appeal to the Taxpayers Council which analyzed the process on

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February 3, 1999. In accordance with the vote of the Reporting Councilor, the facts included in the proceedings by the tax authorities do not permit the identification of the deductions from the

taxable basis of PASEP that were considered improper and the reason for the tax authorities to make the disallowance. According to a resolution of the members of the Second Chamber of the Second Taxpayers Council, the judgment was converted into an investigation by the Federal Revenue Secretariat - SRF, for the authorities to clarify the facts and justify the disallowance made, informing CAIXA of the contents of this procedure and giving adequate time to reply. The Federal Revenue Secretariat in Brasilia advised CAIXA, on October 21, 1999, of the investigation report, in which the Federal Treasury maintained the same reasons reported in the assessment. CAIXA sent a challenge on the tax diligence report to the Second Taxpayers Council, which analyzed the process on November 7, 2000. According to the resolution of the members of the Council, the judgment was converted into a further investigation by the SRF. CAIXA was informed of the Tax Investigation Report on April 26, 2001 in which the tax authorities maintained the same reasons reported in the assessment, stating that an examination of the identification of the accounts disallowed would no longer be possible. On May 28, 2001, CAIXA challenged the result of the investigation report before the Second Taxpayers' Council, which in a session on October 18, 2008, through Decision 202-17402, partially granted CAIXA's appeal, however, the decision can be appealed by the National Treasury Attorney, as well as requests for clarification of Court Decisions by CAIXA within the terms prescribed by the rules of the Taxpayers' Council. With the end of appeals at the administrative level, appeals to the Judiciary Power are still possible.

(ii) CAIXA was assessed by inspectors from the National Institute of Social Security (INSS) for the nonpayment of social security contributions on payments made to its employees, for the period from January 1982 to August 1999, which according to an INSS report amount to R\$ 1,181,837 (2005 - R\$ 1,218,206). The related provision amounts to R\$ 222,347 (2005 - R\$ 216,975) restated to December 31, 2005.

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

Of the total social security liabilities of R\$1,181,837, 53% relates to assessments in respect of the payment in cash of long service leave and leave of absence to deal with personal matters. Based on numerous judicial decisions, sustained by STJ Abstracts of Record 125 and 136, and in the declaratory acts of the Federal Revenue in compliance with PGFN/CRJ Opinion 1643/03, which defined these payments as indemnities and not subject to taxation, these assessments were considered as having a full probability of success for CAIXA, with no impact on the amount of the provision.

(iii) CAIXA was assessed by municipal tax inspectors in various municipalities of Brazil on the allegation of lack of payment or underpayment of the Services Tax - ISS, amounting to R\$ 218,353 (2005 - R\$ 204,344) at December 31, 2006 and fully provided.

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

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

21 Employees Benefits

(a) Private pensions plan

CAIXA is the sponsor of the Fundação dos Economiários (FUNCEF), which administers pension funds, in accordance with their regulations, and there currently exist defined benefit and defined contribution plans.

In order to meet FUNCEF's objectives and to complement the contributions of the participants, CAIXA makes contributions in accordance with the percentage determined by actuarial formulae. The amount disbursed in 2006 totaled R\$ 134,327 (2005 - R\$ 159,088). The entity's costing plan considers a defined benefit plan for 18,759 members and a defined contribution plan for 36,967 members.

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

In December 2006, CAIXA transferred to FUNCEF R\$ 150,727 as an extraordinary contribution, as provided by article 19, sole paragraph, item II, of Complementary Law 109/2001 and, also, as approved by the Ministry of Finance, through Official Letter 319/2006/SE/MF, of May 4, 2006, which approved the alterations of the REG/REPLAN Regulation.

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

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

According to estimates, the present value of the actuarial obligations of the plans is covered by the net assets of the plans.

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(b) SAÚDE CAIXA - Health plan

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

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

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

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

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

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

22 Other information

(a) Administration of social entities

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

Entity	2006	2005
PIS	23,583,154	22,024,837
FGTS	21,376,001	19,808,420
FAR	3,229,416	3,000,797
FDS	772,995	709,913
FAS	448,399	390,639
PCE	35,551	36,635
FGS	24,047	16,471
FIEL	40,362	37,417
	49,509,925	46,025,129
FCVS (i)	(76,663,969)	(72,936,898)

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(i) The responsibility for covering the negative equity of the FCVS is the exclusive liability of the Federal Government. The balance is as of November 2006.

(b) Guarantees provided to third parties

These amount to R\$ \$ 61,299 (2005 - R\$ 64,900) and refer to properties pledged as guarantees provided to third parties, relating to litigation against CAIXA.

(c) FGTS

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

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23 Related parties

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

Operations/Entities	2006		2005	
	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ Expenses
INTEREST ON OWN CAPITAL AND DIVIDENDS				
Caixa Seguros	138,228	213,817	81,035	227,246
FEES RECEIVABLE				
STN - Federal Treasury Secretariat	96,152	302,567	329,521	279,662
PIS	3,830	61,832	4,352	62,963
PCE	63	1,073	863	1,485
FIEL	3,309	434	2,875	438
FGTS	154,962	1,822,494	148,732	1,752,967
FCVS		107,054		109,894
FAS	67	830	65	806
FAR	8,011	50,789	6,448	44,375
FGS	787	1,554	817	1,019
FDS	22,438	36,094		21,913
FIES	35,095	70,060	37,494	64,279
SH	3,055	760	4,952	3,262
OGU	186,068	52,893	167,298	47,766
Caixa Seguros		17,678		15,407
REMUNERATED DEPOSITS OF FUNDS AND PROGRAMS				
SH	(371)	(66)	(5)	(129)
PIS	(89,891)	(194,922)	(73,004)	(202,219)
PCE	(3)	(202)	(5,267)	(163)
FIEL	(43,374)	(3,335)	(39,992)	(3,320)
FGTS	(4,772,664)	(584,487)	(3,684,633)	(555,945)
FGS	(20,536)	(860)	(15,807)	(3,407)
FCVS	(98)	(39)	(97)	(153)
FAS	(8,382)	535	(2,766)	(4,621)
FDS	(28,994)	(3,820)	(25,203)	(1,838)
FAR	(23,635)	(7,279)	(23,614)	(7,104)
THIRD PARTY FUNDS IN TRANSIT				
FCVS	(94)		(375)	
ONLENDINGS - OTHER OFFICIAL INSTITUTIONS				
FGTS	(15,601,949)	(1,465,352)	(11,105,749)	(1,314,381)
FDS	(40,665)	(354)	(6,808)	(288)
STN - Federal Treasury Secretariat	(496,919)		(483,757)	
FUNDS WITH A SPECIFIC PURPOSE				
STN - Federal Treasury Secretariat	(330,190)	(59,319)	(547,072)	(71,331)
PIS	(1,255,522)		(1,266,436)	
FIES	(19,765)		(7,267)	
FDS	(301)			

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Operations/Entities	2006		2005	
	Assets/ liabilities	Income/ expenses	Assets/ liabilities	Income/ Expenses
OTHER OPERATING INCOME				
FCVS	18,904		16,993	
FGTS	978,442		611,230	
FAR	43,778		40,118	
FDS	892		356	
OGU	106		134	
FIES	3,759		3,830	
OTHER OPERATING EXPENSES				
FAR	(13,893)		(10,759)	
Caixa Seguros	(63,335)		(54,766)	

24 Cash flow statement

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

	2 nd six-month period of 2006	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME	1,042,212	2,386,190	2,073,016
ADJUSTMENTS TO RECONCILE NET INCOME WITH NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Allowance for loan losses	825,445	2,011,350	1,179,590
Depreciation and amortization	121,985	349,970	429,993
Equity in the earnings of subsidiary and associated companies	(135,131)	(177,917)	(140,300)
CHANGES IN ASSETS AND LIABILITIES:			
Decrease (increase) in short-term interbank investments	(1,564,335)	(7,127,760)	(5,488,020)
Decrease (increase) in securities and derivative financial instruments	(1,885,072)	(220,018)	(20,626,638)
Decrease (increase) in interbank accounts	(925,053)	(1,786,727)	(3,454,897)
Decrease (increase) in interdepartmental accounts	252,482	(22,588)	97,966
Decrease (increase) in loan operations	(4,183,243)	(9,386,468)	(8,385,900)
Decrease (increase) in other receivables	(114,541)	(633,118)	(1,611,409)
Decrease (increase) in other assets	57,379	84,260	(167,290)
Write-off of allowance for loan losses	(264,056)	(422,049)	(652,746)
Increase (decrease) in other liabilities	1,010,861	2,529,755	6,889,158
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(6,803,279)	(14,801,310)	(31,930,493)

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Notes to the Financial Statements at December 31, 2006 and 2005 In thousands of reais

	2nd six- month period of 2006	2006	2005
INVESTMENTS			
Increase (decrease) in compulsory deposits with the Brazilian Central Bank	(1,667,395)	(2,403,643)	(1,604,060)
Sale of investments	119,224	163,174	13,172
Sale of property and equipment in use	118,821	184,517	184,683
Decrease in deferred charges	(161,460)	(258,090)	(267,130)
Increase in deferred charges	(120,972)	(177,800)	(112,930)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,711,782)	(2,491,842)	(1,786,265)
FINANCING			
Increase (decrease) in deposits	9,425,375	14,490,904	15,126,894
Increase (decrease) in deposits received under security repurchase agreements	(2,333,346)	1,300,019	18,261,249
Increase (decrease) in funds from acceptance and issue of securities	(401,297)	(3,192,793)	(1,766,851)
Increase (decrease) in derivative financial instruments	(89,071)	(150,846)	85,490
Increase (decrease) in borrowings and onlendings	2,088,382	4,640,766	963,186
Prior-year dividends	(286,163)	(286,163)	
Proposed dividends	(250,924)	(556,124)	(138,310)
Interest on own capital paid and/or provided	(268,786)	(589,901)	(598,684)
Adjustment to market value	51,531	30,713	(54,079)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	7,935,701	15,686,575	31,878,895
INCREASE IN CASH AND CASH EQUIVALENTS	462,852	779,613	235,153
CHANGES IN CASH AND CASH EQUIVALENTS			
At the beginning of the period	1,252,471	935,710	700,557
At the end of the period	1,715,323	1,715,323	935,710
Increase in cash and cash equivalents	<u>462,852</u>	<u>779,613</u>	<u>235,153</u>

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Notes to the Financial Statements at December 31, 2006 and 2005 In thousands of reais

25 Statement of Social and Environmental Information

The statement of social and environmental information presented for 2006 is in accordance with Resolution CFC 1.003/04 - NBC-T 15.

Years ended December 31 (In R\$ thousand)

	2006	2005
<u>Wealth generated and distributed - DVA</u>	<u>10,883,584</u>	<u>10,371,571</u>
Personnel and social security charges	5,826,223	5,082,911
Taxes, rates and contributions	2,164,799	2,422,773
Rentals	506,372	463,725
Interest on own capital and dividends	1,146,245	1,066,140
Retained earnings	1,239,945	1,336,022
<u>HUMAN RESOURCES</u>	<u>6,793,879</u>	<u>5,869,853</u>
Gross management remuneration	6,098	5,818
Remuneration of CAIXA employees	3,923,641	3,637,403
Remuneration of outsourced employees	171,163	123,354
Remuneration of interns	58,859	57,945
Remuneration of underage employees	39,454	44,350
Relation between the highest and the lowest salary of manager and employee - CAIXA	21,829	20,463
Expenses with social security charges	1,152,120	970,089
Expenses with meals	478,073	342,503
Expenses with transportation	14,426	9,982
Expenses with private pension plan	134,327	159,088
Expenses with healthcare	272,236	202,570
Expenses with security and occupational medicine	9,556	4,230
Expenses with education (Except for Environmental Education)	20,350	15,710
Expenses with culture	16,312	11,298
Expenses with professional training and development	30,397	22,582
Expenses with program of assistance to childhood	27,730	25,892
Profit sharing	417,309	216,576
<u>INTERACTION WITH THE EXTERNAL ENVIRONMENT</u>	<u>754,117</u>	<u>636,322</u>
<u>Interaction with the Community - Investments</u>	<u>54,190</u>	<u>51,474</u>
Education	564	89
Culture	32,154	23,000
Healthcare and sanitation	609	814
Sports and leisure	20,608	24,800
Meals	255	2,771
<u>Interaction with customers</u>	<u>146,777</u>	<u>89,948</u>
Fines and indemnities to customers, determined by consumer defense agencies or by the court	146,777	89,948
<u>Interaction with the Environment</u>	<u>553,150</u>	<u>494,900</u>
Program of rationalization of expenses and elimination of waste (Proged)	553,000	494,500
Technological Innovation in Urban Development	150	400
³ Investments and expenses with environmental education for employees, outsourced employees, autonomous workers, interns and managers of the entity	Note	Note
³ Investments and expenses with environmental education for the community	Note	Note
³ Investments and expenses with other environmental projects	Note	Note
³ Amount of the fines and indemnities related to the environmental issue, determined on an administrative and/or judicial basis	Note	Note
³ Liabilities and environmental contingencies	Note	Note

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Years ended December 31 (In units)

	2006	2005
HUMAN RESOURCES		
Total employees at the end of the year	72,252	68,257
Total admissions	6,199	10,035
Total dismissals	2,115	1,496
Total interns at the end of the year	11,772	11,878
Total employees with special needs at the end of the year	450	420
Total outsourced service providers at the end of the year	12,820	16,951
Total underage employees (Prog. Adolescente Aprendiz)	3,600	3,125
Total male employees	38,440	36,286
Total female employees	33,812	31,971
Total employees per age group:		
below 18	-	-
from 18 to 35	23,175	19,864
from 36 to 60	48,946	48,291
above 60	131	102
Total employees per level of education:		
Illiterate	-	-
with basic education	348	226
with high school education	17,061	21,671
with higher education	42,494	34,608
post-graduates	12,349	10,424
Leadership positions per gender:		
Male	8,771	4,876
Female	5,748	5,440
Labor lawsuits		
Number of lawsuits filed against the entity	44,887	39,642
INTERACTION WITH THE EXTERNAL ENVIRONMENT		
Interaction with Customers		
Complaints received directly by the entity	210,200	159,000
Complaints received through BACEN	3,190	1,967
Received through consumer protection and defense agencies	797	487
Received through the courts	29,079	30,294
² Claims filed by the Entity to solve or minimize the causes of the complaints	Note	Note
Relationship with suppliers	YES	NO
¹ Uses criteria of social responsibility to select its suppliers	X	

¹ Even being a Public Company linked to the Law of Bids No. 8.666/93, CAIXA always strives towards complying with the concepts of a Socially Responsible Company.

² All the occurrences reported to the Ombudsman of CAIXA are answered by the proper areas. Although not all requests are complied with, the claimers receive the proper explanations.

³ In conformity with the guidelines of a company's social responsibility, CAIXA implemented the Corporate Environmental Policy to guide business and internal processes, integrating the environmental matters to the management practices, activities and decisions in

a) Non-accounting items (information shared with other areas and experts of CAIXA):

Left Field - All the items Interaction with Community - Investments

Left Field - Relation between the highest and lowest salary

Right Field - All the Human Resources items

Right Field - Interaction with clients

Right Field - Interaction with the Environment

Right Field - Relationship with the Suppliers

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**Notes to the Financial Statements
at December 31, 2006 and 2005**
In thousands of reais

Maria Fernanda Ramos Coelho
President

Bolivar Tarrago Moura Neto
Vice-President

Carlos Alberto Cotta
Vice-President

Clarice Coppetti
Vice-President

Fábio Lenza
Vice-President

Fernando Nogueira da Costa
Vice-President

Francisco Egídio Pelúcio Martins
Vice-President

João Aldemir Dornelles
Vice-President

João Carlos Garcia
Vice-President

Jorge Fontes Hereda
Vice-President

Raphael Rezende Neto
National Accounting Superintendent
Accountant CRC 9.037 - DF

