



Caixa Econômica Federal - CAIXA

**Financial statements
December 31, 2002 and 2001**

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



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Management's report - December 31, 2002

1 Introduction

The year 2002 was marked, before a world apprehensive with the real possibility of armed conflict in the Persian Gulf, by the exemplary democratic transition that took place in Brazil, showing great institutional solidity that Brazilians can be proud of.

Other reasons are not lacking for each of the 169,558,390 Brazilians to feel even more proud of their institutions and in particular of the CAIXA ECONÔMICA FEDERAL. It is the first and only financial institution to be present in all of the 5,561 Brazilian municipalities and it was able to honor the largest agreement in the world with the payment of complementary Government Severance Indemnity Fund (FGTS) credits to Brazilian employees and all of this with a transparent statement of its economic, financial results before the society, its investors and its clients.

It recorded a net profit of R\$ 1.08 billion, R\$ 1.98 billion in taxes and social charges and allocated R\$ 222 million to the National Treasury in the form of dividends. These are record numbers in the whole history of the institution, which are the positive effects of the efforts made by the National Treasury and by Caixa Econômica Federal - CAIXA, since the equity restructuring of this company occurred during the first semester of 2001.

As a result of these changes, the company has redefined, since September 2002, its fundamental business, on which we will report below the significant participation of its attendance:

Up to August, 2002

3rd party resources management

Urban development

Financial services

Transference of benefits

Since September 2002

Third party resources management

Urban development and housing program

Allocation of products and own services and third party services - public and private

Banking and mortgage business

Funds, Programs and Services delegated by the government

2 Operation in its fundamental businesses

2.1 Distribution of own and third party products and services - Public and private

2.1.1 Distribution network

With the aim of increasing business opportunities, of offering greater commodity to its clients and making viable the operationalization of the diverse government social programs, CAIXA has continually extended its attendance channels, making services and products available to the entire Brazilian population, including the large part of this population that, until now, has not had access to banking services. To do this, CAIXA counts on 14,220 outlets, distributed as follows:

- 1,700 branches;
- 381 bank attendance outlets - PAB
- 1,078 electronic attendance outlets - PAE
- 1 advanced attendance outlet - PAA;
- 8,952 lottery shops;
- 2,108 banking correspondents.

Besides these exclusive channels of its own, CAIXA also counts on 1,673 24-hour Self-Attendance outlets, including those installed in other establishments, such as shopping centers, etc.

2.1.1.1 CAIXA AQUI

CAIXA closed 2002 as the first and only institution present in all the 5,561 Brazilian municipalities. The **CAIXA AQUI** project, through which partnerships are encouraged with banking correspondents, makes the realization of transactions viable in real time throughout Brazil.

2.1.2 Services allocation and own products

CAIXA's action, among other aspects, takes as an issue the maximization of the use of the allocation network, offering products and services to clients with comfort and convenience.

The allocation network, allied to the segmented model of attendance, which foresees relationships with specific approach strategies, grants CAIXA unique and exclusive action on the market, allowing it to offer services and products to clients in the whole of Brazil, effectively, attending the needs and expectations of its clients.

Among its services, the collection of 63.9 million payment documents, and 45.9 million balance consultations, withdrawals and bank deposits were noted.

2.1.3 Allocation of third party services

Service transactions include receiving payment for electricity, telephone and water and sewage bills, with 585 million transactions recorded this year; collection of 63.9 million payment documents; 45.9 million balance consultations, withdrawals and bank deposits; approximately 172.4 million social security benefit payments, collection of 29.7 million INSS (National Institute of Social Security) receiving documents and 27.6 million payment documents.

2.2 *Funds, Programs and Services delegated by the Government*

2.2.1 *Institutional Funds*

FGTS

CAIXA, as a funds Agent Operator, recorded, in 2002, contributions in the amount of R\$ 22.4 billion and paid approximately 17 million for works, which provided the economy with an injection of R\$ 19.6 billion.

Approximately R\$ 4.0 billion was repassed to Financial Agents to be added to the sanitation and housing program, of which R\$ 3.0 billion was already effectively signed up with final takers, and remaining resources will be signed up during the next six months, according to established schedules. These additions benefited 2.3 million citizens and generated 154 thousand jobs.

Among these repasses, the joint venture signed in August 2002 between CAIXA and UNIBANCO for financing sanitation and infrastructure projects, was noted. The joint venture initially included funds in the amount of R\$ 200 million, for funding a series of projects for water treatment and water supply in various regions of the country. UNIBANCO is the first private bank to transfer FGTS resources for funding investments in sanitation projects.

CAIXA as the FGTS operational agent provides the necessary credit for the accomplishment of selected enterprises structured by UNIBANCO. Besides this, it becomes a partner in the execution of projects, due to its experience as a Funds operational technical agent.

FGTS complementary credits

The mission of paying the complementary credits of FGTS, in compliance with the Complementary Law nº 110/2001, which determined the credit on employees accounts linked to the complimentary monetary correction related to the Summer and Collor I Plan was passed on to CAIXA.

The employee is allowed to make withdrawal orders from the FGTS blocked account in several CAIXA's branches and through the Internet. In the operation, balance consultations, filling out terms of adhesion and other pertinent information are available.

Operations through the Internet added rapidity, quality in services and more security for the process, as it reduced operational costs from paper flow, queues and re-working. Considered as "the biggest agreement of the world", it required information and logistics technology in order to permit employees access to their legally constituted rights.

CAIXA played a remarkable role in the revolution that has taken place in concepts of electronic attendance for citizens, and which has turned its website into one of the most visited among financial institutions worldwide.

The range of attendance and results reached with regards to the complementary credit operations up to December 2002 are as follows:

- 38.8 millions employees with rights to complementary credits;

- 119.4 million accounts with rights to complementary credits;
- R\$ 42.4 billion in complementary credit - whole amount to be paid;
- 67.5 million accounts credited;
- 66.4 million accounts available for payment;
- 37.5 million accounts already paid;
- R\$ 7.1 billion fully paid;
- 29.1 million adhesions, being 2,0 million through;
- 119.4 million balance consultations available in branches;
- 59.6 million balance consultations available through Internet and self-attendance;
- 33.9 million balance consultations sent to employees' residences;
- 35.7 million phone calls made by telemarketing;
- 58 million accesses on operational bases - through Internet;
- R\$ 80 million resources entering the Brazilian economy daily (June to September 2002);
- 2,680 accounts paid per minute on workdays.

Employees' Profit Participation Program - (Programa de Integração Social - PIS)

Instituted by complementary law 7, of September 7, 1970, in order to permit employees' profit participation according to the contribution effected by employees and the allocation of quotas for participants in the program.

CAIXA has the function of making payments of quotas, salary bonuses and earnings to employees. The PIS fiscal year runs from July of one year to June of the subsequent year.

Yield and salary bonus payment

Each fiscal year of PIS, has verified more effectiveness in payment of earnings and salary bonuses, making it possible then, to extend the right for benefits to a greater number of employees. During the current year, CAIXA, between earnings, bonuses and quotas, made 19.6 million payments in the amount of R\$ 1.5 billion.

In the fiscal year 2002 to 2003, up to December 2002, it had already made payments to 20.1 million employees, in the total amount of R\$ 1.6 billion.

Financing students through tertiary education

The FIES - Tertiary Education Student Financing Fund (Fundo de Financiamento ao Estudante de Nível Superior) was created by Provisional Measure 1827, of May 27, 1999, reissued by Provisory Measure 2094-24, of February 22, 2001, replacing the Educational Credit Program, and aimed at the concession of funding to regularly enrolled students with satisfactory evaluation in paid tertiary education courses.

CAIXA, the operator agent and manager of assets and liabilities of this fund, settled, in 2002, 65 thousand contracts, in the amount of R\$ 112.3 million, and added 226.8 thousand contracts, totaling R\$ 452.6 million.

In comparison with the previous year, the contracted volume increased 26.75%, and the amount of contracts formalized increased 37.6%.

Unemployment insurance program

Unemployment insurance is one of the main programs of the Federal Government social program.

The aim is to reallocate the unemployed on the labor market, providing re-qualification and assistance. CAIXA plays an important role in this process, as it acts as an exclusive propagator agent of these benefits.

CAIXA also makes the payments and collection of insurance requirements in the localities where there are no National Employment System (Sistema Nacional de Emprego - SINE) and Regional Labor Department (Delegacias Regionais do Trabalho - DRTs) posts.

In 2002, were paid 20,131,252 fees in the amount of R\$ 5,5 billion.

2.2.2 *Transfer of benefits*

This segment of action is becoming even more important for the entrepreneur and the enterprise, in respect of its aim and the volume of resources involved. It provides payment and collection of resource services in the ambit of programs and social funds, repassing and following up the subscription of appropriations of the General Budget of the Union - OGU.

2.2.2.1 Social protection network

Action combined process for registering citizens, thus making economies in the management of the resources allocated to social programs. This concept involves School Grants, Food Supplements, Gas Assistance, Eradication of Child Labor (PETI) and Young Agents for Social and Human Development.

In order to make the program operational, CAIXA developed and implemented an integrated solution, based on Unique Registering and on the use of the Citizen Card, using a web platform (technology through resources available on the World Wide Web) as the main access to information, transmission and validation of files.

In 2002, R\$ 2.4 billion was transferred through 195,176,987 benefits paid directly to families and, preferentially, mothers.

Citizen Card

The Citizen Card was the launched to facilitate attendance to 40 million citizens through accessing social programs to transfer income throughout the CAIXA network. This Card permits unifying payments of the Social Protection Network.

With respect to the generation of cards for participants in labor programs and those of the Social Protection Network, 23.4 million cards, currently in the possession of Brazilian citizens, have been issued.

School Grants

This program pays families, which have monthly income per capita of up to R\$ 90.00, a benefit in the amount of R\$ 15.00, as an aid to maintain children from 6 to 15 years old at school - limited to a maximum of 3 children per family.

CAIXA surmounted the challenge to develop technological and operational strategies and solutions for the program in 45 days, and has gained in an increasing proportion the delegation to allocate funds in several other programs of the Social Network Protection. This fact has permitted the implementation of a governmental strategy for more in this social segment.

Up to December 2002, 96,6 million benefits aimed at 5.1 million families, reaching 8.7 million children were made available, totaling, only this year, the amount of R\$ 1.4 billion.

Food Supplement

This program aims to provide pregnant women and children aged from 6 months to 6 years and 11 months with health care and nutrition, through complementing family income. The benefit is R\$ 15.00 per month per beneficiary, limited to 3 beneficiaries per family. The annual amount in funds for the Food Supplement Program amounts to R\$ 576 million.

This partnership between CAIXA and Federal Government, through the Ministry of Health, is supported by Municipal Governments, in attendance to needy families against undernourishment. The program included, in 2002, a total of 1.4 million beneficiaries, reaching 967,133 families, with priority for the Northeast region, where 80% of the total beneficiaries were paid.

Gas assistance

This program originated from the extinction of the subsidy on kitchen gas, the Payer Agent of which was CAIXA, and consists of aid for buying liquid petroleum gas for needy families, the beneficiaries of federal programs of direct transfer of income linked to health or education and to beneficiaries of the Program of Continued Payment of Benefits.

The benefit amounts to R\$ 7.50 per month, with payment each two months, through the Citizen Card. In 2002, the program included 8.8 million families.

Income Assistance

The operationalization of Income Assistance was delegated to CAIXA by the Ministry of National Integration, on November 13, 2002, and the first payment was made on 30th of the same month.

The program aims to compensate financially needy families, residents on municipalities with a state of calamity decreed as a result of the drought and was being paid manually until 2001 by the Brazilian Mail and Telegraph Company. CAIXA since the delegation of this program, uses the Citizen Card, permitting the beneficiaries to receive their allowances in their municipalities of residence.

In 2002, the Income Assistance Program included 1.6 million families from 809 municipalities, making available the equivalent of R\$ 86.2 million.

Eradication of Child Labor Program (PETI)

The Eradication of Child Labor program, launched by the Federal Government through the Ministry of Social Security and Social Assistance, aims to eliminate child labor in dangerous, unhealthy, pitiless or depredate activities, through the concession of financial assistance to families, among other actions.

In the program 68,892 persons were included, and 40,957 benefits were paid in a total amount of R\$ 1.7 million.

Young Agent Programs

The Young Agent Program, created by the Federal Government, through the Ministry of Social Security and Social Assistance, aims at qualifying adolescents from 15 to 17 years old to act in their communities in the areas of health, culture, environment, citizenship, sport and tourism, thus permitting that these young people contribute to the improvement of the social indicators in the places where they live. In 2002, the program repassed, R\$ 340 thousand, benefiting 7,258 persons.

A summary of CAIXA's action in the ambit of this fundamental business, with its respective impacts to the beneficiaries is shown as follows:

In thousands of R\$

Breakdown of funds, programs and services	<u>Transferred benefits / Receipt and Payment</u>		
	Quantity	Amount	Beneficiaries
PCE Supplement	11,003	23,753	
FIES Supplement	226,882	452,675	226,000
FIES Contracts	65,808	112,365	65,000
PIS (1)2001/2002			
Earnings	14,675,846	436,945	14,675,846
Quotas	410,143	283,144	410,143
Bonuses	4,608,135	788,499	4,608,135
PIS (1)2002/2003 until 12/2002			
Earnings	13,828,250	433,332	13,828,250
Quotas	1,429,958	252,040	1,429,958
Bonuses	4,861,491	925,490	4,861,491
Unemployment insurance	20,131,252	5,548,124	5,032,813
Social Security Benefits Paid	27,652,437	9,734,279	2,385,555
Social Security - Collection	29,797,769	8,365,662	
School grants	96,628,549	1,449,428	5,106,509 *
Food assistance	6,247,918	98,718	967,133 *
Income assistance	2,874,917	86,247	1,665,759 *
Gas assistance	65,991,293	494,934	8,846,696 *
PETI	40,957	1,725	68,892 **
Young agent	5,238	340	7,258 **
Student Aid - PROFAB	680,403	20,412	95,345 **
	23,404,185**		
Sole registration	5,549,175 *		
Citizen card	23,457,915**		

(*) number of families

(**) number of beneficiaries

(1) The fiscal year for payment of PIS, by law, starts on July 1 and terminates on June 30 of the following year. The data recorded above refers to the year 2001/2002 and 2002/2003 - July to December 2002.

2.2.2.2 Management of lottery shops

The lottery shops managed by CAIXA, as well as honoring payment of lottery winnings from the various lotteries available, also play an important role in paying for the Federal Government's social programs. The millions distributed in winnings are a fraction of the funds obtained each year. A significant proportion is reinvested in social security, financing students through higher education, culture, sports and other initiatives available to citizens, as presented in the following table:

Values in R\$ millions

Caixa Lottery Shops Winnings and repasses: January to December 2002'

Net winnings	R\$ 944,5 million
General Repasses	R\$ 1.335,7 million
Income tax	R\$ 386,4 million
National Cultural fund	R\$ 86,2 million
Social security	R\$ 500,6 million
Educational loans	R\$ 205,0 million
Football clubs	R\$ 6,2 million
National Sports Secretariat	R\$ 6,6 million
FUNPEN	R\$ 87,3 million
COB	R\$ 48,8 million
"Paraolimpic" Committee	R\$ 8,6 million

On September 15, the Loteria Federal completed 40 years. To mark this historic date a series of events took place in the Social Center of CAIXA in São Paulo. The opening event included the inauguration of an exhibition of 50 works by great Brazilian artists, made to illustrate Loteria Federal tickets. Antique equipment used in the drawing of lots, old tickets and panels telling the history of the lotteries were also exhibited. The "Truck of Luck" (*Caminhão da Sorte*) performed the drawing of lots for the Special Prize 40 years of Lotteries in the city of Feira de Santana, in Bahia.

The lotteries were instituted in 1784 and, until the beginning of the 1960s, were exploited by private individuals. On September 15, 1962, in Rio de Janeiro, now under the administration of CAIXA, the first draw of the new Loteria Federal was made.

For 2002, the lotteries had the collection target stipulated at R\$ 3.00 billion, and this target was surpassed with a final collection of R\$ 3.01 billion.

2.3 *Banking and Real Estate Business*

2.3.1 *Funding*

For the funding products, in a general manner, the last month of the first semester of 2002 was atypical. By joint determination of the Central Bank of Brazil and the Securities Commission (CVM), the fund managers were required to adjust the value of the securities (LFT), which composed the respective portfolios, to market value.

The balance of the deposits in savings' accounts in June 2002 presented a growth of 5.46% in relation to the balance presented in May 2002. Considering that the average earnings for the period was around 0.71%, the evolution of the balance reflects a real growth in funds of around 4.75%, representing an amount of approximately R\$ 1.8 billion for the month and R\$ 2.8 billion for the semester. The savings funding presented by CAIXA in June was equivalent to 33.8% of the total funded by the market, reaching the index of a 31.3% total share in the total savings market.

The volume of funds obtained in the months of June, July and August 2002, driven by the crisis faced by the Funds industry, attained an amount of R\$ 3.87 billion, which raised the balance of the Deposits in Savings Accounts to R\$ 42.25 billion at the end of the year.

During the months from September to December 2002, part of the funds obtained in the three previous months returned to the Investment Funds in CAIXA. In this period the net negative funding in the savings accounts reached the amount of R\$ 42.43 billion in 20.8 million accounts entrusted to CAIXA by Brazilians, representing an index of 29.9% of the market share.

Confirming the confidence shown by the savers, the balance presented in December 2002 in the product CAIXA-LH had an expressive overall volume of R\$ 9.12 billion obtained in the Distribution Network, reaching an amount of R\$ 6.81 billion, which represents a growth of 55.7% over the balance presented in December 2001.

In December 2002 CAIXA began to operate the electronic account CAIXA AQUI, a new product destined for low-income individuals. The electronic account is a product designed to reduce the number of persons excluded from the Brazilian banking system. Registration of the account is done in an extremely simple manner: the interested individual only needs to present a document that proves his identity, individual tax registration number (CPF) and residence or, in the absence of this, a declaration in his own handwriting informing his address.

CAIXA expects to open a million of this type of account in 2003. The Electronic Account is considered the flagship of new products that will be launched with the objective of attending this portion of the population, which for a long time has been kept outside the banking system.

2.3.2 *Services*

The rendering of banking services, covering all the agreements for collection signed with concessionaires of public services, states and municipalities, associations, unions, schools and other private companies and the federal taxes, presented in the year 2001/2002, an increase in revenue of around 19%.

The Bank Charge Tariffs that correspond to the services of receipt of banking dockets attained an increase of 31% in relation to 2001 and an increase in the client base of around 37%.

During 2002, 16.4 million credits of salaries were made on account of agreements, in a total of R\$ 13.9 billion, of which 72%, on average, are related to the pay sheets of Federal, State and Municipal Public Agencies, which represent 53% of the quantity of salary credits in the period.

2.3.3 *Commercial loan products*

CAIXA extended its competitive position in the market in terms of volume, increasing extension of credit to individuals by 30.6% and by 41.2% in 2002. In the market, extension of credit increased 11%, and CAIXA's increased 42.4%.

The operations of GiroCAIXA Micro e Pequena Empresa increased 46.76% in the total volume of applications in the second semester of 2002 in relation to the second semester of 2001. The operations of Proger Micro e Pequena Empresa grew 111.5% in total volume of applications in the same periods.

In 2002, the credit card portfolio, when it started to be directly administered by CAIXA, totaled 1,972 thousand cards, recording a growth of 16% in relation to the previous year. In 2002, 745 thousand cards were also commercialized, with a billing of R\$ 3.30 billion, surpassing the R\$ 3.00 billion mark of 2001.

2.3.4 *Fidelity products*

In the segment of open private pensions for individuals, CAIXA attained 115% of the goal of R\$ 27 million, in the segment of open private pensions for legal entities, of the established goal of R\$ 900 thousand, CAIXA attained 148%, corresponding, in total, to 4.77% of the billing of social security of the market (source: SUSEP November 2002).

In the segment of capitalization, for the annual target of R\$ 277 million, CAIXA attained the mark of 98%, corresponding to 11.35% of the billing of Capitalization of the market (source: SUSEP November 2002).

In the period, the launching of the product CASACAP stands out as a simplified alternative for the acquisition of housing without the need for proof of income and it obtained funding of around R\$ 5.2 million.

The commercialization of insurance products has been increasing the share of CAIXA SEGUROS in relation to the market, assuring it 7.9% for insurance of personal accidents and other risks.

2.3.5 *Pawn loans*

An exclusive service of CAIXA, it consists of conceding a loan to an individual, by means of a guarantee of jewelry, precious stones, precious metals and easily portable objects. The periods for the loans are 28, 56 or 84 days, and are renewable. The maximum amount conceded is 80% of the assessed value.

One of the characteristics of the loan is ease of operation, as it is quick and simple, it dispenses with guarantors and registration, there is the possibility of prior redemption, it does not require proof of the end purposes of the loan, it presents less interest than those in force on the market, it uses the operation for custody of valuables and can be transferred to third parties

In 2002, 3,308,142 loans were made, which contributed to the portfolio closing the year with a balance of R\$ 523 million, well above the established target of R\$ 433 million.

2.3.6 *Pool for purchase of housing*

CAIXA Seguros, in association with CAIXA, launched, in November 2002, the Pool for Purchase of Housing, through CAIXA Consórcios, a company created to administer this product, in conformity with the requirements of the Central Bank of Brazil.

Consórcio Imobiliário CAIXA is established in the newest option for acquisition of housing for families from various salary levels, offering them the possibility of right to purchase housing (new or used), urbanized lots, and rural property or to pay off the debit balance, totaling 1,137 quotas sold in only one month after its launch.

2.4 *Urban development*

2.4.1 *Urban development*

CAIXA, in tune with its mission, has been contributing to the promotion of Urban Development, not only by means of financing for housing, environmental sanitation and infrastructure services but also, by means of encouraging the participative processes that stimulate the formation of networks of partnerships and the conception of technological innovations that result in improvements of quality and productivity.

To encourage urban development, it intends to induce integrator planning, with actions that promote the development of the municipalities and improvement in the quality of life of the communities that live in them, developing local potentialities and promoting sustainable growth.

In recent years, a new institutional level has been formed in the urban area, which endows the municipalities with effective instruments for organizing urban development, for promoting social justice and, in particular, for democratizing the process of municipal planning - master plan, municipal laws for exploitation and use of the land and budget planning and management.

In 2002, CAIXA surpassed its expectations with the implementation of its various housing, sanitation and urban infrastructure programs. The positive results also originated in various changes implemented in the concession of credit, in the repassing of resources, in the evaluation of operations and, particularly, in the evolution of the criteria for analysis of concession of financing.

2.4.2 *Partnerships in urban development*

Urban development and social housing actions that adopt joint-ventures as a management strategy have brought about a strong impact not only on the reduction of costs through the coordination and pooling of efforts and counterparts, but above all in the broadening of social

participation and cohesion, with positive reflections on the formation of citizenship, professional qualification and generation of jobs and income.

The proposal of CAIXA in the work with joint-ventures has the objective of stimulating and internalizing an innovative process of actions and business focused on Urban development which adds value to new products and to those already existing, seeking, mainly, to promote the broadening of the offer of adequate housing, infrastructure and urban services to the less privileged population.

The initiatives are made operational by means of programs and actions, detailed below:

- **Housing joint-ventures:** involve the construction of housing, implementation of basic infrastructure, training of labor and sanitary and environmental education, through co-management systems;
- **Revitalization of historic sites;** with the objective of preserving cultural patrimony and reduction of the housing deficit, recuperating buildings in disuse, to permit the improvement of their conditions of inhabitability and the permanence of needy families, resident in the centers of historic interest. Integrated with this program, CAIXA participates in studies with the Ministry of Culture - MinC and the Institute of National Artistic and Historic Patrimony - IPHAN and in the main federal programs for preservation of historic patrimony, such as the IDB Memorial, URBIS and joint-ventures with the United Nations Educational, Scientific and Cultural Organization - UNESCO, Economic Commission for Latin America and the Caribbean - CEPAL and the International Center for the Study of the Preservation and Restoration of Cultural Property - ICCROM;
- **Local development:** CAIXA is operating in 24 locals, in partnership with other institutions, such as the National Bank for Social and Economic Development - BNDES and Fundação Oswaldo Cruz - FIOCRUZ, including shanty towns in metropolitan urban areas with more than 55 thousand inhabitants, consortiums of small municipalities with a predominance of primary activities and rural, urban and metropolitan areas in various regions of Brazil, contributing to the promotion of development and improvement in the quality of life in determined geographical areas, with urban and environmental planning, training and qualification of technical agents, generation of jobs and income and the execution of infrastructure works and production support;
- **Practical improvements:** with the objective of disclosing and increasing the replication of practices with success in urban development of various modalities, with technical and financial support of CAIXA, it has awarded since 1999, the CAIXA awards for best practices in local management, obtaining winning results for the company and for the country, with those inscribed to compete for the International Award in Dubai, promoted by Habitat of UNO.

In the 2001/2002 version of the International Award in Dubai, CAIXA obtained its best results since the start of its participation, with eight projects backed by CAIXA being selected among the hundred best in the world, one of which was among the ten best.

The Special Secretariat for Urban development of the Presidency of the Republic - SEDU/PR signed a joint-venture agreement in the implementation of the Brazilian Program for Quality and Productivity of Habitat - PBQP-H, in the quest for consolidation of the Program with other

participating agencies, inclusion of the policies and requirements of the Program in the internal regulations of the products for financing and repassing of resources from the Housing segment.

CAIXA has also been realizing, with SEDU/PR and other non governmental institutions, actions to support the implementation of the Statute of the City, Federal Law 10257/01, such as: regional seminars and meetings, production and distribution of documents and instruments for divulgation and understanding of the Law, training for the electronic manual in CD- ROM on “Territorial planning and Master Plan” and an orienting document on “Regularization of Land and Housing”, which should help the city halls.

CAIXA, in association with the Financer of Studies and Projects - FINEP and with the Ministry of Science and Technology - MCT, has been supporting the Program for Housing Technology - HABITARE and the Basic Sanitation Research Program - PROSAB, which aim at developing research for production and improvement of technologies which privilege simplicity of operation and low investment cost of operation and maintenance in Housing and Basic Sanitation. In association with the Fund for Support for Scientific and Technological Development of Water Resources - CT-HIDRO, MCT, National Water Agency - ANA, FINEP and the National Council of Scientific and Technological Development - CNPq, CAIXA participates in the organization of the planning of transfer of technology in sanitation.

Within the Energy Efficiency Brazil Energy Program of the Federal Government, an agreement of cooperation was signed between CAIXA, ELETROBRÁS, MCT and the Ministry of Mines and Energy - MME, for joint action to encourage the adoption of solar thermic technology for heating of residential water.

CAIXA signed an agreement with the French Government with action in two vectors: Revitalization of historic centers and urban infrastructure and sanitation, which aims at amplifying attendance to the low-income population, as a focus for social management.

It also promoted the improvement and availability of the National System of Surveys of Costs and Indices of Civil Construction - SINAPI, managed by CAIXA, for use as a reference by various federal organs, such as the Federal Public Ministry - MPF, the Federal Audit Court - TCU, the Ministry of Defense, IPHAN, Brazilian Institute of Engineering Costs - IBEC, Department of Control of Air Space - DECEA/Air Ministry and its inclusion as an official reference of costs in public works, in the Law of Budgetary Guidelines - LDO for 2003.

2.4.3 *Sanitary and Infrastructure Programs*

With respect to the programs of the sanitation and infrastructure segment, the contracting of which has been severely contained since the middle of 1998, due to the curtailment of credit to the public sector established by the National Monetary Council, it was possible to take them up again during 2002, thanks to the Program of Equity Restructuring of CAIXA. Implemented as from June 2001, this Program permitted the opening of a margin for new contracts in relation to the limit of 45% of Adjusted Shareholders' Equity - PLA of the financial institutions. The re-initiation of contracts was done through the intermediary of the programs listed below, together with the respective volumes contracted and benefits generated. It is important to mention that those tied to Foreign Loan Agreements did not suffer the aforementioned restrictions as they are lost funds.

CONTRACTS EXECUTED - 2002

Amounts in millions

Origin	Program	Amounts contracted	Population attended	Jobs generated
FGTS funds	Pró-Saneamento	233	666,403	24,142
	FCP/SAN	<u>19</u>	<u>300,000</u>	<u>5,239</u>
Total FGTS		<u>252</u>	<u>966,403</u>	<u>29,381</u>
BNDES funds	Infra-estrutura/Rodovia	67	-	700
IDB/BIRD funds	HABITAR BRASIL BID (*)	10	-	-
	MONUMENTA BID	63	348,707	7,746
	PAT-PROSANEAR BIRD	<u>4</u>	<u>23,687</u>	<u>858</u>
Total BID/BIRD		<u>77</u>	<u>372,394</u>	<u>8,604</u>
Total		<u>396</u>	<u>1,338,797</u>	<u>38,685</u>

(*) Financing for institutional development

2.4.4 Federal Government General Budget - OGU

CAIXA, in 2002, repassed R\$ 1.28 billion in resources from the OGU to States and Municipalities, totaling 8,789 contracted operations. The repassing of such resources, provided for the generation of more than 293 thousand jobs, through the intermediary of various Federal Government plans in the areas of popular housing, sanitation and urban and rural infrastructure.

OGU - As of December 31, 2002

Value in millions

Volumes in units

Manager	Program	Number of operations	Value of Repass (R\$)	Population benefited	Jobs created
ANA	Management of water resources	10	13,46	9,729,627	3,503
EMBRATUR	Tourism Infrastructure	412	73	15,557,982	17,198
FNMA	Brasil Joga Limpo	21	8,24	590,254	2,428
MAPA	PRODESA	1,337	123,61	2,217,598	28,238
MDA	PRONAF	1,437	187,78	1,363,898	41,468
MET	<i>Brasil Potência Esportiva</i>	47	14,25	796,321	2,248
	<i>Esporte Direito de Todos</i>	27	5,55	106,797	1,706
	<i>Esporte na Escola</i>	262	29,13	1,776,530	6,697
	<i>Esporte Solidário</i>	1,266	141,1	9,329,673	32,554
	Municipalization	<u>138</u>	<u>24,67</u>	<u>5,536,688</u>	<u>5,636</u>
Total MET		<u>1,740</u>	<u>214,69</u>	<u>17,546,009</u>	<u>49,941</u>
SEDU	Urban management	14	1,49	138,238	216
	Morar Melhor	905	121,35	1,792,779	27,096
	PRO GEST	92	10,2	4,080,292	2,237
	PRO INFRA	2,294	439,31	16,743,434	100,558
	SANEAMENTO É VIDA	<u>485</u>	<u>75,7</u>	<u>5,536,378</u>	<u>16,879</u>

OGU - As of December 31, 2002

Value in millions
Volumes in units

Manager	Program	Number of operations	Value of Repass (R\$)	Population benefited	Jobs created
Total SEDU		<u>3,790</u>	<u>648,04</u>	<u>28,291,121</u>	<u>146,983</u>
SUFRAMA	INFRASTRUCTURE SUPPORT	42	19,12		4,108
SUFRAMA	INFRASTRUCTURE SUPPORT	<u>42</u>	<u>19,12</u>		<u>4,108</u>
Total		<u>8,789</u>	<u>1,287,94</u>		<u>293,868</u>

2.4.5 *Support for the Modernization of Public Administration*

More and more Brazilian Municipalities and States have been seeking to finance their expenses with the resources strictly originating in their current revenues, since their capacity for indebtedness, during recent years, has reached the point of exhaustion.

CAIXA has participated in recent years in projects of government interest, focused on the implementation of programs in support of restructuring for the fiscal adjustment and to the modernization of management in the state and municipal administrations.

2.4.6 *National Program for Support of the Fiscal Administration for the Brazilian States - PNAFE*

The general objective of PNAFE is to support the Federal Government in the quest for macroeconomic stability through self-sustainable fiscal equilibrium, based on an efficient, transparent policy in the management of income and state public spending.

In 2002, R\$ 152.0 million was liberated, equivalent to US\$ 50.5 million, to give continuity to the execution of the projects for modernization of the fiscal area of the States and the Federal District initiated in 1997. Since the beginning of the program, US\$ 336.2 million has already been released, which corresponds to 75% of the US\$ 449.3 million of funds from IBD, destined for the States and the Federal District.

2.4.7 *National Program for Support of Administrative and Fiscal Management of Brazilian Municipalities - PNAFM*

The general objective of PNAFM is to support the Federal Government in the quest for macroeconomic stability through self-sustainable fiscal equilibrium, and an efficient, transparent policy in the management of income and municipal public spending, having the Ministry of Finance as an administrator.

CAIXA, financial agent and co-executor of the Program, is responsible for conducting the process. The following actions implemented by CAIXA are highlighted:

- presentation of the program to city halls, development of training and dissemination of information by means of the Internet;
- development and adjustment of the Follow-up System of PNAFM - SIAPM, and the Follow-up System of the Encouragement Programs - SIAPF, via WEB (Internet and Intranet), destined for the processing of rendering of accounts to IBD and the Ministry of Finance;
- support for the Coordination Unit of the Program/ MF for the standardization of the analysis routes and the realization of meetings on preparation of methodology and execution of projects.

In 2002, contracts were initiated with the signing of fifteen contracts of sub-loans destined for municipalities with a population over 50 thousand inhabitants, totaling R\$ 137.3 million, equivalent to US\$ 38.9 million.

With the conclusion, in December 2002, of the process of certification of the Set of Application Systems - CSA, by the Ministry of Finance, and the pre-qualification of five companies for the supply of the CSA to the municipalities, the conditions were created for the start of the contracting in the Simplified Project modality, destined for municipalities with a population up to 50 thousand inhabitants.

2.4.8 *Gathering of State and Municipal Accounting Data*

With the objective of supporting the fulfillment by STN of its legal obligations, with respect to the gathering, consolidation and publication of the set of accounting data and information on the finances of the States, of the Federal District and of the municipalities, necessary for the follow-up of the limits established by the Law of Fiscal Responsibility, the Secretariat of the National Treasury signed an agreement with CAIXA for technical cooperation, through which it delegated to it the competence to receive, from entities of the Federation, financial statements and information and tables of credit operations and public debts.

The version of the System of Gathering of Accounting Data, developed by CAIXA and accessed via the Internet by the entities of the Federation, rationalizes procedures, with a significant reduction in the cost of receipt and in the transfer of data to STN.

In 2002, the balance sheets for 2001 were collected from all the States, the Federal District and from 5,435 municipalities, i.e. from 97.8% of all the Brazilian municipalities.

Besides the balance sheets, in 2002, the collecting of the Fiscal Management Report - RGF, the Summarized Report of Budgetary Performance - RREO and the Register of Credit Operations - COC was started and there was the collection of 46%, 29% and 23% of each one of the reports with the position as of December 31, 2001.

2.4.9 *System for Follow-up of Public Works and Engineering Services of the Federal Government - OBRASNet*

CAIXA, attending the Federal Government's request, through the Ministry of Planning, Budgets and Management, signed an agreement for technical cooperation aimed at developing the System for Follow-up of Public Works and Engineering Services of the Federal Government - OBRASNet, available on the Internet.

The objective of OBRASNet is to integrate the activities of planning, approval, release of funds and financial, physical follow-up of the works executed with resources from the General Federal Budget - OGU. Phase 1 of this system was made available in November, 2002, through a page on the Internet, with information and links to the systems already administered by CAIXA, namely the CAIXA System for Follow-up of Works, which already includes more than 20 thousand recorded works in progress, and the National System of Prices and Indices - SINAPI, which contains data related to 8 thousand items for civil construction.

2.4.10 Performance in the Health Sector

Operation CAIXA Hospitals

In the health sector, since 1997, CAIXA has been contributing towards supplying the immediate working capital needs of philanthropic hospitals, through a credit operation, called CAIXA Hospitais, destined exclusively for philanthropic entities, and in 2002, 159 contracts were closed, totaling an amount of R\$ 32.7 million.

Program for the Financial Restructuring and Managerial Modernization of the Public Hospitals

Aimed at assuring the viability of the economic, financial equilibrium of the Public Hospitals and the Philanthropic Hospitals linked to SUS, as from 1999, the Program for the Financial Restructuring and Managerial Modernization of Public Hospitals developed by the Ministry of Health and BNDES was made available.

The Program presented at the closing of 2002 the amount of R\$ 194.0 million in funds released in the period 1999/2002 and a balance in portfolio of R\$ 140.8 million.

2.4.11 Social housing

During 2002, the performance of CAIXA in the segment of housing of social interest was made, mainly, by intermediary of the programs related below, jointly with the respective contracting, per source of funds, with the corresponding results in terms of the number of units, benefited population and estimate of the quantity of jobs created, highlighting the Program for Subsidies for Housing of Social Interest - PSH, for its innovative character and for its importance in making viable effective attendance to the low income segment of the population, where the housing deficit is concentrated.

Program for Subsidies for Housing of Social Interest - PSH

PSH is destined, exclusively, for families with a gross monthly income of up to R\$ 1,000.00, and its implementation is anchored on joint-ventures with States and Municipalities, aimed at attending the segments of the population with difficulties of access to conventional housing credit. CAIXA established, as a priority for its operation, attendance to families with an income of up to R\$ 580.00, by means of unconventional financing operations, having, in this initial phase of implementation of the program, concentrated on attending families with an income of up to two minimum monthly salaries.

In the four auctions already realized by STN and SEDU/PR since the creation of PSH, CAIXA has qualified 94% of the total number of 45,000 units auctioned, and of this total, up till the end of 2002, 16,264 units were contracted.

Contracts made - 2002

Values in millions / Quantities in Units

Origin	Program	Values contracted	Number of units	Population attended	Jobs created
FGTS Resources	Individual Letter of Credit	2,281	181,270	735,956	217,471
	House at the planned stage	519	16,935	49,474	49,474
	Pró-Moradia	51	3,686	14,744	5,914
Total FGTS		2,851	201,891	800,174	272,859
CAIXA Resources	Construcard	365	27,496	111,634	34,794
	CAIXA Letter of Credit	96	1,716	6,967	9,147
	Construgiro	15	-	-	1,472
Total CAIXA		476	29,212	118,571	45,413
FAT Resources	FAT Housing	439	9,046	36,727	41,872
FAR Resources	Program for Residential Leasing - PAR	696	30,251	122,819	66,491
Recursos PSH	FGTS/PSH Operations	102	16,264	66,032	9,707
Recursos OGU/HBB - Habitação	Morar Melhor - HBB - Housing	317	37,442	1,792,779	27,090
Total		4,881	324,106	2,937,102	463,432

2.5 Administration of Assets of Third Parties

In 2002, the number of Funds and Portfolios managed by CAIXA passed from 65 to 86, with R\$ 59.3 billion in equity managed and an increase of 15% in the total revenues from management fees.

In 2002, the launching of the products below is highlighted:

Month	Fund	Equity
February	CAIXA FMP FGTS VALE MIGRAÇÃO	R\$ 2 million
February	CAIXA FITVM VALE	R\$ 169 million
March	CAIXA FMP FGTS VALE I, II	R\$ 703 million
July	CAIXA FAC CURTO PRAZO	R\$ 163 million
August	CAIXA FIF CAPITAL	R\$ 1,506 million
November	CAIXA FITVM BB	-
November	CAIXA FMP FGTS BB	-

2.5.1 *Fundo Imobiliário CAIXA*

Among other actions focused on the promotion of meeting the index of investment of fixed assets established by National Monetary Council - CMN (50% of the Adjusted Net Equity, as of December 31, 2002), CAIXA launched in November 2002, Fundo de Investimento Imobiliário (Real Estate Investment Fund), thus initiating its participation in the sector. Formed by quotas of at least R\$ 1,000.00, the Fund will be owner of the traditional Edifício Almirante Barroso, located at Av. Rio Branco, 174, in the center of Rio de Janeiro, valued at R\$ 100 million, which will be acquired by CAIXA and, immediately, leased to CAIXA, itself, for a period of 10 years, renewable for the same period of time.

The leasing guarantees profitability, as well as adding expressive value to the quotas of the Fund. With the characteristics of a closed fund, there is no redemption of quotas and the earnings are proportional to the quantity of quotas acquired, credited monthly, less income tax. Up till the end of December 2002, 24,000 quotas had been sold, and these sales were closed in February 2003, when all the 104,800 quotas, had been sold, in a total amount of R\$ 104.800 thousand.

3 **Applications in Securities**

The Central Bank of Brazil (BACEN), through Circular 3068/2001, established a set of new criteria for recognition and valuation of securities, which started to be classified according to management's intention in three specific categories:

- Securities for trading;
- Securities available for sale;
- Securities held to maturity.

The amounts related to "securities held to maturity", contained in the Notes, reflect management's intention, which confirms their financial capacity for such, as determined by Article 8 of the aforementioned circular.

4 **Social, Cultural and Marketing Performance**

4.1 *Athletics*

As from April 2001, CAIXA began to be the official sponsor of Brazilian Athletics. The investment that year was R\$ 1.5 million. In 2002, R\$ 2.0 million was destined for support for events in the national sports calendar for athletics, besides the CAIXA International Athletics Grand Prix, in exclusive sponsorship for the CAIXA Brazilian Athletics Teams, for the CAIXA National Program for Young Talents, for the CAIXA Program for Support for Top Level Athletes and, furthermore, by means of support for the realization of the Official Championships of the State Federations of Athletics.

This sponsorship has a framework constructed with strong social connotations, because it does not aim at only promoting sporting activities and the sponsored events, but also at protecting and supporting the athlete and his/her respective coach, assuring them means of survival that permit them full-time dedication to technical improvement and development of their sporting skills and, mainly, to attain international standards of performance and Olympic indices.

This action is done through the CAIXA Program for Support to Top Level Athletes and the CAIXA National Program for Young Talents, which directs part of the sponsorship funds to the athletes and their coaches, in the form of a scholarship, with remuneration levels directly linked to the different technical stages of professionalism and classification, maintained by official national and international agencies, directly supervised by the Brazilian Athletics Confederation - CBAAt.

In 2002, these two sponsored programs directly included 104 athletes, comprising the 72 best classified nationally by CBAAt and the 32 athletes integrating the elite group of Brazilian Athletics, whose scholarships vary according to the technical index in each modality.

With the sponsorship of CAIXA, Brazilian athletics gained important victories in 2002: 24 athletes were among the best in the International Association of Athletics Federations - IAAF, 13 in the main category and 11 young athletes, all sponsored by CAIXA through CAIXA National Program for Young Talents and the CAIXA Program for Support for Top Level Athletes.

Among the adults, the most outstanding are Maurren Higa Maggi, the only South American in the Top 10 of the World, and Keila da Silva Costa, who became the first woman to win a medal for Brazil in World Championships, in the Junior World Championship in Jamaica.

4.2 *Program for Literacy*

The Programa Alfabetização Solidária (Program for Literacy) is one of the actions created by the Conselho da Comunidade Solidária (Community Council), coordinated by the non-governmental organization Associação de Apoio ao Programa Alfabetização Solidária (Association in Support of the Literacy Program). Its objective is to open up the offer of education for adolescents and adults.

The pilot program was realized between January and June 1997, in 38 Brazilian municipalities with the highest indices of illiteracy (over 55%), with CAIXA's participation. In only six years of existence, up to the end of module XI, in the first semester of 2002, the Programa Alfabetização Solidária attended 3,137,847 students, a number that has shown continual, accelerated growth, since the pilot project, in which 9,200 students were attended.

The target for 2002 was to attend 2,010 municipalities, in 19 states and to open rooms of Projeto Grandes Centros Urbanos (Large Urban Centers Project) in Belo Horizonte and São Luís, thus expanding an action which is already being carried out in São Paulo, Rio de Janeiro, the Federal District, Goiânia and Fortaleza. This year it intends to attend 1.2 million students, totaling 3.6 million students attended by the program. This target was reached in the first semester of 2002.

In 2002, R\$ 500 thousand was invested in the Program, which reached in the period the accumulated number of 3.6 million students attended, in six years of operation, in 22 states, in partnership with 204 Institutions of Higher Learning and more than 101 companies, institutions and governmental agencies and seven state government partnerships. The number of students attended by the program in 2002 was 1.3 million.

4.3 *Incentive for culture - UNESCO Award for Culture*

In 2002, CAIXA received the UNESCO Award for Culture for its outstanding performance in the restoration of buildings registered as Historic Patrimony, in the recuperation/revitalization of Historic Sites, and for the sponsorship and promotion of Performing Arts and Plastic Arts in its Cultural Centers and for the National Campaign for Implementation of the Statute of the City.

The UNESCO Award was created with the object of annually paying homage to public institutions and civil associations and/or persons who stand out for actions of social importance in the Organization's areas of involvement: education, science, environment, culture, communication and information, human rights and peace, youth, citizenship and journalism.

One of the most important architectural monuments in the country in the neoclassic style returned to exhibit the exuberance of its construction from the times of the Empire, to shelter preciousities of the history of Brazil. In November 2002, the new headquarters of the National Archives was inaugurated in the center of Rio. In one and a half years it was totally restored and will be open to the public in March 2003. The restoration, in a total amount of R\$ 28.5 million, had the participation of funds from CAIXA and other federal public companies.

All the complex of the new National Archives can store 130 kilometers of shelves of documents, books, maps, plans, films and photographs that tell the history of the country. There, the originals of Lei do Ventre Livre, of Lei Áurea, all the constitutions of Brazil and rare works such as the peace treaty between King Dom João VI and Napoleon Bonaparte, among so many other documents, will be kept. The National Archives is the largest center of documental preservation in Latin America, which, for more than 160 years, has been preserving the official memory of Brazil.

4.4 *Marketing*

In August 2002, CAIXA participated in the award giving event entitled *MARKETING IBEST 2002*, awarded annually to companies that, through their own performance or through their products and services, have produced winner marketing cases, judged by a commission composed of marketing experts annually set up for such purposes.

CAIXA was awarded for the case CAIXA AQUI, and the Marketing Performance of the company's new channel was evaluated in the following aspects:

- the Problem;
- the Diagnosis;
- the Plan;
- the Execution; and
- the Results.

Besides this, CAIXA participated in the event occurring in September 2002, represented by the employees responsible for the case, from its conception until its communication to the public, executed through a campaign of mass transmission in May 2002.

CAIXA's site on the Internet participated in the Award iBest 2002, winning first place in the category Social Services and Top 03 in the categories Banks and Regional DF, by popular vote. .

The e-mail service available on the site was highlighted as the Best e-mail Service of State Companies by the magazine *Business Standard* in partnership with Fundação Getúlio Vargas, in the issue of *Prêmio 25 Melhores Serviços* (Award for the 25 Best Services) for Internet Banking in 2002.

The Brazilian Telemarketing Association - ABT awarded CAIXA in II Prêmio ABT for Telemarketing, realized in São Paulo, in September 2002. CAIXA was awarded the silver trophy in the category "Best Company with its own or outsourced telemarketing (receptive)". This is an unprecedented award for CAIXA's telemarketing, since its creation in 1987. Within the 16 Categories in which the telemarketing companies can compete, CAIXA chose to inscribe itself for the Best Company with outsourced receptive telemarketing, with the work entitled "Terceirização do Telemarketing da CAIXA: Um caso de sucesso" (Outsourcing of CAIXA's telemarketing: a success case).

CAIXA was the first Financial Institution to completely outsource attendance through receptive telemarketing, which occasioned a significant improvement in the quality and productivity of the attendance, as well as a reduction in the repressed demand. The ABT telemarketing award was set up in 2001 and awards the best practices of the sector, as well as the best companies and their partners, as well as its best executives.

CAIXA received in October 2002 the Certificado Empresa-Cidadã (Company-citizen certificate), awarded by the Rio de Janeiro newspaper Monitor Mercantil in recognition of its performance in Corporate Social Responsibility.

The prize giving took place during the Seminar - Marketing, a Social Instrument of Citizenship, held in the auditorium of the Brazilian Jockey Club in Rio de Janeiro, held by the newspaper Monitor Mercantil, in commemoration of its 90th anniversary, with the participation of the Center of Production of the State University of Rio de Janeiro - CEPUERJ.

The award *Top of Mind* 2002 included CAIXA in the Savings Bank category. *Top of Mind* is a survey realized annually by Instituto Datafolha, of the newspaper Folha de São Paulo, the objective of which is to reveal the brands most remembered by consumers in all of Brazil. Held since 1991, the survey identifies the profile of the Brazilian consumer and shows what he really remembers.

The Savings Bank category made its first appearance this year in an event also taking place in October 2002 in São Paulo. The CAIXA brand was remembered by 28% of the population.

5 Training of the Attendance Infrastructure

5.1 Human Resources

In the period of 1999/2002, 12,733 Banking Technicians, 183 Superior Banking Technicians and 580 Professional Career employees were admitted. CAIXA closed 2002 with 55,691 employees on its permanent staff.

Temporary banking staff was employed to attend the extraordinary demand for services. This strategy is in keeping with the model for segmentation of implemented attendance, particularly for activities of payment of the complementary credits of FGTS and for orienting the clientele, with regards the use of the self-attendance equipment and alternative channels.

9,773 trainee scholarships were also awarded, offering 3,013 places to young apprentices and 26,113 to service providers, amounting to a total of a 94,590 professionals together with CAIXA's employees.

Caixa Health

Since 1977 CAIXA has offered its employees and respective families the Supplementary Medical Assistance Program - PAMS, an ample health program, that provides medical, hospital, laboratory, X-ray, dental, psychology, physiotherapy, occupational therapy, social service, phono-audiology and nutrition assistance, through a network of accredited professionals and institutions throughout Brazil. It also offers defraying of expenses/rent for apparatus for medical purposes, removal by land and air, besides reimbursement for attendance realized by professionals and entities that are not accredited.

Such benefit is configured in CAIXA and any public or private company as a differential offered to its employees, the importance of which may be perceived by the relevance of the services made available, fundamental and necessary for the quality of life and maintenance of the working capacity of all the employees and, furthermore, for their families.

In August 2002, in commemoration of its 25th anniversary, PAMS adopted the name SAÚDE CAIXA, having made 86,530 attendances to the total of 206,583 beneficiaries.

Training and Development activities - T&D

CAIXA was the first public company to implement a corporate university. Today, Universidade CAIXA plays an important role in the training and development process of the internal public, using distance-learning technology. With this strategy, CAIXA stimulates self-development, democratizes information and furthermore, significantly reduces the costs of T&D. However, this is not the only methodology used in the University. It also provides in-service training, amongst others. The methodology is defined based on the learning objectives it wishes to attain.

The University covers all areas of corporate education in the training and development of its employees, using various learning methodologies. It has four corporate schools related to CAIXA business and, in 2002, it implemented the School of Corporate Citizenship, attending all the employees with helpful advice of public use, focused on improving the quality of life, citizenship consciousness of the CAIXA employee and professional entrepreneurship. This initiative is already a market reference, with various companies that visit CAIXA, for benchmark actions.

In 2002, CAIXA won the award E-learning Brazil, given to public and private companies for innovation in distance-learning activities.

Thus, CAIXA closed 2002, with the following results in terms of training of its professionals:

- 59,025 employees have already done some course;
- 54,351 CAIXA employees have done distance-learning courses and 2,929 have attended normal courses;

- approximately 95% of the CAIXA employees have done at least one course in the Corporate University;
- CAIXA University has already has 571,000 conclusions of diverse courses;
- 105 different distant-learning courses have been made available via Internet;
- currently, there are 65 published courses;
- 351 publications by CAIXA employees, including monographs, dissertations, articles and projects.

Besides offering CAIXA University for the development of its employees, CAIXA defrayed costs for 863 training courses including postgraduate courses, workshops and certifications.

5.2 *Technology*

The development of new technologies has figured as an important competitive differential for the financial system. The growing investments made by Brazilian banks in recent years confirm this fact. Between 1999 and 2001, according to data from the Brazilian Federation of Banks - FEBRABAN, investments in technology went from R\$ 2.5 billion to R\$ 32 billion.

These technological investments aim at overcoming the growing demand by clients for services of greater commodity, agility and security.

The implementation of the Brazilian Payment System - SPB was one of the facts responsible for the significant increase in the investments in Information Technology in 2002.

CAIXA is the first financial institution in Brazil to offer its clients Digital Certification, which guarantees legal validity for electronic documents and greater security to the banking transactions of the institution. The emission of digital certificates began in December 2002, an occasion on which the company passed through an audit by the National Institute of Information Technology -ITI and received authorization to begin to issue the digital certificates as a legally recognized Certifying Authority.

Caixa's target is to certify 1.2 million current account holders who use CAIXA Internet. Companies supplying products and services that use the electronic purchase portal and the companies that send CAIXA information on collection of FGTS of its employees will also be certified. The digital certificates are an electronic means of authenticating and verifying the digital identification of the parties involved in a transaction. This technology makes it possible to recognize the signature of the person that changes information or makes commercial transactions via Internet with security, secrecy and authenticity.

The client who has a digital certification card may validate transactions, sign contracts and authorize transactions via Internet, all without needing to go to an agency to sign a document.

CAIXA, with these, among other initiatives to remain competitive, meeting the expectations of its clients and the requirements of the society for quality and rapidity, made investments in technology and communications in the order of R\$ 431.3 million during the year.

5.3 Physical Attendance Network

CAIXA, in the continual search for improvement in its products and services, makes every effort and invests resources in the generation of favorable conditions for attending its clients, implementing technological innovations and adaptations compatible with the needs of its clients.

Therefore, in 2002, CAIXA invested R\$ 47.8 million for improvement/adaptation of environments of self-attendance and other improvements in the Units, among which are adaptations to comply with CMN resolution 2878/2001, which stipulates the use of technical, physical or special alternatives in the dependencies of the Financial Institutions, that guarantee priority attendance to persons with temporary or definitive physical handicaps or reduced mobility, to the elderly, who are 65 years old or more, pregnant women, nursing mothers and persons accompanied by very young children.

6 Program for Rationalization of Expenditure and Elimination of Wastage - PROGED

In 2002, CAIXA launched PROGED, the permanent objective of which is to seek solutions to rationalize expenditure and eliminate wastage with telephone calls, consumption of material, electricity, computer resources, among others, through incentives for development of organizational awareness of the matter and of individual responsibility in the optimization of the use of resources.

As a target, this program reckoned on the reduction of expenditure and elimination of wastage, by September 2003, in the order of R\$ 200 million. Up till December 2002, CAIXA obtained a reduction of R\$ 32.5 million in these items, which corresponds to the realization of 16.5% of the target set.

7 An anchor in Transparency and Prudence

In 2002, CAIXA, to guarantee its strengthening, gave priority to the process of long-term economic, operational equilibrium, taking as an assumption the minimum necessary return of the shareholders' capital, avoiding assuming risks which could not be supported by the bank and the generation of contingent liabilities. The explicitness of risks and subsidies of public programs, competitive operation in the market, transparency, prudence, control, management and risk management were established as themes which permeated the operation of the company during the year.

The exposure of the company before market analysts and the society was broadened with the publication of the Quarterly Financial Information, by means of the Internet, a specialized magazine and presentations to the ABAMEC of São Paulo, Fortaleza, Rio de Janeiro, Center-West and Porto Alegre.

In September 2002, the new Statute of CAIXA was published, followed by the organizational adjustment and consolidation of its fundamental business, which, based on the policy established in the company, denominated "Âncora da Transparência" (Anchor of Transparency), were presented to the society and to the market analysts.

Complying with the precepts of this management philosophy, the new Statute, besides preserving an executive exclusively dedicated to the supervision of the control functions, established segregation of the activities of the vice-presidency of Funds, Programs and Services delegated by the Government, following the example of what had already occurred, since 1999, in relation to the activities of the management of the assets of third parties - investment funds - and made viable the creation of Vice-Presidencies focused exclusively on management of the distribution network and for risk management.

The Statute also established the position of Ombudsman, to facilitate access to CAIXA by clients in the case of complaints, criticism, praise, denunciations, suggestions and obtaining of information, seeking loyalty and providing a source of reference for the improvement of products, services, channels and attendance.

One of the greatest advances in CAIXA was in relation to the implementation of the Internal Control System - SCI, developed since 1999, with a set of policies and procedures adopted by management to assure an orderly, efficient manner of conducting its business, which includes compliance with administrative policies, the safeguarding of assets, timely recognition of liabilities, prevention and detection of frauds or errors, accuracy and integrity of the operating and accounting records, opportune preparation of economic, financial information and the management of existing risks.

In relation to the Basel agreement, CAIXA presented a sufficiency in the order of R\$ 1,1 billion, with a percentage of 14.68% on the assets weighted by the risk and, thanks to the measures adopted aiming at the reduction of its permanent assets, it closed the balance sheet as of December 31, 2002 with applications in this item, in an amount equivalent to 53.69% of its Adjusted Shareholders' Equity. In accordance with the statements closed in January 2003, CAIXA is in compliance with the index of investments in fixed assets established by the National Monetary Council - CMN.

CAIXA, aware of the importance of the theme in the international sphere and of its relation to the high risks to which financial institutions are exposed, set up, during the year, a Committee for Prevention of Crimes of Money Laundering, which is composed of a Vice-president, who presides over the committee, and consultants of Vice-presidents, Directors and Superintendents. This evidences the involvement of the top management of the Bank in the inherent decisions.

Also during the year, a training program was developed in Universidade CAIXA, conclusion of which is obligatory for all employees by March 2003, to train them to adequately monitor the financial movements realized in the institution, as well as to detect and handle situations that characterize indications of money laundering.

In order to adjust to legal regulations, as well as to know the real risks to which it is exposed due to its positions assumed on the market, CAIXA has implemented a methodology for measuring and managing market risk by means of a standard methodology defined by the Central Bank of Brazil, which has been functioning since 2000, and is implementing its own model, which was finalized in 2002 and is in the phase of being implemented. The models adopted use the concept of Value-at-Risk, which gives the maximum expected loss for a determined period of time with a given degree of required confidence.

A similar methodology is in the phase of development for operational and corporate credit risk management, and the implementation of the respective models is predicted for the next few years.

Also in 2002, for the first time, CAIXA was evaluated by a company specialized in attributing an international rating, obtaining A3 on the Global Scale of Local Currency. Moodys, the company responsible, also awarded Aaa.br, also in local currency, on the Brazilian National Scale of ratings. In the criteria that evaluate the financial basis of the company, particularly its capitalization and quality of its assets, CAIXA received E+.

The rating is essential for the company to participate in the international market and to make, for example, external securitization of securities with the issue of eurobonds, to attract investors for the programs of housing financing or to purchase mortgage notes.

More than just an excellent classification, the awarding of the ratings signifies management transparency, firmness of internal controls and consistency in the figures presented in the balance sheets and financial statements.

8 Acknowledgements

The Board of Directors of CAIXA wishes to thank the Federal Government, as its controller, for the support and for the commitment to the deepening of the transformations that gave rise to the results reported herein.

It wishes to record, furthermore, in the name of its clients and of all Brazilians, the ultimate beneficiaries of these transformations, its acknowledgements and recognition of its employees, partners, suppliers, trainees, young apprentices, service providers, lottery shop owners and correspondent banks, for the competence and zeal with which they have performed their quotas of contribution so that they have been materialized.



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Independent auditors' report

To
The Supervisory Board
Caixa Econômica Federal - CAIXA
Brasília - DF

1. We have examined the balance sheets of Caixa Econômica Federal - CAIXA as of December 31, 2002 and 2001, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations, with exception of the issue mentioned in the following paragraph, were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of CAIXA; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by CAIXA management, as well as the presentation of the financial statements taken as a whole.
3. CAIXA has credits receivable from the Salary Variations Compensation Fund (*Fundo de Compensação de Variações Salariais* - FCVS), corresponding to housing contracts of its own and acquired from other agents, with coverage by FCVS. The effective realization of these credits depends on adherence to a set of rules and procedures defined in FCVS regulations. CAIXA has been implementing a process for analyzing and checking the conditions and data of these contracts, to comply with these rules and procedures. During our examinations, we verified that the current stage of this process presents various discrepancies in data and a set of contracts pending checking and analysis, which prevented us from obtaining an adequate basis to evaluate the possible losses arising from contracts considered irregular for the purposes of cover by FCVS. Consequently, it was not practicable, in the circumstances, to perform additional exams, which would allow us to evaluate the adequacy of the provision for losses, recorded in "Interbank accounts - Housing Finance System" (SFH), which amount, at December 31, 2002 and 2001, to R\$ 2,904 million, and R\$ 1,710 million, respectively.



4. In our opinion, except for the possible effects arising from the subject discussed in the previous paragraph, the financial statements mentioned above present, fairly, in all material respects, the financial position of Caixa Econômica Federal - CAIXA as of December 31, 2002 and 2001, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.
5. In conformity with that described in Note 3(b), CAIXA adopted, in the year ended December 31, 2002, the new criteria for recording and valuating the securities and derivative financial instruments, as determined by the Central Bank of Brazil.
6. CAIXA, as demonstrated in Note 19(a), has an amount of R\$ 1,913 million (R\$ 2,042 million at December 31, 2001), recorded as assets, corresponding to income and social contribution tax credits, which realization and maintenance is conditional on generating taxable income in the future, and to complying with rules defined by Resolution nº 3059/02 of Central Bank of Brazil.
7. As mentioned in Notes 15(a), CAIXA was assessed by the Inspection Service of the National Institute for Social Security (*Instituto Nacional do Seguro Social - INSS*), on the allegation that social security contributions were not effected on certain payments made to its employees, and by the Federal Internal Revenue Service, on the allegation of an insufficiency in the payment of PIS/PASEP. In line with the understanding of its legal and tax departments, which claim that not all the amounts listed by the INSS are subject to social welfare contributions, and in view of the possibilities of a successful defense of the filing related to PIS/PASEP, CAIXA management understands that it is not necessary to set aside contingent provisions for this matter, in addition to those already existing, which amounted to R\$ 99 million (INSS) and R\$ 529 million (PIS/PASEP), at December 31, 2002 (INSS - R\$ 218 million and PASEP - R\$ 500 million, at December 31, 2001).
8. As explained in Note 1(b), CAIXA carried out, in June 2001, various operations under the conditions of Provisional Measure 2196-2, of July 26, 2001 (previously Provisional Measure 2155, of June 22, 2001), which introduced the Program for Strengthening Federal Financial Institutions. These operations basically consisted of transferring assets with low net income and liquidity and increasing capital by the amount of R\$ 9,350 million, which resulted in CAIXA reaching the minimum equity levels required by the Monetary Authority. In addition, CAIXA carried out various adjustments to its accounts in compliance with accounting practices derived from the Brazilian Corporation Law, as well as the norms established by the Central Bank of Brazil.

February 7, 2003

KPMG Auditores Independentes
CRC-SP-014428/O-6-F

Original report in Portuguese signed by
Francesco Luigi Celso
Contador CRC-SP-175.348/O-5-S-DF

Caixa Econômica Federal - CAIXA

Balance sheets

December 31, 2002 and 2001

(In thousands of Reals)

Assets	2002	2001	Liabilities	2002	2001
Current assets	35,311,216	18,776,746	Current liabilities	103,146,976	83,143,690
Cash and cash equivalents	597,722	476,450	Deposits (Note 11)	75,504,546	67,962,456
Interbank funds applied (Note 4)	3,740,429	2,254,623	Demand deposits	5,158,665	4,446,912
Money market funds applied	3,720,417	2,239,468	Saving deposits	42,430,846	35,426,471
Interbank deposits	20,012	15,155	Time deposits	24,099,201	24,800,163
Securities (Note 5)	9,253,317	3,259,318	Special deposits, funds and programs	3,803,621	3,288,450
Own portfolio	3,489,162	3,217,611	Deposits in foreign currency	12,213	460
Subject to repurchase commitments	5,143,752	41,707	Money market repurchase commitment	18,936,859	2,566,513
Deposits with Central Bank	614,138	-	Own portfolio	12,778,799	937,409
Subject to guarantee services	4,520	-	Third parties portfolios	6,158,060	1,629,104
Derivative financial instruments	1,745	-	Acceptances and endorsements	1,319,353	6,602,663
Interbank accounts (Note 6)	14,832,209	6,709,503	Mortgage note funds (Note 12)	1,319,353	6,602,663
Collections in transit	53,610	13,245	Interbank accounts	145,062	68,337
Term deposits:			Payments in transit	144,966	68,282
Brazilian Central Bank deposits	14,706,351	6,690,299	Correspondents	96	55
Interbank repasses	41	-	Interbranch accounts	659,659	391,983
Correspondents	72,248	5,918	Third party funds in transit	558,663	390,480
Interbranch accounts	416,073	91,675	Own funds in transit	100,996	1,503
Third party funds in transit	61,458	19,931	Borrowings	-	248,676
Own funds in transit	354,615	71,744	Local currency borrowings from public sector	-	248,676
Loans (Note 7)	3,676,325	2,793,851	Derivatives Financial Instruments	196,975	91,726
Loans, discounted loans and financing	4,371,186	3,036,400	Other liabilities (Note 15)	6,384,522	5,211,336
Real estate financing	340,584	445,549	Collection of taxes	69,881	151,036
Infrastructure and development financing	100,102	221,655	Foreign exchange portfolio	3,925	12,357
Provision for doubtful loans	(1,135,547)	(909,753)	Due to shareholders	221,699	-
Other receivables (Note 8)	1,883,698	2,102,606	Taxes payable	396,312	122,679
Foreign exchange portfolio	3,928	12,357	Securities clearing accounts	-	1,069
Income receivable	676,903	533,259	Funds to specific destination:		
Specific credits	17,885	31,953	Lottery operations	262,718	277,513
Other	1,184,982	1,525,037	Social program and fund obligations	1,496,521	367,659
Other assets (Note 9)	911,443	1,088,720	Obligation to financial and development funds	56,516	124,528
Assets received in settlement of debt	1,305,671	1,468,039	Other	3,876,950	4,154,495
Valuation allowance	(403,391)	(389,355)	Long-term liabilities	20,642,837	14,295,492
Prepaid expenses	9,163	10,036	Deposits (Note 11)	1,101,760	1,294,810
Long-term assets	90,621,643	80,070,828	Time deposits	1,101,760	1,294,810
Interbank funds applied (Note 4)	2,857,035	2,569,128	Acceptances and endorsements	7,795,995	3,562,734
Money market funds applied	2,857,035	2,569,128	Mortgage notes	-	64,090
Securities (Note 5)	48,114,161	39,812,628	Mortgage note funds (Note 12)	7,438,265	3,498,644
Own portfolio	39,387,708	38,279,100	Real estate credit notes	357,730	-
Subject to repurchase commitments	7,693,705	897,713	Borrowings (Note 13)	107,560	122,974
Deposits with Central Bank	311	629,550	Foreign currency trade finance borrowings	107,560	122,974
Derivative financial instruments	5,508	-	Repass borrowings from public sector (Note 14)	5,818,298	3,340,319
Subject to guarantees rendered	1,026,929	6,265	National treasury	393,083	408,483
Interbank accounts (Note 6)	20,460,880	20,233,309	BNDES (Federal Development Bank)	312,149	275,567
Housing Finance System - SFH	20,460,880	20,233,309	FGTS (Government Severance Indemnity Fund for Employees)	4,914,235	1,956,736
Loans (Note 7)	15,966,584	13,483,418	Other	198,831	699,533
Loans, discounted loans and financing	3,117,978	2,997,801	Other liabilities (Note 15)	5,819,224	5,974,655
Real estate financing	14,411,445	12,835,902	Taxes payable	925,792	770,871
Infrastructure and development financing	393,350	123,757	Social program and fund obligations	64,765	51,076
Provision for doubtful loans	(1,956,189)	(2,474,042)	Other	4,828,667	5,152,708
Other receivables (Note 8)	3,222,983	3,972,345	Shareholders' equity (Note 17)	4,628,121	3,891,469
Income receivable	174,803	349	Capital - Domestic	3,345,727	12,350,000
Security Clearing Accounts	-	3	Capital reserves	54,973	54,973
Specific values	132,839	220,946	Revaluation reserves	508,268	490,770
Other	3,322,890	4,089,393	Revenue reserves	216,816	316,375
Provision for doubtful receivables	(407,549)	(338,346)	Adjust to Market Value - Securities and Derivatives Financial Instruments	(256,730)	-
Permanent assets	2,485,075	2,483,077	Retained earnings/loss	759,067	(9,320,649)
Investments (Note 10a)	265,048	211,713			
Subsidiaries and affiliates	221,123	179,881			
Other investments	65,649	53,549			
Provision for losses	(21,724)	(21,717)			
Premises and equipment (Note 10b)	1,659,357	1,649,453			
Premises	232,810	337,861			
Premises revaluation	672,922	701,709			
Other fixed assets	1,628,736	1,441,344			
Accumulated depreciation	(875,111)	(831,461)			
Deferred charges (Note 10c)	560,670	621,911			
Deferred charges	1,073,763	1,039,493			
Accumulated amortization	(513,093)	(417,582)			
	128,417,934	101,330,651		128,417,934	101,330,651

See the accompanying notes to the financial statements.

Caixa Econômica Federal - CAIXA

Statements of income

Years ended December 31, 2002 and 2001

(In thousands of Reais)

	Second Semester 2002	2002	2001
Financial operations income	<u>10,578,774</u>	<u>17,812,907</u>	<u>12,722,801</u>
Loans	2,072,263	3,768,009	5,648,923
Securities income	6,194,043	10,562,130	4,363,979
Trade finance and foreign exchange income	230	636	65
Compulsory investments	2,312,238	3,482,132	2,709,834
Financial operations expenses	<u>(6,679,312)</u>	<u>(11,000,036)</u>	<u>(12,141,498)</u>
Deposits, money market and interbank funds	(5,356,379)	(9,195,753)	(6,396,863)
Borrowings and repasses	(300,890)	(501,326)	(2,502,407)
Derivative financial instruments income	(477,939)	(561,494)	-
Provision for losses on doubtful receivables	(544,104)	(741,463)	(3,242,228)
Net income (loss) on financial operations	3,899,462	6,812,871	581,303
Other operating income/expense	<u>(3,138,955)</u>	<u>(5,307,298)</u>	<u>(4,995,197)</u>
Service fee income	2,217,729	4,233,890	3,230,239
Equity in earnings of subsidiaries	38,545	50,635	26,513
Personnel expenses (Note 20(b))	(2,212,597)	(3,916,185)	(4,006,695)
Other administrative expenses (Note 20(b))	(1,899,575)	(3,473,523)	(3,024,737)
Tax expenses	(325,209)	(637,781)	(422,754)
Other income (Note 20 (a))	2,480,540	3,242,197	5,226,481
Other expenses (Note 20 (a))	(3,438,388)	(4,806,531)	(6,024,244)
Operating result	<u>760,507</u>	<u>1,505,573</u>	<u>(4,413,894)</u>
Non-operating result	<u>40,410</u>	<u>(21,006)</u>	<u>(273,438)</u>
Net income (loss) before income taxes and profit sharing	<u>800,917</u>	<u>1,484,567</u>	<u>(4,687,332)</u>
Income tax expenses	(172,075)	(195,820)	-
Social contribution tax expenses	(26,900)	(86,483)	-
Deferred tax assets	<u>(85,283)</u>	<u>(121,171)</u>	<u>-</u>
Net income (loss)	<u><u>516,659</u></u>	<u><u>1,081,093</u></u>	<u><u>(4,687,332)</u></u>

See the accompanying notes to the financial statements.

Caixa Econômica Federal - CAIXA

Statements of changes in shareholders' equity

Years ended December 31, 2002 and 2001

(In thousands of Reais)

	Capital reserves			Revenue Reserves	Adjustment to market value	Retained earnings (loss)	Total
	Capital	Special reserve Law 8200	Revaluation reserve	Legal and other			
Balances at July 1, 2002	3,345,727	54,973	485,060	112,645	(126,680)	429,410	4,301,135
Adjustment to market value - Securities and derivative financial instruments	-	-	-	-	(130,050)	-	(130,050)
Premises revaluation (Note 17 (c))	-	-	213,182	-	-	-	213,182
Reversal of reserves	-	-	(159,029)	-	-	-	(159,029)
Taxes on revaluation	-	-	(20,730)	-	-	-	(20,730)
Revaluation reserve to Subsidiaries and affiliates	-	-	(398)	-	-	-	(398)
Realization of reserve	-	-	(9,817)	-	-	9,817	-
Net income for the semester	-	-	-	-	-	516,659	516,659
Destination of net income: (Note 17 (e))							
Reserves	-	-	-	104,171	-	(104,171)	-
Dividends	-	-	-	-	-	(92,648)	(92,648)
Balances at December 31, 2002	<u>3,345,727</u>	<u>54,973</u>	<u>508,268</u>	<u>216,816</u>	<u>(256,730)</u>	<u>759,067</u>	<u>4,628,121</u>
Balances at January 1, 2002	12,350,000	54,973	490,770	316,375	-	(9,320,649)	3,891,469
Adjustment to market value - Securities and derivative financial instruments	-	-	-	-	(256,730)	96,635	(160,095)
Capital increase	316,375	-	-	(316,375)	-	-	-
Capital decrease (Note 17 (a))	(9,320,648)	-	-	-	-	9,320,648	-
Premises revaluation (Note 17 (c))	-	-	213,182	-	-	-	213,182
Reversal of reserves	-	-	(159,108)	-	-	-	(159,108)
Taxes on revaluation	-	-	(17,310)	-	-	-	(17,310)
Revaluation reserve to Subsidiaries and affiliates	-	-	589	-	-	-	589
Realization of reserve	-	-	(19,855)	-	-	19,855	-
Net income for the period	-	-	-	-	-	1,081,093	1,081,093
Destination of net income: (Note 17 (e))							
Reserves	-	-	-	216,816	-	(216,816)	-
Dividends	-	-	-	-	-	(221,699)	(221,699)
Balances at December 31, 2002	<u>3,345,727</u>	<u>54,973</u>	<u>508,268</u>	<u>216,816</u>	<u>(256,730)</u>	<u>759,067</u>	<u>4,628,121</u>

	Capital reserves			Revenue Reserves	Retained earnings (loss)	Total	
	Capital	Special reserve Law 8200	Other	Legal and other			
Balances at January 1, 2001	3,000,000	54,973	10	513,746	168,995	(667,700)	3,070,024
Prior period adjustments (Note 1b (iii))	-	-	-	-	-	(3,838,423)	(3,838,423)
Capital increase	9,350,000	-	-	-	-	-	9,350,000
Reversal of reserves	-	-	(10)	(12,751)	-	-	(12,761)
Taxes on revaluation	-	-	-	9,961	-	-	9,961
Realization of reserve	-	-	-	(20,186)	-	20,186	-
Loss for the year	-	-	-	-	-	(4,687,332)	(4,687,332)
Destination:							
Reserves	-	-	-	-	147,380	(147,380)	-
Balances at December 31, 2001	<u>12,350,000</u>	<u>54,973</u>	<u>-</u>	<u>490,770</u>	<u>316,375</u>	<u>(9,320,649)</u>	<u>3,891,469</u>

See the accompanying notes to the financial statements.

Caixa Econômica Federal - CAIXA

Statements of changes in financial position

Years ended December 31, 2002 and 2001

(In thousands of Reais)

	Second Semester 2002	2002	2001
Sources of funds:	20,722,051	30,912,854	81,318,000
Adjusted net income	784,901	1,560,107	-
Net income for the semester/year	516,659	1,081,093	-
Depreciation and amortization	306,787	529,649	-
Equity in earnings of subsidiaries	(38,545)	(50,635)	-
Capital increase	-	-	9,350,000
Investment subsidy	19,365,305	28,762,332	69,643,632
Increase in current and long-term liabilities	17,161,746	27,648,049	12,094,419
Deposits	3,095,112	7,349,040	6,136,602
Money market repurchase commitment	10,782,428	16,370,346	1,253,614
Acceptances and endorsements	-	-	1,198,943
Interbank accounts	-	76,725	21,429
Interbranch accounts	458,687	267,676	40,629
Local borrowings from public sector	1,389,183	2,477,979	-
Derivative financial instruments	54,687	196,975	-
Other liabilities	1,381,649	909,308	3,443,202
Decrease in current and long-term assets	2,203,559	1,114,283	57,549,213
Interbank funds applied	1,787,321	-	-
Interbank accounts	-	-	5,367,466
Loans	-	-	49,333,128
Other receivables	391,524	937,006	2,503,649
Other assets	24,714	177,277	344,970
Disposal of assets and investments	557,887	559,151	214,158
Investments	400	400	6,212
Premises and equipment	557,487	558,751	207,946
Decrease in deferred charges	-	-	2,098,858
Interest on own capital	13,958	31,264	11,352
Application of funds	20,649,937	30,791,582	81,169,608
Net loss adjusted	-	-	4,233,164
Loss for the semester/year	-	-	4,687,332
Depreciation and amortization	-	-	(480,681)
Equity in earnings of subsidiaries	-	-	26,513
Prior year adjustments	-	-	3,838,423
Adjustment to market value - Securities and Derivative Financial Instruments	130,050	160,095	-
Inversion in:	684,384	748,939	238,242
Investments	-	3,100	18,469
Premises and equipment	684,384	745,839	219,773
Deferred charges	123,933	237,150	339,347
Funds applied:	19,618,922	29,423,699	72,520,432
Increase in current and long-term assets	17,108,262	28,109,560	34,864,940
Interbank funds applied	-	1,773,713	1,539,025
Securities	8,702,858	14,295,532	33,278,505
Interbank accounts	6,668,862	8,350,277	-
Interbranch accounts	339,321	324,398	47,410
Loans	1,397,221	3,365,640	-
Decrease in current and long-term liabilities	2,510,660	1,314,139	37,655,492
Acceptances and endorsements	1,938,006	1,050,049	-
Interbank accounts	563,426	-	-
Borrowings	9,228	264,090	9,252,846
Repass borrowings from public sector	-	-	28,402,646
Proposed dividends	92,648	221,699	-
Increase in cash and cash equivalents	72,114	121,272	148,392
Changes in cash and cash equivalents:			
Beginning of the period	525,608	476,450	328,058
End of the period	597,722	597,722	476,450
Increase in cash and cash equipments	72,114	121,272	148,392

See the accompanying notes to the financial statements.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

Years ended December 31, 2002 and 2001

(In thousands of Reais)

1 Operations

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

a. Business areas

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

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

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

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

b. Operations within the scope of the Federal Financial Institution Strengthening Program

- i.** CAIXA carried out during the first semester of 2001, several operations supported by Provisional Measure 2196-3, dated August 24, 2001, (previously Provisional Measure 2155, dated June 22, 2001), which introduced the Federal Financial Institution Strengthening Program and which are summarized below:
 - a.** Assignment of the entire real estate loan portfolio with coverage and part of the Salary Variations Compensation Fund (FCVS), to the Asset Management company (*Empresa Gestora de Ativos*) - EMGEA (company created by Decree 3848, dated June 26, 2001) for its book value corresponding to R\$ 26,613,556, net of provisions, which payment was made by means of the assumption of CAIXA's debts with FGTS (R\$ 26,188,122), FAHBRE (R\$ 382,710) and FDS (R\$ 42,724).
 - b.** Acquisition by the Union of credits representative of "Sanitation and Urban Infrastructure" and Housing contracts granted through FGTS funds, for the book value of R\$ 8,198,347, net of provisions, which payment was made through the issuance of Financial Treasury Bills (LFT).
 - c.** Capital increase in the amount of R\$ 9,350,000, through the Union's assumption of CAIXA's debt with BACEN, related to PROER loans.
 - d.** Exchange with the Union of loans granted by CAIXA related to Law 8727/93 (refinancing of state and municipal debts) for Financial Treasury Bills (LFT), for the book value of R\$ 12,999,999.
 - e.** Exchange with the Union of the CVS Securities in the amount of R\$ 5,671,495 received due to the novation of credits with FCVS, for Financial Letters of Treasury (LFT).
 - f.** Advance settlement of part of CAIXA's debt with the FGTS, through the utilization of CVS securities, in the amount of R\$ 6,000,000.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

- ii. Additionally CAIXA made book adjustments with the objective of complying with accounting principles derived from Brazilian Corporation Law, as well as Brazilian Central Bank rules. The principal adjustments occurring in the equity restructuring in June of 2001 are summarized as follows:

	Shareholders' equity (*)	Result
Reversal of the Credit Risk Reserve of FGTS operations, in view of the fact that the Union assumed the credit risk relative to operations made until June 1 st , 2001 (Note 16b)		2,541,482
Provision for FCVS receivable losses		(2,174,127)
Additional credit risk provision to comply with Resolution 2682/99		(2,280,458)
Additional provision for Other assets		(174,671)
Amortization of 100% of deferred charges resulting from discounts on advance SFH financial settlements	(2,098,858)	107,766
Provision for the complementing of debt with FUNCEF (Note 15c)	(1,738,745)	(84,414)
Provisions for contingencies		(1,722,513)
Others	(820)	-
(*) Prior year adjustments.	<u>(3,838,423)</u>	<u>(3,786,935)</u>

2 Presentation and preparation of financial statements

The financial statements are the responsibility of company management and were prepared in accordance with the accounting practices derived from Corporation Law and Brazilian Central Bank (BACEN) rules.

3 Description of significant accounting policies

The main accounting policies are summarized as follows:

a. Income

Calculated according to the accrual basis of accounting.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

b. Current and long-term assets

Current assets and long-term assets are recorded at cost plus income accrued and, whenever applicable, adjusted by market or realization value.

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

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

Gains and losses, when realized, are recognized in the income statement.

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

Derivative financial instruments - In accordance with Circular 3082, of January 30, 2002 and later regulations, the derivative financial instruments began to be classified on the date of their acquisition in accordance with management intention to use them for hedge purposes or not.

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

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

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

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

c. Permanent assets

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

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

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

d. Current and long-term liabilities

Current and long-term liabilities are recorded at known or calculable values, including monetary charges and variations “pro rata diem” and exchange rate variations incurred.

The contribution to PASEP was calculated at the rate of 0.65%, and the contribution to COFINS was calculated at the rate of 3%, in accordance with prevailing legislation.

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

4 Interbank funds applied

Interbank funds applied are evaluated at cost value, plus accrued revenues and adjusted to the market value.

	2002	2001
Money market funds applied	<u>6,577,452</u>	<u>4,808,596</u>
Held position	<u>417,316</u>	<u>3,179,492</u>
Financial Treasury Bills	199,903	948,032
National Treasury Bills	189,414	1,189,926
National Treasury Notes	-	242,072
Central Bank Notes	27,999	799,462
Financed position	<u>6,160,136</u>	<u>1,629,104</u>
Financial Treasury Bills	4,047,602	488,159
National Treasury Bills	2,012,475	200,165
National Treasury Notes	100,059	265,941
Central Bank Notes		674,839
Interbank deposit	<u>20,012</u>	<u>15,155</u>
	<u>6,597,464</u>	<u>4,823,751</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

5 Securities and derivative financial instruments

a. New criteria for valuation and classification

In keeping with the new criteria defined by Circulars 3068/2001 and 3082/2002, and subsequent regulations, we made the adjustment arising from the application of the new criteria for the classification of the portfolio of securities and derivatives financial instruments, considering the market value at December 31, 2001, as follows:

Category	Retained earnings/ accumulated losses
Trading securities	
Positive adjustment to market value	3,429
Securities available for sale	
Reversal of provision - December 2001	9,853
Securities held to maturity	
Reversal of provision - December 2001	84,276
Derivative financial instruments	
Adjustment to market value	(923)
	<u>96,635</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

b. Adjustment to market value of securities and derivatives financial instruments

Securities available for sale	Positive adjustment	Negative adjustment	Net adjustment in equity
Financial Treasury Bills	91,794	(158,188)	(66,394)
National Treasury Bills		(8,990)	(8,990)
National Treasury Notes		(294,881)	(294,881)
Central Bank Notes		(102,831)	(102,831)
Petrobras Debentures	1,956	-	1,956
Siderbras Debentures		(662)	(662)
Agricultural Debt Securities	13	(395)	(382)
CVS		(2,938)	(2,938)
Eletrobras		(196)	(196)
CAIXA's Hedge flow (Note 3(b))	<u>218,588</u>	<u>-</u>	<u>218,588</u>
	<u>312,351</u>	<u>(569,081)</u>	<u>(256,730)</u>

c. Impacts on net income and shareholders equity without the effects of Circulares 3068/2001 and 3082/2002

We present, below, the net income and the shareholders' equity for the year ended December 31, 2002, without the effects of BACEN Circulares 3068/2001 and 3082/2002:

	Net income	Shareholders' equity
Balances with the effects of the circulares	<u>1,081,093</u>	<u>4,628,121</u>
Positive adjustment to market value of the trading securities	(37,318)	(3,429)
Adjustment to market value of the securities available for sale	(559,228)	465,465
Adjustment to market value of securities held to maturity	(944,577)	(84,276)
Adjustment to market value of the derivative financial instruments	(2,499)	(217,666)
Total adjustment in the income for the year	<u>-</u>	<u>(1,543,622)</u>
Balances without the effects of the circulares	<u>(462,529)</u>	<u>3,244,593</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

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

Category	2002
Trading	7,733,800
Available for sale	10,560,204
Held to maturity	39,066,221
Derivative financial instruments	<u>7,253</u>
	<u>57,367,478</u>

e. Composition of securities

	2002	2001
Own portfolio	<u>42,876,870</u>	<u>41,496,711</u>
Fixed Rate Securities	<u>42,577,899</u>	<u>41,170,279</u>
Financial Treasury Bills	38,551,825	37,245,717
National Treasury Bills	148,789	2,229,800
National Treasury Notes	1,691,338	307,844
Central Bank Notes	594,645	121,430
Treasury Financial Certificates	1,521,976	1,241,853
Other securities	<u>69,326</u>	<u>23,635</u>
Investments funds quotes	<u>298,971</u>	<u>326,432</u>
Securities committed	<u>14,483,355</u>	<u>1,575,235</u>
Subject to repurchase commitments	<u>12,837,457</u>	<u>939,420</u>
Financial Treasury Bills	11,751,256	939,420
National Treasury Bills	773,450	-
National Treasury Notes	312,751	-
Deposited with Central Bank	<u>614,449</u>	<u>629,550</u>
Financial Treasury Bills	614,449	629,550
Subject to guarantee services	<u>1,031,449</u>	<u>6,265</u>
Financial Treasury Bills	1,031,449	6,265
Derivative financial instruments	<u>7,253</u>	<u>-</u>
	<u>57,367,478</u>	<u>43,071,946</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

f. Consolidated classification by categories and maturity dates:

Securities	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Up to 5 years	Book value	Accrued value	Market Value
Trading	<u>5,695,902</u>	<u>272,237</u>	<u>1,563,252</u>	<u>202,409</u>	<u>7,733,800</u>	<u>7,828,632</u>	<u>7,733,800</u>
Financial Treasury Bills	4,268,563	-	1,500,500	-	5,769,063	5,836,953	5,769,063
National Treasury Bills	1,423,413	-	-	-	1,423,413	1,438,189	1,423,413
National Treasury Notes	3,926	272,237	62,752	196,608	535,523	547,944	535,523
Petrobras Debentures	-	-	-	5,801	5,801	5,546	5,801
Available for sale	<u>1,981,399</u>	<u>3,067,876</u>	<u>3,449,570</u>	<u>2,061,359</u>	<u>10,560,204</u>	<u>11,035,522</u>	<u>10,560,204</u>
Financial Treasury Bills	1,487,546	2,023,427	2,914,013	239,729	6,664,715	6,731,109	6,664,715
National Treasury Bills	-	115,393	-	-	115,393	124,383	115,393
National Treasury Notes	64,060	613,064	314,056	423,709	1,414,889	1,709,771	1,414,889
Central Bank Notes	352,876	154,519	87,250	-	594,645	697,475	594,645
CFT	63,761	127,519	127,523	486,632	805,435	805,435	805,435
CVS	-	-	-	567,701	567,701	570,639	567,701
TBA	2,475	-	-	-	2,475	2,475	2,475
ELET	-	32,454	-	-	32,454	32,650	32,454
TDA	1,182	1,500	125	-	2,807	3,189	2,807
Siderbrás Debentures	9,499	-	-	-	9,499	10,160	9,499
Petrobras Debentures	-	-	-	44,617	44,617	42,662	44,617
State Securities - Union	-	-	6,603	-	6,603	6,603	6,603
FDS quotes	-	-	-	10,144	10,144	10,144	10,144
FND quotes	-	-	-	288,827	288,827	288,827	288,827
Held to maturity	<u>1,574,271</u>	<u>30,220,753</u>	<u>7,217,521</u>	<u>53,676</u>	<u>39,066,221</u>	<u>39,066,221</u>	<u>38,037,368</u>
Financial Treasury Bills	1,574,271	30,106,842	7,217,521	-	38,898,634	38,898,634	37,878,150
National Treasury Notes	-	-	-	53,676	53,676	53,676	53,676
SUNA	-	113,911	-	-	113,911	113,911	105,542
Derivative financial instruments	<u>1,745</u>	<u>3,020</u>	<u>2,488</u>	<u>-</u>	<u>7,253</u>	<u>7,253</u>	<u>7,253</u>
Total	<u>9,253,317</u>	<u>33,563,886</u>	<u>12,232,831</u>	<u>2,317,444</u>	<u>57,367,478</u>	<u>57,937,628</u>	<u>56,338,625</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

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

g. Derivatives financial instruments

The values of the positions of those derivatives that are related to swap contracts, are recorded in memorandum accounts and the adjustments in equity accounts. The referential values of these operations is R\$ 7,769,981 (2001 - R\$ 7,920,739), the differential payable at this date amounts to R\$ 196,975 (2001 - R\$ 91,726) and the differential receivable to R\$ 7,253 (2001 - R\$ 591).

6 Interbank accounts

- a.** The deposits made with BACEN are mainly comprised of compulsory payments that undergo monetary correction based on official indices and interest rates, except for those resulting from demand deposits.
- b.** The “National Housing System - SFH” account includes the residual values of terminated contracts to be paid by the FCVS, in the amount, net of provisions, of R\$ 20,336,143, as follows (2001 - R\$ 20,230,224), which are in the process of novation with that Fund. At present, these contracts earn an annual interest rate of 6.17% plus monetary correction according to the Referential Rate (*Taxa referencial - TR*) variation.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

Specification	Amount at December 31, 2002	Amount at December 31, 2001
Loans originating in CAIXA	11,882,458	11,329,004
Loans received in lieu of payment	2,983,139	3,068,075
Acquired from internal third parties	5,534,403	3,468,085
Acquired and managed by third parties	2,839,764	4,075,590
	<u>23,239,764</u>	<u>21,940,754</u>
Provision for possible losses and rejections	(2,903,621)	(1,710,530)
	<u>20,336,143</u>	<u>20,230,224</u>

As a result of a commitment assumed by the Union, for the purpose of exchange of CVs in novation, for Federal Public Securities, at December 2002 and 2003, at their face value, mark-to-market was not necessary for these loans. The exchange foreseen for 2002, in the amount of R\$ 5,438,956 related to credits already homologated, was not concretized, and will be made in 2003, in keeping with the analysis of possible impacts related to the monetary correction of the Collor plan, being discussed in some legal processes in progress, on the balances of the financings conceded in the ambit of the SFH.

The novation process is preceded by the habilitation and homologation phases with FCVS, occasions on which analyses are made of the consistency of values and pertinent documentation, with the possibility of rejections.

For the loans acquired from third parties, there is a pre-solvency clause in the contracts, foreseeing the recomposition of the values on the part of the assignors in cases of rejection. For coverage of the rejections in the other loans, as well as in complement to the guarantee foreseen in the contracts cited above, there is provision for losses in the amount of R\$ 2,903,621 (2001 - R\$ 1,710,530).

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

7 Loans

a. Composition of loans per type of operation

Description	2002	2001
Financing, discounted loans and securities (1)	7,489,164	6,034,201
Real estate financing operations	14,752,029	13,281,451
Infrastructure and development financing operations	493,452	345,412
Other receivables	<u>800,858</u>	<u>1,285,237</u>
	<u>23,535,503</u>	<u>20,946,301</u>

(1) Refers to public sector financing in the amount of R\$ 640,159 (2001 - R\$ 630,304), related to refinancing contracts of state and municipal government debts, based on Law 8727/93, where by the Union is responsible for their settlement. Provisional Measure 2181-45 (previously Provisional Measure 2103-42), dated August 24, 2001, authorized the Union to settle these contracts in advance. Said contracts have an annual interest rate of 12% plus monetary correction according to the Referential Rate (TR) variation. These refinancing operations are guaranteed by the State and Municipality Participation Fund.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

b. Breakdown of loans by client/activity

Description	2002	2001
Federal public sector	<u>648,272</u>	<u>637,876</u>
Government - Indirect administration	7,904	7,381
Business activities - Financial intermediaries	640,368	630,495
State public sector	<u>364,877</u>	<u>1,018,435</u>
Government	<u>39,639</u>	<u>795,123</u>
Direct administration	39,639	
Indirect administration		795,123
Business activities	<u>325,238</u>	<u>223,312</u>
Industry	319,020	215,337
Financial intermediaries	6,218	5,294
Housing companies		2,681
Municipal public sector	<u>153,421</u>	<u>111,826</u>
Government	<u>71,365</u>	<u>51,937</u>
Direct administration	70,522	51,937
Indirect administration	843	
Business activities - industry	<u>82,056</u>	<u>59,889</u>
Private sector	<u>22,368,933</u>	<u>19,178,164</u>
Industry	101,519	74,584
Commerce	680,979	537,414
Financial Intermediaries	9,282	1,886
Other services	818,636	723,423
Individuals	6,027,472	4,355,474
Housing - Individuals/Legal entities	<u>14,731,045</u>	<u>13,485,383</u>
	<u>23,535,503</u>	<u>20,946,301</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

c. Concentration of main debtors

	<u>At December 31, 2002</u>		<u>At December 31, 2001</u>	
	Amount	% of portfolio	Amount	% of portfolio
Main debtor	640,159	2.72	630,304	3.01
10 main debtors	862,873	3.67	958,748	4.58
20 main debtors	965,446	4.10	1,043,087	4.98
50 main debtors	1,110,494	4.72	1,171,294	5.59
100 main debtors	1,186,935	5.04	1,273,128	6.08

d. Composition of loans according to maturity of operations

	<u>December 31, 2002</u>			<u>December 31, 2001</u>
	Public sector	Private sector	Total	Total
Current assets	<u>11,120</u>	<u>2,777,227</u>	<u>2,788,347</u>	<u>1,323,871</u>
0 to 90 days	5,264	1,444,327	1,449,591	424,794
91 to 360 days	5,856	1,332,900	1,338,756	899,077
Long-term assets	<u>1,055,888</u>	<u>17,667,743</u>	<u>18,723,631</u>	<u>17,242,697</u>
From 1 year to 3 years	13,380	2,418,146	2,431,526	2,176,923
From 3 years to 5 years	13,080	1,115,759	1,128,839	1,031,200
From 5 years to 15 years	857,890	6,073,186	6,931,076	7,444,490
More than 15 years	<u>171,538</u>	<u>8,060,652</u>	<u>8,232,190</u>	<u>6,590,084</u>
Total - Normal condition	<u>1,067,008</u>	<u>20,444,970</u>	<u>21,511,978</u>	<u>18,566,568</u>
Total - Past due	<u>99,562</u>	<u>1,923,963</u>	<u>2,023,525</u>	<u>2,379,733</u>
Total	<u>1,166,570</u>	<u>22,368,933</u>	<u>23,535,503</u>	<u>20,946,301</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

e. Classification according to risk level

Risk level	Loans and discounted loans	Financing	Real estate financing	Other receivables	Total 2002	%	Total 2001	%
AA	404,784	640,159	288,582		1,333,525	5.67	1,253,755	5.99
A	984,939	350,767	4,837,584	58,477	6,231,767	26.47	5,094,542	24.32
B	700,975	399,830	1,543,606	337,239	2,981,650	12.67	2,677,095	12.78
C	919,830	445,913	2,517,386	32,999	3,916,128	16.64	4,264,045	20.36
D	805,028	794,388	4,546,739	15,758	6,161,913	26.18	3,726,132	17.79
E	68,431	23,814	361,652	116	454,013	1.93	390,404	1.86
F	43,452	134,215	180,707	102	358,476	1.52	1,032,181	4.93
G	57,970	14,178	126,720	33	198,901	0.85	327,117	1.56
H	<u>552,776</u>	<u>147,715</u>	<u>842,505</u>	<u>356,134</u>	<u>1,899,130</u>	<u>8.07</u>	<u>2,181,030</u>	<u>10.41</u>
	<u>4,538,185</u>	<u>2,950,979</u>	<u>15,245,481</u>	<u>800,858</u>	<u>23,535,503</u>	<u>100.00</u>	<u>20,946,301</u>	<u>100.00</u>

f. Composition of the provision for doubtful loans

The amounts provisioned at December 31, 2002 are composed as follows:

Risk level	Loans and discounted loans	Financing	Real estate financing	Other receivables	Total 2002	%	Total 2001	%
A	4,925	1,754	24,188	292	31,159	0.90	25,474	0.68
B	7,010	3,998	22,284	3,372	29,817	0.87	26,771	0.72
C	37,595	23,377	102,587	989	164,548	4.76	127,921	3.44
D	124,499	123,434	618,525	1,672	874,977	25.33	499,079	13.41
E	20,530	7,145	108,495	34	136,204	3.94	117,121	3.15
F	21,725	67,108	90,353	51	179,237	5.19	516,091	13.86
G	40,579	9,925	88,704	23	139,231	4.03	228,983	6.15
H	<u>552,776</u>	<u>147,715</u>	<u>842,505</u>	<u>356,134</u>	<u>1,899,130</u>	<u>54.98</u>	<u>2,181,030</u>	<u>58.59</u>
	<u>809,639</u>	<u>384,456</u>	<u>1,897,641</u>	<u>362,567</u>	<u>3,454,303</u>	<u>100.00</u>	<u>3,722,470</u>	<u>100.00</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

g. Changes in the provision for doubtful loans

Description	2002	2001
Opening balance	3,722,470	4,091,174
Additions	1,382,477	4,390,196
Reversals	(641,014)	(1,147,968)
Write offs against provision	<u>(1,009,630)</u>	<u>(3,610,932)</u>
	<u>3,454,303</u>	<u>3,722,470</u>

h. Renegotiated credits, entered as loss and recovered

	2002	2001
Total renegotiated operations for the year	979,364	1,194,609
Total operations entered as loss for the year	1,009,630	842,190
Total recovered operations for the year	3,766	1,122

8 Other receivables

a. Income receivable

The "Income receivable" account includes the amount of R\$ 148.370 comprised of dividends receivable from the National Development Fund (*Fundo Nacional de Desenvolvimento - FND*) and R\$ 703,336 regarding receivables for services rendered.

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Notes to the financial statements

(In thousands of Reais)

b. Specific credits

The specific credits are mainly comprised of Federal Public Securities, received from the Union within the scope of the securitization process, and lottery operations, as demonstrated below:

	2002	2001
Federal Public Securities - Property negotiations	-	107,818
Federal Public Securities - Vote 162 MP 1702	90,998	74,642
Federal Public Securities - Decree Law 2164/84	41,841	37,604
Others	<u>-</u>	<u>882</u>
	<u>132,839</u>	<u>220,946</u>

c. Other receivables - Others

	2002	2001
Sundry advances	279,730	237,719
Bahia State Government - EMBASA (i)	149,200	625,776
Tax Credits (note 9)	1,913,055	2,034,228
Amounts receivable - BAMERINDUS (ii)	302,941	302,941
Guarantee deposit debtors	806,037	744,289
SASSE/PREVHAB/DATAMEC		159,822
Taxes and contributions to compensate	22,856	74,474
Pernambuco State Government - COMPESA	180,802	142,641
Accrual - Loans and financing (iii)	574,240	648,130
Insurance receivable	168,868	157,313
Lottery receivable	-	95,285
Other debtors	<u>110,143</u>	<u>391,812</u>
	<u>4,507,872</u>	<u>5,614,430</u>

- i. Refers to the advance of privatization funds to the Bahia State Government, partly received in November 2002. The remaining part is remunerated by the SELIC (Special System for Settlement and Custody) rate.

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- ii. Refer to credits with the bankrupt estate of Banco Bamerindus, originating preponderantly from the acquisition of property credits, which are totally provisioned.
- iii. Refer to invoicing and receivable values from credit cards and values recorded as debits in real estate funding, not classified by the Funding Control System (Sistema de Controle de Financiamentos - SIACI), comprising movements in operations held in CAIXA, as well as operations rendered for EMGEA and for the National Treasury, in identification process to be appropriated to the corresponding contracts. These values are correlated to creditors of the same nature as indicated in Note 15 (c).

d. Provision for other receivables

In accordance with the BACEN Circular Letter 3048/2002, credit securities receivable must be classified as “with credit concession features” and “no credit concession features”, presented by CAIXA as follows:

	2002	2001
Provision - Other receivables with features	(362,567)	(324,209)
Provision - Other receivables without features	<u>(44,982)</u>	<u>(14,137)</u>
	<u>(407,549)</u>	<u>(338,346)</u>

9 Other assets

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 operations. The provision for devaluation of these properties is constituted, based on an appraisal report prepared by CAIXA experts.

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(In thousands of Reais)

As of the second semester of 1999, CAIXA initiated a re-appraisal process of assets not in use maintained in stock for more than one year with the objective of adjusting them to their current market value. At December 2002, there are 654 properties in stock with outdated appraisal reports, fully provisioned, however, in the amount of R\$ 11,528, broken down as follows: 15 own properties in the amount of R\$ 1,418 and 639 adjudicated properties or properties bought at auction in the amount of R\$ 10,110.

10 Permanent assets

a. Investments

The investments in subsidiaries are substantially formed by SASSE - Caixa Seguradora S.A., and are evaluated according to the equity method. The main information on the investee and the investment are presented as follows:

Investee	2002	2001
Shareholders' equity	728,125	647,317
Capital	360,000	343,851
Quantity of shares	16,930,108	16,837,296
Revaluation reserve/ retaining of profit	1,640	2,948
Goodwill reserve	285,252	286,349
Retained earnings	81,651	11,220
Book value per share - R\$	43,01	38,45
Investment		
Quantity of shares owned	8,161,426	8,116,707
Participation on paid-in capital (%)	48.20658	48.20658
Book value of the investment	212,703	172,589
Equity result	<u>40,114</u>	<u>31,411</u>
Other investments	<u>52,345</u>	<u>39,124</u>

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b. Premises and equipment

	2002			2001		
	Cost	Depreciation	Residual value	Cost	Depreciation	Residual Value
Properties for own use	905,732	(29,638)	876,094	1,039,570	(94,703)	944,867
Buildings	165,315	(27,899)	137,416	239,948	(29,832)	210,116
Revaluation of buildings	480,579	(1,739)	478,840	494,482	(64,871)	429,611
Land	67,495	-	67,495	97,913	-	97,913
Revaluation of land	192,343	-	192,343	207,227	-	207,227
Investments in fixed assets in progress	105,040	-	105,040	97,264	-	97,264
Furniture, fixtures and equipment in use	358,951	(186,419)	172,532	354,725	(167,716)	187,009
Communications system	49,309	(19,576)	29,733	47,140	(14,621)	32,519
Data processing system	1,064,146	(624,307)	439,839	896,964	(543,198)	353,766
Transport and security system	50,503	(15,171)	35,332	43,594	(11,223)	32,371
Other fixed assets	787	-	787	1,657	-	1,657
	<u>2,534,468</u>	<u>(875,111)</u>	<u>1,659,357</u>	<u>2,480,914</u>	<u>(831,461)</u>	<u>1,649,453</u>

In compliance with Circular 2824/1998, in December 2002 CAIXA revalued 100% of the properties for own use, previously revalued in October 1998, generating an increase of fixed assets in the amount of R\$ 213,182.

CAIXA, during 2002, offered on the market various properties of its ownership with guaranteed leases, and 345 properties were disposed of, with a reduction in its permanent assets in the amount of R\$ 233,551, and R\$ 95,537 related to the residual value of the corrected historic cost and R\$ 138,014 related to the revaluation reserve.

c. Deferred charges

	2002	2001
Expenses in third party properties	324,237	303,092
Expenses with logical projects	507,116	375,007
Improvements to own property	242,410	361,394
Accumulated amortizations	(513,093)	(417,582)
	<u>560,670</u>	<u>621,911</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

d. Compliance with index of investment in fixed assets

BACEN resolution 2669/1999 determined that, as from December 31, 2002, financial institutions could not maintain resources applied in their permanent assets in amounts higher than 50% of the corresponding Adjusted Shareholders' Equity. CAIXA, despite the measures adopted aiming at the reduction of the Permanent Assets, closed the balance sheet on that date with complications with regards to that item, in amounts equivalent to 53.69% of its Adjusted Shareholders' Equity.

The schedules drawn up on the position at January 31, 2003, indicate, however, that this compliance has been duly attained.

11 Deposits

- a. Time deposits include judicial deposits in the amount of R\$ 21,352,062 (2001 - R\$ 20,146,419), which are remunerated based on the Referential Rate (TR), Judicial deposits of a labor and state nature include, furthermore, an annual interest rate of 6%. The deposits are distributed as follows:

	2002			2001	
	Demand	Time	Saving deposits	Total	Total
Short-term	<u>5,158,665</u>	<u>24,111,414</u>	<u>42,430,846</u>	<u>71,700,925</u>	<u>64,674,006</u>
Without maturity	5,158,665	21,352,062	42,430,846	68,941,573	60,064,573
31 to 90 days	-	1,211,278	-	1,211,278	1,848,786
91 to 360 days	-	1,548,074	-	1,548,074	2,760,647
Long-term	<u>-</u>	<u>1,101,760</u>	<u>-</u>	<u>1,101,760</u>	<u>1,294,810</u>
More than 360 days	-	1,101,760	-	1,101,760	1,294,810
	<u>5,158,665</u>	<u>25,213,174</u>	<u>42,430,846</u>	<u>72,802,685</u>	<u>65,968,816</u>

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(In thousands of Reais)

- b. Special deposits for funds and programs are composed of Government Severance Indemnity Fund for Employees (Fundo de Garantia do Tempo de Serviço - FGTS) deposits and deposits from other funds and programs, whereby the FGTS deposits are restated by the SELIC rate, and the other deposits according to Resolutions 279 and 295 of the FGTS Trustee Council (Conselho Curador do FGTS), of February 17 and August 26, 1998, and the others - Specials remunerated deposits, FAS, FISANE and PRODEC, updated by the TR; deposits of PROGER and FAT, updated by SELIC rate; deposits of PIS, updated by DEDIP and, the variation of official indices and, whenever applicable, interest rates of up to 6% per year, demonstrated as follows:

	2002	2001
	816,874	1,495,309
FGTS deposits	872,849	672,711
Special deposits with remuneration	313,271	295,785
FAS deposits	1,413,581	502,935
PROGER deposits	142,117	120,931
FISANE deposits	32,612	43,699
PRODEC deposits	-	29,455
PIS deposits	90,001	-
Others	<u>122,316</u>	<u>127,625</u>
	<u>3,803,621</u>	<u>3,288,450</u>

12 Mortgage note funds

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

To the issues in TR are added average interests of 11.82% (including all original operations with and without swap, weighted in accordance with the updated balance) and a minimum redemption term of 180 days.

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To the issues in IGP-M and INPC are added average interests of 10.83% and 10.93% per annum respectively, and a minimum redemption term of 5 years.

To the issues of LCIs indexed to IGP-M are added average interests of 10.79% per annum and a minimum redemption term of 3 years.

13 Borrowings

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

14 Repass borrowings from public sector

Are mainly composed of funds transferred by the FGTS for investments in infrastructure, urban development and real estate credit operations, These obligations are subject to monetary correction according to the Referential Rate (TR) variation with an average interest rate of 6.10% per year. The average term of these operations is 15 years.

15 Other liabilities

a. Taxes payable

	2002	2001
Provision for income taxes on the revaluation reserve - Buildings	120,131	107,403
Provision for social contribution on the revaluation reserve - Buildings	43,247	38,665
Provision for Income tax /Social contribution on cash flow hedge	112,606	-
Provision for contingencies - PASEP (i)	529,209	500,000
Social security contributions	82,393	39,494
Tax contributions	95,807	56,000
State and municipal taxes (iii)	137,393	122,834
Income taxes payable	71,597	-
Social contribution payable (ii)	99,341	-
Others	<u>30,380</u>	<u>29,154</u>
	<u>1,322,104</u>	<u>893,550</u>

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Notes to the financial statements

(In thousands of Reais)

- (i) CAIXA, on December 6, 1996, was notified by agents from the Federal Income Secretariat (*Receita Federal* - SRF), under the argument of insufficiency in the collection of PIS/PASEP, related to the period from January 1991 to December 1995, a period in which Decree Laws 2445 and 2449/1988 were in force, and compensation, supposedly unjustified, of collections made for more in the period from January 1992 to May 1993, in the amounts of R\$ 2,691,943 in principal, R\$ 2,011,254 in fines and R\$ 4,561,181 in interest, at December 31, 2002.

CAIXA presented an appeal to the Taxpayers Council, which evaluated the process on February 3, 1999, In accordance with the vote of the Counselor Relater, the elements brought to the proceeding by the agents do not permit identification of what exclusions of the taxable base of PASEP were considered dismissed and what was the motivation for the National Treasury to make the disallowance. According to a resolution of the members of the Second Chamber of the Second Taxpayers Council, the judgment was converted into diligence to the Federal Income Secretariat - SRF, so that the inspection may clarify the facts and justify the disallowance made, informing CAIXA of the contents of this procedure and giving an adequate term to reply, The Federal Revenue Service in Brasilia advised CAIXA, on October 21, 1999, of the diligence report, in which the National Treasury maintained the same reasons reported in the assessment, CAIXA sent a pronouncement on the tax diligence report to the Second Taxpayers Council, which evaluated the process on November 7, 2000. According to the resolution of the members of the council, the judgment was converted into a new diligence to SRF. CAIXA was informed of the Tax Diligence Report, on April 26, 2001, in which the National Treasury maintained the same reasons reported in the assessment, mentioning that an examination of the identification of the disallowance accounts would not be possible. On May 28, 2001, CAIXA sent a new pronouncement to the Second Taxpayers Council, where the process awaits a new judgment. If there are no longer possibilities in the administrative sphere, there are still appeals in the judicial sphere. Based on the opinion of its legal advisors, and considering the case laws already disclosed on the issue, and due to the possibilities of success, Management understands that the constituted provision, in the amount of R\$ 529,209 (2001 - R\$ 500,000) is sufficient to cover possible unfavorable decisions on some parts of the proceeding.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

- (ii) CAIXA was assessed by the agents of the National Institute of Social Security (INSS) for the collection of social contributions on payments made to its employees, for the period from January 1989 to August 1999, which according to an INSS report, amount to R\$ 797,059 (2001 - R\$ 919,861) repositioned to June 30, 2002,

CAIXA understands that the payments assessed are not subject to the collection of social contribution, due to their indemnifying characteristics.

Pursuant to article 11 of Provisional Measure 2180-35, of August 24, 2001, the ongoing proceedings were sent to the General Advocacy of the Union (Advocacia Geral da União - AGU) for analysis and solution of the controversies existing between CAIXA and INSS, and a specific Working Group was created, with representation from both parties, resulting in recognition by CAIXA of some proceedings.

In accordance with the opinion of its legal and tax advisors, Management, due to the possibility of success foreseen for the other proceedings, considers unnecessary the constitution of additional provisions for these contingencies, in addition to that recorded in "Provision for contingencies - others", in the amount of R\$ 99,341 (2001 - R\$ 218,324). In the amount of 2001, R\$ 181,000 was written off and a complementary provision was constituted in the amount of R\$ 62,017 according to process risk assessment.

- (iii) CAIXA was charged by municipalities agents, in several municipalities of the Federation, under the charge of lack of collection or collection for less of ISS, which total amount in December 31, 2002 corresponds to the amount of R\$ 123,341, which is totally provisioned.

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Notes to the financial statements

(In thousands of Reais)

b. Funds with specific destinations

	2002	2001
Obligations from operations with lotteries	262,718	277,513
Obligations with funds and social programs		
Unemployment insurance	256,014	151,334
FGTS - payments to be made	834,076	145,675
FAT/FISANE/FIES	64,759	53,775
School grants	120,685	64,984
Gas assistance/food supplement	138,978	229
Income assistance/PSH	123,823	
Other funds and programs	22,951	2,738
Obligations with financial development funds	<u>56,516</u>	<u>124,528</u>
	<u>1,880,520</u>	<u>820,776</u>

c. Others

	2002	2001
SFH contribution obligations	181,896	45,507
Official agreement obligations	71,461	65,509
Provision for payments to be made	816,511	807,178
Personnel expenses	564,201	702,671
Other payments	252,310	104,507
Provision for contingent liabilities	5,441,386	4,915,643
FUNCEF - Technical Reserves (1)	3,347,709	2,797,076
PREVHAB/FUNCEF - Technical Reserves (2)	-	316,987
Provision for contingencies (3)	2,093,677	1,801,580
FGTS funds	5,658	83,906
Other creditors - Domestic (4)	2,188,705	3,389,460
Credit cards	694,826	-
Suppliers/Accounts payable	347,625	241,409
EMGEA	332,350	1,160,343
Judicial deposits - Income accrual	-	456,603
Others	<u>813,904</u>	<u>1,531,105</u>
	<u>8,705,617</u>	<u>9,307,203</u>

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

(1)- FUNCEF - Technical Reserves

- (i) On September 30, 1993, CAIXA signed with the *Fundação dos Economiários Federais* (FUNCEF) a contract of admission and payment of debt, which efficiency is subject to a judicial order proposed by CAIXA, which foresees the payment of 240 monthly installments, as from January 31, 1994, which balance amounts to R\$ 3,347,709 (2001 - R\$ 2,797,076), recorded in “Other liabilities - FUNCEF Technical Reserve”, monetarily updated in accordance with the variation of the National Consumer Price Index (INPC), with an annual interest rate of 6%.

According to rulings 497/1995 and 413/1996 of the Federal Audit Court (*Tribunal de Contas da União* - TCU), which were contrary to the efficacy of the above mentioned contract, CAIXA's management suspended payment of the installments as of August 12, 1996, filing a suit in September of that same year to rescind the contract.

Object of a judicial dispute since 1996, the debt, the last payment of which matures only in September 2013, may be paid in one sole payment with a discount, including penalties, interest on arrears, monetary correction and interest originally agreed to on the past due payments and not paid since 1996. An agreement for payment at sight, however, “could substantially reduce this amount”.

FUNCEF and CAIXA ought to formalize in the first semester of 2003 an agreement that foresees the settlement of the debt that the Sponsor has with its pension fund. “CAIXA's Debt” originated at the time of the creation FUNCEF and was aggravated by subsequent events (charge and salary plans). The conciliation proposal was approved by the Executive Board of FUNCEF on December 16, 2002 and will be submitted to the Deliberative Counsel of the Foundation for their appreciation.

In all, there are three processes in two Federal Courts in the Federal District. Due to these processes, R\$ 1 billion in federal securities was seized by the Justice, to guarantee payment of payments in arrears. The seizure is not impacting the results only because the debt is already provisioned for.

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(2) PREVHAB/FUNCEF - Technical Reserves

Due to the extinction of the National Housing Bank (BNH) determined by Decree 2,291, dated November 21, 1986, CAIXA took on the employees of the extinct Bank, who were associated to the BNH Complementary Pension Plan (PREVHAB).

In compliance with said Decree, a voluntary adhesion process for active members from PREVHAB to FUNCEF and for retired and pension members to the Special and Exclusive Benefit Plan of SASSE - Cia, Nacional de Seguros Gerais S.A., currently Caixa Seguradora S.A., was established.

Of the 4,758 active members of PREVHAB, 4,568 (96%) signed adhesion and assignment of rights instruments relative to pension reserves, formally accepted by CAIXA, in the condition of sponsor, and by FUNCEF, in the condition of closed private pension entity, in conformity with the rights and obligations specified in the Private Instrument of Assumption of Obligations and Other Covenants, between CAIXA and FUNCEF, with intervention of PREVHAB. The mathematical reserves of PREVHAB relative to the active members totaled R\$ 336,044 on October 1, 1998, repositioned to the amount of R\$ 332,239 in March 1999, by means of a contract amendment and, in December 2002 to the amount of R\$ 300,329, after deduction of the payments made in the year and liquidated on December 2002, with utilization of securities (LFT).

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

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

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(In thousands of Reais)

(3) Contingent liabilities

CAIXA has as a liability from civil and labor claims related to interest rates applicable to assets and liabilities operations, including those related to economic plans, actions related to real estate financing, lotteries, losses and damages, as well as tax claims. These claims are periodically evaluated and reviewed.

Management understands, based on reports from its legal advisors, that such proceedings are in accordance with existing legal rules and such processes will not cause relevant losses, which could exceed the balance for these contingencies and the amount of R\$ 2,093,677 (2001 - R\$ 1,801,580), is sufficient to cover possible legal decisions, unfavorable to CAIXA.

16 FGTS

- a.** According to Article 9 of Law 8036, dated May 11, 1990, amended by Article 12 of Provisional Measure 2196-3, dated August 24, 2001, CAIXA is responsible for the full settlement of credits owed to the FGTS relative to operations contracted as of June 1st, 2001.
- b.** According to Resolutions 279 and 295 of the FGTS Trustee Council (*Conselho Curador do FGTS*), dated February 17 and August 26, 1998, CAIXA began operating as the investment manager of the FGTS, receiving for such service part of the income that exceeds the Referential Rate (TR) variation plus interest of 6% per year. Of the amount received, 97.5% was destined to compose the reserve fund for losses with FGTS operations, recorded in "Other liabilities - Social Programs and fund obligation". At December 31, 2000, the balance in this reserve fund amounted to R\$ 2,234,222. The risk from FGTS credit operations contracted as of June 1, 2001 became the Union's responsibility. On June 30, 2001, CAIXA proceeded with the reversal of the reserve fund balance in the amount of R\$ 2,541,482.

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17 Shareholders' equity

a. Capital

In conformity with the Resolution of the Board of Directors, minutes 1565, of February 5, 2002, report of the Statutory Audit Committee of CAIXA, Resolution of the Supervisory Board of CAIXA and authorization of the State Minister of Finance, the paid-in capital was changed from R\$ 12,350,000 to R\$ 3,345,727, through incorporation of reserves and absorption of accumulated losses.

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

In conformity with provisions of Resolution 2099/94 and later regulations, which establish the minimum levels of shareholders' equity for financial institutions, based on the volume of its operations, the minimum levels of shareholders' equity for Caixa Econômica Federal, at December 31, 2002, attained the amount of R\$ 3,467,965, corresponding to 11% of the assets balanced by risk.

CAIXA has, on the same date, reference equity of R\$ 4,628,121, presenting a sufficiency of R\$ 1,160,156, with a percentage of 14.68% over the same assets.

BACEN resolution 3059/02 establishes that the quota of tax credits which expectation of realization is more than five years should be excluded for purposes of the calculation of level I of the Reference Equity, used as a parameter for definition of the operating limits of financial institutions, in accordance with a schedule defined by the resolution.

Management, based on technical studies that define the expectations for realization of the tax credits, does not foresee that the reduction of its Reference Equity, which will be made as a result of the exclusion mentioned in the previous paragraph, will result in operating limits lower than the minimum limits currently required by the Monetary Authority.

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c. Revaluation reserves

On December 2002, CAIXA revalued 100% of the real estate in use, having requested authorization from the Central Bank of Brazil, in the terms of written notice DENOR/GABIN 98/380-A, of September 30, 1998. The revaluation was performed by accredited engineering companies, specialized in the valuation of real estate, with monitoring and accompanying of the execution of the services by professionals from the staff of CAIXA. The main effects arising from the revaluation were: an increase in the fixed assets of R\$ 213,182; an increase in the income tax liabilities and deferred social contribution of R\$ 72,482; and an increase in Shareholders' Equity of R\$ 140,700.

d. Revenue reserves

The revenue reserve is formed by a legal reserve in the amount of R\$ 54,055 calculated at 5% of the net income, and a reserve for incorporation of capital arising from the income from the management of lotteries, in the amount of R\$ 162,761 during 2002 (2001 - R\$ 147,380).

e. Dividends

The Union is guaranteed a minimum dividend of 25% of adjusted net income, as provided for in Decree 2673, dated July 16, 1998. Management proposed and recognized in the financial statements of December 31, 2002 the amount of R\$ 221,699. The Supervisory Board chose to pay dividends in the amount of R\$ 285,882, which will be submitted to the Ministry of Finance. The complementary difference will be recognized in the accounting upon approval by the Ministry of Finance.

18 Remuneration of employees and administrators

The remuneration paid to employees and administrators is demonstrated below, not including the exclusion installments referred to in Decree-Laws 2355/1987 and 8852/1994.

Remuneration December 2002	Administrators	Employees
Highest	17,040.00	14,200.00
Average	17,040.00	3,161.09
Lowest	17,040.00	475.86

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Notes to the financial statements

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19 Other Information

a. Tax credits

“Tax credits” have as relevant amounts:

- credits from CSLL, related to the periods of verification ended before December 1998, calculated at the rate of 18%, based on article 8 Provisional Measure 2158-35/2001;
- credits from IR originating in accumulated imprescriptible tax losses and temporary differences; and
- credits from CSLL originating from the negative calculation base and temporary differences verified as from 1999.

The amount of tax credit recognized is R\$ 5,752,711 for IRPJ and R\$ 1,849,879 for CSLL. In keeping with Management’s understanding, originating in studies with respect to the realization of the tax credits, provisions were recorded in the amount of R\$ 4,139,988 for Income tax and R\$ 1,428,375 for Social Contribution, resulting In a total of tax credits net of provision of R\$ 1,612,723 for IR and R\$ 421,504 for CSLL.

Origin of the tax credits

	IRPJ	CSLL
Allowance for possible loan losses	1,081,116	-
Provision SFH	645,333	232,321
Liability provision - FUNCEF	571,443	205,719
Provision for contingencies	446,604	101,300
Others	315,006	173,430
Tax loss	2,693,209	-
Negative Base	-	512,595
Social Contribution MP 2.158-35/2001	-	624,514
Total tax credits	<u>5,752,711</u>	<u>1,849,879</u>

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Notes to the financial statements

(In thousands of Reais)

In 2002 the amount of credit used and written off was R\$ 84,108 of IR and R\$ 37,063 of CSLL. Therefore, the current balance of credits net of provision correspond to R\$ 1,528,614 of IR and R\$ 384,441 of CSLL.

Expectations of realization of then tax credits

Book value:

Year	2003	2004	2005	2006	2007	Subtotal	2008 a 2012	2013 a 2016	Total
IRPJ	109,845	152,228	180,976	129,641	100,105	672,795	500,525	355,294	1,528,614
CSLL	<u>27,681</u>	<u>38,361</u>	<u>45,606</u>	<u>32,669</u>	<u>25,227</u>	<u>169,544</u>	<u>126,135</u>	<u>88,762</u>	<u>384,441</u>
	<u>137,526</u>	<u>190,589</u>	<u>226,582</u>	<u>162,310</u>	<u>125,332</u>	<u>842,339</u>	<u>626,660</u>	<u>444,056</u>	<u>1,913,055</u>

Current value:

Year	2003	2004	2005	2006	2007	Subtotal	2008 a 2012	2013 a 2016	Total
IRPJ	100,435	128,578	142,448	95,108	68,463	535,032	278,366	142,707	956,105
CSLL	<u>25,310</u>	<u>32,402</u>	<u>35,897</u>	<u>23,967</u>	<u>17,253</u>	<u>134,829</u>	<u>70,150</u>	<u>35,691</u>	<u>240,670</u>
	<u>125,745</u>	<u>160,980</u>	<u>178,345</u>	<u>119,075</u>	<u>85,716</u>	<u>669,861</u>	<u>348,516</u>	<u>178,398</u>	<u>1,196,775</u>

The technical studies were developed from the projected incomes, observing the targets and rules established for the institution's products, as well as the market prospects and evaluation of the projected economic indicators in keeping with tendencies of the economic scenario of Brazil.

If the expectations of realization of the projected incomes is maintained, the total tax credits net of provision will be used by 2016.

BACEN Resolution 3059/02 establishes that the portion of tax credits which expectation of realization is more than five years should be excluded for the purposes of calculation of level I of the Reference Equity, used as a parameter for definition of the operating limits of financial institutions, in accordance with of the schedule defined by the resolution.

Management, based on the technical studies that defined the expectation of realization of the tax credits, does not foresee that the reduction of its Reference Equity, which will be made as a result of the exclusion mentioned in the previous paragraph, will result in operating limits lower than the minimum required by the Monetary Authority.

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Notes to the financial statements

(In thousands of Reais)

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

b. Statement of income tax and social contribution

	Income tax	Social contribution
Income before income taxes (IR and CS)	<u>1,484,566</u>	<u>1,484,566</u>
Additions		
Provisions for doubtful loans	4,324,463	-
Provision for SFH	2,581,333	2,581,333
Liability provision - FUNCEF	2,285,771	2,285,771
Provisions for contingencies	1,786,418	1,125,551
FGTS expenses	1,088,972	1,088,982
Others	<u>1,549,995</u>	<u>2,249,394</u>
	<u>13,616,952</u>	<u>9,331,031</u>
Non deductible		
Provisions for doubtful loans	4,566,593	-
Provisions for contingencies	1,645,199	1,645,199
Liability provisions - FUNCEF	1,949,882	1,949,881
Provisions SFH	1,710,530	1,710,530
Income of FGTS	2,270,615	2,270,615
Others	<u>1,837,258</u>	<u>1,866,634</u>
	<u>13,980,077</u>	<u>9,442,859</u>
Calculation basis	<u>1,121,441</u>	<u>1,372,738</u>
Tax credit reduction at the rate of 30%	<u>336,432</u>	<u>411,821</u>
Calculation bases after reduction at the rate of 30%	785,009	960,917
Income tax and social contribution charges at the rates of 25% and 9% - respectively	<u>195,820</u>	<u>86,483</u>
Accumulated tax credit	<u>5,752,711</u>	<u>1,849,879</u>
Tax credit realizations	<u>84,108</u>	<u>37,063</u>

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Notes to the financial statements

(In thousands of Reais)

20 Other information

a. Composition of "Other operating income and expenses"

	Second semester	As of December 31	
	2002	2002	2001
Other operation income			
Commissions and taxes on operations	576,026	867,992	467,303
Expenses recovered	545,758	639,391	200,192
Reversal of other operating income provision	822,774	948,424	945,306
Other credits income - EMBASA	100,232	140,539	92,079
Credit cards income	90,810	149,406	84,991
Reversal of reserve fund - FGTS (Notes 16(b))	-	-	2,505,103
Income of securitization credits	-	26,529	153,380
Dividends income	162,329	162,329	-
Other operating income	182,611	307,587	778,127
	<u>2,480,540</u>	<u>3,242,197</u>	<u>5,226,481</u>
Other operating income			
Monetary correction and interest on actuarial reserve - FUNCEF	(376,867)	(563,204)	(387,625)
Losses in the adjudication of properties financed	(35,740)	(57,395)	(118,307)
Housing financing expenses	(14,895)	(31,364)	(35,455)
FCVS receivable expenses - Residuals	(2,008,193)	(2,348,226)	(2,659,215)
Expenses with fund and program obligations	(186,111)	(267,733)	(136,926)
Remuneration - Lottery dealerships	(122,516)	(229,403)	-
Contingent provisions	(177,780)	(367,265)	(2,083,248)
Monetary correction EMGEA/UNIÃO	(41,233)	(171,169)	-
Expenses - Lottery dealership	(108,864)	(205,647)	(106,844)
Expenses - 24 hours room	(50,129)	(86,764)	(51,174)
Savings bank prizes	(5,197)	(25,946)	(115,008)
Legal charge expenses	(45,582)	(45,582)	-
Other operational expenses	(265,281)	(406,833)	(330,442)
	<u>(3,438,388)</u>	<u>(4,806,531)</u>	<u>(6,024,244)</u>

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Notes to the financial statements

(In thousands of Reais)

b. Personnel expenses

Other operating income	Second semester	As of December 31, 2002	As of December 31, 2001
Provisions	(1,419,055)	(2,470,125)	(2,356,227)
Benefits (i)	(220,188)	(451,673)	(350,945)
Social charges:			
FGTS	(104,997)	(184,426)	(261,794)
Social security	(353,749)	(585,208)	(553,847)
Complementary social security	(53,335)	(110,259)	(366,863)
Others	<u>(61,273)</u>	<u>(114,494)</u>	<u>(117,019)</u>
	<u>(2,212,597)</u>	<u>(3,916,185)</u>	<u>(4,006,695)</u>
Communications	(183,789)	(339,140)	(251,683)
Maintenance and preservation of assets	(119,163)	(222,843)	(188,131)
Water and electricity	(48,391)	(87,706)	(66,250)
Rents	(78,315)	(150,288)	(131,437)
Material expenses	(48,858)	(91,165)	(87,618)
Data processing	(494,693)	(921,606)	(933,333)
Promotions and public relations	(16,407)	(27,592)	(22,373)
Advertising and publicity	(34,629)	(78,881)	(108,287)
Financial system services	(72,288)	(136,662)	(112,947)
Third-party services	(134,455)	(234,086)	(151,461)
Specialized services	(224,690)	(383,913)	(239,178)
Vigilant and security services	(68,085)	(131,505)	(100,905)
Depreciation and amortization	(306,787)	(529,649)	(480,682)
Other administrative expenses	<u>(69,025)</u>	<u>(138,487)</u>	<u>(150,452)</u>
	<u>(1,899,575)</u>	<u>(3,473,523)</u>	<u>(3,024,737)</u>

(i) Includes provision for employees' profit participation program (PRX), in the amount of R\$ 55.425.

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Notes to the financial statements

(In thousands of Reais)

c. Administration of social entities

The shareholders' equity balances of entities managed by CAIXA (Note 1) are in a negative amount of R\$ 38.678.486 (2001 - R\$ 34.117.483). The main balance refers to the Salary Variations Compensation Fund (*Fundo de Compensação de Variações Salariais* - FCVS) in the negative amount of R\$ 70.734.426 (2001 - R\$ 62.604.49, for which the Federal Union is responsible for meeting such obligations, as provided for in Law 10150, dated December 21, 2000.

Fund	2001	2000
PIS	18,665,371	16,857,309
FGTS	10,380,866	8,998,009
FAR	1,914,514	1,521,470
FCVS	(70,734,426)	(62,604,490)
FDS	456,967	395,528
FAS	333,442	321,562
SH	-	112,859
PCE	275,691	253,323
FIEL	<u>29,089</u>	<u>26,947</u>
	<u>(38,678,486)</u>	<u>(34,117,483)</u>

d. "Employment Generation Program" - PROGER

The funds from the Fund for Workers' Assistance (FAT), for application in the Income and Employment Generation Program (*Programa de Geração de Emprego e Renda* - PROGER), in the amount of R\$ 1,413,581, has funding costs based on the SELIC rate, while not applied in credit operations, and based on TJLP, after release to the borrowers. The average term of the investments is 4 years and the final maturity date is in 2012, The funds free for investment, updated based on the SELIC rate, amounted to R\$ 362,047. The balance of the funds applied is R\$ 1,051,534.

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Notes to the financial statements

(In thousands of Reais)

e. Health plan - SAÚDE CAIXA

i. Benefit plan - private pension

CAIXA is the sponsor of the Bank's Employees' Foundation - *Fundação dos Economiários Federais* (FUNCEF), whose objective is administration of pension funds, in accordance with its regulations, current existing defined benefit plan and defined contribution.

In order to achieve FUNCEF objectives and in complementation to the contributions of participants, CAIXA makes contributions in accordance with the percentage determined by actuarial formulas. The amount disbursed in the first semester of 2002 totaled R\$ 119,086 (2001 - R\$ 124,546). The costing plan of the entity is considered a defined benefit for 43,452 members, and for 4,144 members it is a defined contribution plan.

CAIXA, as a sponsor of the Bank's Employees' Foundation - *Fundação dos Economiários Federais* (FUNCEF), which was submitted to the appreciation of the Ministry of Finance and obtained its approval, as well as a favorable manifestation of the Department of Coordination and Control of State-Owned Companies (*Departamento de Coordenação e Controle das Empresas Estatais* - DEST), for a change in the Regulation of the Benefit Plan of FUNCEF, with respect to (i) complying partially with Complementary Laws 108 and 109, both of May 29, 2001, (ii) the incorporation of new conditions of costing of the Plan by the participants and the sponsor; and (iii) the establishment of migration criteria of the participants of the benefit plan REPLAN/REB to the new version of the defined contribution plan REB. For compliance with the implementation of the migration process, CAIXA recorded a provision in the amount of R\$ 74,429 (2001 - R\$ 242,361).

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

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

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

The resources of SAÚDE CAIXA are constituted as follows:

- Monthly contribution by CAIXA, corresponding to 3.5% of the payroll, including social charges;
- Monthly payment by the titleholder, of R\$ 38.26, per family group;
- Monthly payment by the titleholder, of R\$ 21.67, for each dependant.

The plan is balanced, based on actuary, and counts on an adhesion of 96.6% and is foreseen in the Collective Labor Agreement 2002 and 2003.

f. Net non-operating result

Refers mainly to the expenses with provisions for the devaluation of its own properties not in use, deducted from the profit on the sale of properties.

g. Guaranties provided to third parties

The amount of R\$ 161,148 is recorded, related to real estate equity pledged in guarantees provided to third parties, related to judicial processes against CAIXA.

Caixa Econômica Federal - CAIXA

Notes to the financial statements

(In thousands of Reais)

21 Reclassification for comparison purposes

For better comparability of these financial statements, reclassifications were made in the balance sheets as of December 2001, to adequate procedures and accounting classifications.

Balance sheet	Published value	Amount reclassified	Account in the balance sheet
Assets - Current and long-term			
Securities - Own portfolio	41,222,849	273,862	41,496,711
Securities - Subject to guarantees given	6,242	23	6,265
Securities - Devaluation allowance	(165,678)	165,678	-
Credit operations - Discounted loans and securities	6,034,072	129	6,034,201
Other receivables - Income receivables	534,188	(580)	533,608
Other receivables - Securities clearing accounts	593	(590)	3
Other receivables - Specific credits	470,925	(438,972)	31,953
Other receivables - Others	5,614,309	121	5,614,430
Valuation allowance - Other receivables	(338,675)	329	(338,346)
Liabilities - Current and long-term			
Derivative financial instruments	-	91,726	91,726
Other liabilities - Securities clearing accounts	92,795	(91,726)	1,069

Caixa Econômica Federal - CAIXA

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President

Aser Cortines Peixoto Filho
Vice President

Isabel Pereira de Souza
Vice President

João Aldemir Dornelles
Vice President

Jorge Luiz Ávila da Silva
Vice President

Luiz Francisco Monteiro de Barros Neto
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