



Complete Financial Statements  
December 31, 2006



## ITAÚSA INVESTIMENTOS ITAÚ S.A.

### MANAGEMENT REPORT 2006

#### To our Stockholders

We present our Management Report and financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries for 2006, in accordance with the regulations established by the Brazilian Corporate Law, the National Monetary Council (CMN) and the Brazilian Securities and Exchange Commission (CVM). These financial statements have been approved by the Fiscal Council.

#### THE ECONOMY

In 2006, there was a significant reduction in interest rates in the economy. The basic interest rate – Selic – ended 2006 at its lowest nominal level: 13.25% p.a.. Concurrently, the inflation measured by consumer prices decreased, falling below the target center. The reasons that contributed to a lower inflationary level include high actual interest rate of economy, lower pressure by managed prices and exchange valuation, the latter due to strong external accounts, with surplus in current and capital accounts. The lower interest rates scenario allowed for a decrease in the funding rate which, together with lower bank spreads, represented a reduction in loan rates in the industry.

The industrial sector grew 2.8% up to November. The civil construction sector, the annual growth of which reached 4.5%, continues showing a consistent recovery due to factors such as the decrease in interest rate, IPI exemption for certain products and institutional improvement in this sector. This improvement in the scenario has already started to reflect in the results of the companies of this sector.

The petrochemical sector posted higher margins in the fourth quarter due to the decrease in the price of naphtha and increase in exports. The domestic market continued to perform poorly, reflecting the small growth in the packaging sector.

The IT sector production grew 51.6% in 2006, encouraged by tax incentives and automation programs of the government sector. The reduction in the informal market has also contributed to the expansion in this sector.

#### SUSTAINABILITY AND CORPORATE GOVERNANCE

Banco Itaú Holding Financeira (Itaú Holding) and Itaúsa have once more been included among the 318 selected companies in the whole world that make up the Dow Jones Sustainability World Index (DJSI). Itaú Holding is the only Latin American bank in this index hitherto for the seventh consecutive time. Itaúsa was selected for the third time. Itaú Holding and Itaúsa have also been part of the share portfolio of the Business Sustainability Index (ISE) of Bovespa since it was created in 2005.

Itaú Holding complied with Section 404 requirements of the Sarbanes-Oxley Act in connection with the internal controls over the reporting of the consolidated financial statements as of December 31, 2005 one year prior to the compliance deadline set by the US Authorities, being the first foreign bank listed on the New York Stock Exchange (NYSE) to attain it.

For the first time Moody's assigned to a Brazilian bank, Itaú Holding, through its Cayman branch, the investment grade rating for long-term foreign-currency debt securities. The deposit ratings of Banco Itaú, Banco Itaú BBA and Banco Itaú Cayman Islands were also upgraded. Itaú Holding was considered the Best Brazilian bank by Euromoney magazine (9th consecutive year) and the Most Sustainable and Ethical Bank in Latin America by Latin Finance magazine and Management & Excellence Consulting. Latin Finance magazine also considered Banco Itaú the Bank of the Year 2006 in Latin America and Caribbean, and Banco Itaú BBA the Best Investment Bank in Brazil.

At Duratex, the good practices of governance are supported by the extension of tag-along rights of 80% to preferred shares, adoption of minimum dividend policy which is differentiated and equal to 30% of the adjusted net income and end of priority for major stockholders over minority stockholders, thus resulting in the creation of value for all.

At Itaotec, governance examples are provided even in the composition of the company's capital – common shares only since 2001 – and the granting of tag-along rights of 80% in case of disposal of the company's control.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

For Itaúsa, social and environmental responsibility is characterized by the ethical and transparent relationship the Group companies maintain with its employees, clients, suppliers, the community and society. The main initiatives in 2006 are described below.

In 2006, Itaúsa companies invested R\$ 114 million in social and cultural projects.

Itaú Holding, Banco Itaú, Banco Itaú BBA, Banco Itaú Europa and Banco Itaú Buen Ayre adopted the revised version of the Ecuador Principles, which set forth the application of those principles for projects exceeding US\$ 10 million, consulting and improvement projects or the expansion of existing projects with significant social and environmental impact.

With the participation of Unicef and "Pastoral da Criança", a religious institution for children support, the Itaú Criança Program (child program) was launched nationwide, directly supporting in 2006 1.8 million children and handling over 2 million child donated books.

In line with the All for Education Commitment, of which Fundação Itaú Social is one of the founding parties, Itaú developed several actions and initiatives aiming at contributing to the access, stay, completion and success at school by children and young people.

Fundação Itaú Social invested in 22 own projects and supported 144 institutions. Noteworthy are: the third "Escrevendo o Futuro" (writing the future) which counted on the participation of 15,461 schools, 33,449 teachers and 1.6 million students of the 4th and 5th grades of public elementary and middle schools, the seventh edition of the "Melhoria da Educação no Município" Program (improvement of municipal education) involving 139 municipalities of the State of São Paulo and 31 municipalities of the State of Piauí; the "Tecendo Redes para a Educação Integral (building networks for integral education) National Seminar, with the participation of over 1,300 people; the second "Jovens Urbanos" (urban youth) Program in the city of São Paulo and the activities to launch the first edition of this Program in the city of Rio de Janeiro; and the third Social Projects Economic Evaluation course in São Paulo, with the participation of 230 people.

Among Duratex's social initiatives we highlight the following: the Tide Setúbal Cabinetry School, sponsored in partnership with Senai and the municipal government of Agudos, in the State of São Paulo, with the purpose of qualifying joiners and developing the wood industry in the region; the "Área de Vivência Ambiental Piatan" (Piatan environment experience area) in the city of Agudos, visited by over 6 thousand people in 2006; support to the Municipal Child and Adolescent Councils (CMDCA's) projects of the cities of Botucatu and Jundiaí; and donations to Instituto WCF Brasil, APAE and Liga das Senhoras Católicas.

Regarding Duratex actions focused on environment, we emphasize the following: the certification and recertification of forest areas; acquisition of filters, equipment for atmospheric emission control; and the disposal of waste and recovery of materials. The company owns approximately 90 thousand hectares of forests to guarantee the self-sufficiency and sustainability in the wood supply, on an environmentally responsible basis; such areas are certified with ISO14001 and FSC.

The programs that encourage participation conducted by Elekeiroz Commissions such as the Energy and Water Saving, Paper, Plastics and Glass Recycling ones are aimed at introducing the concept of responsible use of natural resources to employees, their relatives and the local community.

Elekeiroz is committed to the Responsible Care initiative of the Brazilian Chemical Industry Association (ABIQUIM). Accordingly, it only works with transportation companies that were awarded certificates of the System for the Evaluation of Safety, Health, the Environment and Quality (SASSMAQ).

Instituto Itaú Cultural increased its activities in 2006. It ran over 200 events in all Brazilian States, in addition to the initiatives at the Instituto's headquarters in São Paulo that reached over 300 thousand people, of which we highlight the "Paradoxos do Brasil" (Brazil paradoxes) exhibition visited by over 64 thousand people. The "Rumos" (directions) Program, which supports, maps and divulge the country's art and intellectual production, received the application of over 1,200 projects in its several categories. The five selected projects in the 2006-2007 Movie and Video of the Rumos Program were announced and then meetings and documentary exhibitions were held in 13 Brazilian cities. The 2006-2007 Dance of the Rumos Program promoted seminars in 14 locations. We also draw attention to the fourth edition of the "Onda Cidadã" (communal wave) and the third International Art and Technology Biennial Exhibition.

Itautec initiatives to foster culture included the sponsorship of the 2006 season of the São Paulo Symphony Orchestra (OSESP) and the partnership with the Museum of Modern Art of São Paulo (MAM). By means of the Rouanet Law, it gave opportunity for 618 employees, their relatives, youngsters and educators of the community to visit and attend concerts at the São Paulo hall.

Itautec has the environmental management certificate NBR ISO14000 and performed in 2006 several actions on conscious consumption, recyclables collection and recycling, having collected over 1,000 tons of wastes. The “Sua Pet Vale um Micro” (your PET is worth a microcomputer) and “Uma Latinha por um Note” (one small can for a notebook) projects resulted in the collection of approximately 115 thousand PET bottles and aluminum cans by its employees that were subsequently recycled.

## **HUMAN CAPITAL MANAGEMENT**

With a total of 71,774 collaborators, Itaúsa and subsidiaries invested R\$ 71 million in education, training and development programs. Personnel compensation, including charges and benefits, totaled R\$ 4,622 million. Welfare benefits granted to employees and their dependants totaled R\$ 756 million and comprise supplementary pension plan, food, health and dental care, social assistance services, scholarships, entertainment, sports and cultural activities, loans at subsidized interest rates, insurance, transportation vouchers, donations and special grants, among others.

**MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED**

In this year, the total impact of the BKB acquisition on ITAÚSA's net income amounted to R\$ 937 million, of which R\$ 2,694 million refers to gain on capital increase, R\$ (775) million to the reduction of Itaú Holding Financeira's ownership interests and R\$ (982) million to the indirect interest on BKB net effects through Itaú Holding.

R\$ thousand

	Parent company		Minority interests		Group	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Net income	4,485,631	2,297,173	2,310,351	2,872,743	6,795,982	5,169,916
Stockholders' equity	12,842,285	9,753,844	14,403,016	9,010,494	27,245,301	18,764,338
Return on average equity	40.07	24.41	20.37	32.74	30.15	28.43
Dividends/interest on capital	1,301,953	891,786	1,268,798	1,021,724	2,570,751	1,913,510

**MAIN FINANCIAL INDICATORS**

	12/31/2006	12/31/2005	Change %
<b>Results per thousand shares- in R\$</b>			
Net income	1,411.50	723.29	95.15
Book value	4,041.09	3,071.10	31.58
Price per common share (ON) (1)	12,572.86	7,520.00	67.19
Price per preferred share (PN) (1)	10,406.32	7,462.38	39.45
Market capitalization (2) – in thousands of R\$	35,692,128	23,770,045	50.16

(1) Based on the average quotation of December of each year.

(2) Calculated on the basis of the average quotation of shares during the month of December of each year.

## MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

R\$ thousand

	Year	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED/ GROUP (1)
		Banco Itaú Holding Financeira S.A. Consolidated	Duratex S.A.	Itautec S.A.	Elekeiroz S.A.	
Total assets	2006	209,691,160	2,375,238	871,120	558,404	214,433,178
	2005	152,434,899	1,941,622	723,218	525,921	156,339,072
Operating revenue (2)	2006	47,760,955	1,489,193	1,466,690	719,987	51,672,724
	2005	35,280,652	1,270,577	1,484,518	655,448	39,467,798
Net income	2006	4,308,927	225,988	50,063	18,828	6,795,982
	2005	5,251,334	137,085	46,502	43,110	5,169,916
Stockholders' equity	2006	23,564,471	1,395,789	349,552	333,373	27,245,301
	2005	15,559,656	1,050,872	312,886	317,646	18,764,338
Annualized return (net income/stockholders' equity) % (3)	2006	22.68%	18.33%	15.31%	5.83%	30.15%
	2005	35.28%	13.46%	14.18%	14.13%	28.43%
Permanent assets	2006	4,585,322	1,202,709	121,414	260,737	6,122,636
	2005	2,874,830	1,181,271	107,469	265,758	4,428,812
Investments in the period	2006	5,240,739	105,402	71,816	27,184	5,374,707
	2005	594,955	108,427	31,287	62,016	789,685
Internal fund generation (4)	2006	14,367,917	309,977	128,439	58,403	16,979,145
	2005	9,479,220	221,313	120,287	69,459	9,600,592
Dividends paid/ provided for	2006	2,215,057	76,875	14,330	5,556	2,570,751
	2005	1,853,356	46,343	13,072	14,118	1,913,510
Personnel expenses	2006	5,493,861	286,398	273,034	51,888	6,134,036
	2005	4,428,350	261,583	263,889	53,343	5,033,646
Fringe benefits	2006	296,038	17,522	6,968	5,049	324,449
	2005	285,072	17,569	6,784	5,173	314,578
Number of employees	2006	59,921	6,076	5,018	739	71,774
	2005	51,036	5,890	4,381	796	62,128
Taxes paid and provided for	2006	5,539,365	324,315	92,193	29,503	6,140,787
	2005	4,692,436	289,683	131,263	31,560	5,491,872

(1) Data related to consolidated/group are net of consolidation eliminations and unrealized income from intercompany transactions.

(2) Following a worldwide trend, Operating Revenue by area of operation was obtained as follows:

- Banco Itaú Holding Financeira S.A.: totality of Income from financial operations, Income from services rendered, Income from Insurance, Pension Plans and Capitalization premiums and other Operating Income;
- Duratex S.A., Itautec S.A. and Elekeiroz S.A.: taking into consideration Net revenue from sales of products and/or services.

(3) Represents the ratio of net income for the year and average equity.

(4) Covers resources arising from operations:

- plus expenses for allowance for loan losses;
- not taking into consideration changes in mathematical provisions for capitalization and pension plan and considering the changes in unsettled claims, credits and debits from insurance operations and deferred selling expenses from insurance, pension plan and capitalization.

## FINANCIAL SERVICES AREA

### BANCO ITAÚ HOLDING FINANCEIRA

In 2006, Banco Itaú Holding Financeira (Itaú Holding) carried out significant investments, as follows:

- On May 1 and August 8, 2006, Itaú Holding and Bank of America Corporation (BAC) entered into agreements for the acquisition of the operations of BankBoston (BKB) and subsidiary companies in Brazil, Chile and Uruguay. The payment of this transaction was made through the issuance of 68,518 thousand preferred shares and 20,537 thousand common shares of Itaú Holding, corresponding to approximately 7.44% of its capital stock. On August 22, the Brazilian transaction was authorized by Bacen and on February 1, 2007 it authorized the operations in Chile and Uruguay. This process will be completed upon formalization by the Uruguayan authority.
- Banco Itaú Europa S.A. and its subsidiary Banco Itaú Europa Luxembourg, S.A. signed an agreement with Bank of America Corporation for acquisition of total capital of BankBoston International and BankBoston Trust Company Limited, which comprises about 5,500 Private Bank clients in Latin America, with total volume of financial assets under management of about US\$ 3.7 billion.
- Banco Itaú assumed the deposit and remittance operations of Santander Banespa in Japan, merging them into the operations of its branch in Tokyo.
- Itaú Holding and XL Capital Ltd. (XL), one of the biggest insurance companies in the world in the high risk segment, incorporated a new insurance company, Itaú XL Seguros Corporativos S.A. (Itaú XL), which will operate in the commercial and industrial insurance markets of high risk in Brazil.
- Also noteworthy are the acquisitions of Previtec Previdência e Tecnologia Ltda. and SFR Softwares e Análises de Sistemas Ltda., companies specialized in providing management services to private pension companies, and the acquisition, in partnership with Lojas Americanas S.A., of Pandora Participações S.A., the company holding the right to provide financial products and services through the electronic channel Shoptime and TV Shoptime.

Consolidated net income without the effects of BKB acquisition totaled R\$ 6,480 million with return of 34.1% on average equity. When taking into account the effects of this acquisition, net income totaled R\$ 4,309 million, with return of 22.7%.

Stockholders' equity totaled R\$ 23,564 million at the end of 2006, an increase of 51.4% in the year. The referential equity used for the purposes of calculating operating limits reached R\$ 30,720 million.

Itaú Holding's preferred and common shares rose 30.8% and 26.5%, respectively, as compared to the end of 2005, while the Bovespa index rose 30.7%. The market value of Itaú Holding reached R\$ 92,270 million at the end of 2006.

Consolidated assets totaled R\$ 209,691 million, a 37.6% increase as compared to December 2005. The loan portfolio grew 38.2% as compared to December 2005, totaling R\$ 93,648 million.

Total free, raised and managed own assets increased 43.3% as compared to December 2005, totaling R\$ 357,137 million.

At the end of 2006, Itaú Holding's consolidated service network totaled 3,383 branches and service centers, 820 electronic service centers in companies and 834 Taí stores. The ATM network totaled 23,096 units.

In 2006, the loan portfolio in the vehicle loan and lease segment reached R\$ 18,014 million, an increase of 64.7% as compared to 2005, which provided the leadership in this market to Itaú Holding.

Itaú Holding is the top credit card issuer of the country accounting for 13.4 million cards at the end of 2006.

At the end of 2006, consumer credit operations had 5.8 million clients and R\$ 3,228 million in receivables.

Itaú Seguros and its subsidiaries reached R\$ 2,547 million in premiums earned, representing a 5.2% increase as compared to 2005. Itaú Vida e Previdência's revenue reached R\$ 593 million related to premiums issued in life insurance, an 8.3% increase as compared to 2005. The technical provisions of Insurance and Pension Plans totaled R\$ 17,909 million. Technical provisions of capitalization amounted to R\$ 1,127 million in the period.



Banco Itaú BBA, specialized in corporate and investment banking, was characterized by its focus on the sustainability and leadership in investment banking activities, intensification of activities in the international area, with emphasis on the market of corporations in Argentina, growth of structured and derivative operations, and continuous development of cash management products and services. In 2006, Banco Itaú BBA participated in debenture and promissory notes operations totaling R\$ 24.2 billion and Credit Rights Investment Funds (FDIC) totaling 1.7 billion.

In capital markets, Banco Itaú BBA was the coordinator and bookrunner of seven initial public offerings that totaled R\$ 3.9 billion and of four subsequent public offerings that amounted to R\$ 3.4 billion. These offerings took Banco Itaú BBA among the top three active institutions in capital markets, in accordance with the Anbid ranking.

## ITAÚSA EUROPA INVESTIMENTOS

Itaúsa Europa Investimentos, the holding company that concentrates the Group's banking investments in Europe, recorded significant growth in 2006. Net income amounted to € 52.5 million, an increase of 27.1%. Assets increased 9%, reaching €3,200 million.

Banco Itaú Europa, headquartered in Lisbon, with offices in London and Madeira Island and subsidiaries in the Cayman Islands and Luxembourg, strengthened its position in the international corporate segment in 2006 by supporting the multinational companies operating in Brazil and creating distinguished international funding structures for Itaú Holding's customers in Brazil, in the segments of corporations and middle market companies.

### Banco Itaú Europa

	2006	2005	Change (%) 2006 / 2005
Net revenue (in € million)	52.8	41.7	26.6
Banking product (in € million)	82.3	70.7	16.4
Return on equity (ROE)	13.90%	12.60%	10.3
Efficiency ratio	35.80%	34.10%	4.9

These results evidence the outstanding performance in capital markets, treasury, international private banking areas and the interest held in Banco BPI.

The Bank's investment grade status (Baa1 by Moody's and BBB+ by Fitch Ratings) has significantly contributed to the access to a varied source of funds, with the Bank playing an active role on the primary and secondary markets during 2006.

Itaú Europa's consolidated assets totaled € 3.2 billion, of which we highlight the performance of corporate loan transactions, which reached € 1.4 billion.

Banco Itaú Europa Luxembourg, the Group's subsidiary that carries out international private banking services had over US\$ 3.0 billion in managed assets at the end of 2006.

Banco BPI, S.A., an associated company in which the Itaú Group holds 17.5% of interest, of which 51% is held by Itaú Europa, recorded in December 2006 total consolidated assets of € 35.6 billion, stockholders' equity of € 1.5 billion and net income of €308.8 million.

## INDUSTRIAL AND REAL ESTATE AREA

### Duratex

The drop in interest rates noted in the period, pegged to the increase in salaries and the larger access to consumer and real estate credit facilities helped the company to obtain record results.

This outstanding performance is the result of significant investments that the company made in recent years and the actions it took for reducing costs and operating expenses in the period.

Duratex' net debt totaled R\$ 43.6 million at the end of 2006, corresponding to 3% of stockholders' equity and 10% of EBITDA. This capital structure shall change as soon as Duratex starts its new investment program that will take it to another operating level.

Duratex carried out a primary issue of common shares to capitalize the company for a new expansion cycle, together with a secondary issue of preferred shares, which increased its liquidity, thus contributing to the appreciation of 124% of its preferred shares. Accordingly, Duratex' market value reached R\$ 4.2 billion at the end of 2006, 147% higher as compared to the amount posted in December 2005.

The Wood Division recorded an increase of 17% in volumes shipped as compared to 2005. Exports totaled US\$ 52.2 million, of which fiberboard panels accounted for 82%. Net revenue grew 17%, totaling R\$ 1,004.4 million. The increase in shipments had a positive effect in reduction of fixed costs, contributing to the significant improvement in the operating performance: gross margin totaled 46%, as compared to 42% in 2005; and the division's EBITDA grew 33% to R\$ 354.4 million, equivalent to the EBITDA/net revenue ratio of 35% as compared to 31% in 2005.

The Deca Division operates in the civil construction market, which is experiencing the start of a boom in the real estate segment, supported by the ongoing drop in interest rates, increase in the availability of credit facilities and extension of real estate financing periods, as well as by the recent capitalization of a number of companies in the segment through stock exchange operations. In 2006 the shipped volume increased by 9%, totaling approximately 14 million parts. This increase was higher for basic products, which are used in the initial phase of construction. Net revenue grew 18%, totaling R\$ 484.7 million, and EBITDA grew 9%, totaling R\$ 103.7 million. The EBITDA/net revenue ratio remained steady, due to the mix of products shipped and the strong increase in costs of raw materials, particularly of copper, which quote increased approximately 30% in the year.

	2006	2005	Change (%) 2006 / 2005
Gross revenue (in R\$ million)	1,965.2	1,708.9	15.0
Net revenue (in R\$ million)	1,489.2	1,270.6	17.0
. Wood Division	1,004.4	860.0	17.0
. Deca Division	484.7	410.8	18.0
Exports (in US\$ million)	62.0	62.5	(0.8)
. Wood Division	52.2	56.2	(7.0)
. Deca Division	9.8	6.4	54.0
EBITDA (in R\$ million)	458.1	362.6	26.0
. Wood Division	354.4	267.1	33.0
. Deca Division	103.7	95.5	9.0
EBITDA margin/ Net revenue (%)	31.0	28.5	9.0
Net income (in R\$ million)	226.0	137.1	65.0
Return on equity (ROE) (%)	18.0	13.5	34.0

### Itautec

In the year, Itautec acquired Tallard Technologies, Inc., a corporation with headquarters in Miami, Florida. Tallard operates in the North and Latin America markets providing services and trading products of IBM, Apple and Avaya brands, and is ranked 24<sup>th</sup> among the largest distributors of information technology products in the North-American market. The purchase price may reach US\$ 16 million, US\$ 10.5 million was paid in July 2006 and the remaining balance is payable until March 2009, through annual installments conditioned to the achievement of future results.

In 2006 the gross revenue from sales and services of Itaotec reached R\$ 1,644.3 million, an increase of 41.4% as compared to the gross revenue from the remaining operations for 2005.

Gross income totaled R\$ 281.3 million, resulting in a gross margin of 19.2%. Operating expenses reached R\$ 250.5 million, 7.8% lower than in 2005. Net income amounted to R\$ 50.1 million, representing a 15% return on average equity for the period.

EBITDA totaled R\$ 69.9 million, resulting in an EBITDA margin of 4.8% and accumulated operating cash generation of R\$ 37.1 million. The increase in operation volume required higher investment in working capital, resulting in an increase in the indebtedness level to R\$ 48.5 million.

In the information technology area, revenue totaled R\$ 683.8 million, 17.9% higher than 2005, and accounted for 41.6% of consolidated sales in 2006. Shipments of PCs and notebooks grew 76% and 161%, respectively.

Itaotec kept its performance in foreign markets, especially Mexico, where one of the largest local banks is implementing Itaotec's solution for management and optimization of customer service in over 1,000 branches. Additionally, we highlight the export of over 400 ATMS, FULL and TTW (Through the Wall) models, to clients from Europe and Africa.

(in R\$ million)

	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>	<b>Change (%) 2006 / 2005</b>
Solution and Automation	235.6	14.3	162.4	14.0	45.0
Information Technology	683.8	41.6	580.2	49.9	18.0
Services	<u>343.1</u>	20.9	<u>291.4</u>	25.0	18.0
<b>Itaotec Brasil</b>	<b>1,262.5</b>	<b>76.8</b>	<b>1,033.9</b>	<b>88.9</b>	<b>22.1</b>
Itaotec Overseas + Exports	51.2	3.1	40.3	3.5	26.9
Itec + Tallard	330.7	20.1	88.8	7.6	272.3
<b>TOTAL</b>	<b>1,644.3</b>	<b>100.0</b>	<b>1,163.0</b>	<b>100.0</b>	<b>41.0</b>

## Elekeiroz

In the chemical industry, products for industrial use grew approximately 3% in 2006. The country's export and import of chemical products raised 21% and 13%, respectively, and the balance of trade continued to show a deficit, reaching US\$ 8.4 billion. The international average prices of oil and naphtha rose 18% in the year, and remained high and volatile, which squeezed operating margins of the domestic petrochemical industry.

The volume of total shipments of Elekeiroz increased influenced by the strong export performance, which doubled in relation to 2005. In 2006, Elekeiroz exported to 29 countries.

In order to make the most of the Industrial Units and reduce logistics costs, the company closed down the plasticizer production of the Taubaté unit, located in the State of São Paulo, in 2006. This unit was sold at the end of September.

Investments in the period amounted to R\$ 25 million and were made to complete the extension of the unit of aldehydes for alcohol, reaching the current capacity of 150 thousand tons per year, and to modernize and automate the two remaining industrial units, that is, Várzea Paulista in São Paulo and Camaçari in Bahia.

The final results of 2006 were influenced by the reduction in the average unit contribution margin by 20% for organics and 48% for inorganics. This reduction is a result of substantial rises in the prices of raw materials and electrical and thermal energies that were not transferred to the rest of the production chain. In the fourth quarter, the recovery of the business return was more evident in the improvement in the average unit contribution margins of products, considering that the margin for organic products (90% of revenue) was 37% higher than those of the first three quarters.

	2006	2005	Change (%) 2006 / 2005
Shipments (in thousand of tons)	468.0	459.0	2.0
Gross revenue (in millions of R\$)	897.0	838.0	7.0
Net revenue (in millions of R\$)	720.0	655.0	11.0
Exports (in millions of US\$)	142.0	69.0	104.0
Contribution margin (in millions of R\$)	143.0	170.0	(16.0)
Operating income (in millions of R\$)	18.0	53.0	(67.0)
Operating cash generation – EBITDA (in millions of R\$)	55.0	82.0	(34.0)
EBITDA margin/ Net revenue	7.6%	12.6%	(40.0)
Net income (in millions of R\$)	19.0	43.0	(56.0)
Return on equity (ROE)	5.6%	13.6%	(59.0)

## Itaúsa Empreendimentos

In 2006, the number of real estate units grew approximately 14% as compared to 2005. Experts believe that the market recovery will be consolidated in this year, stimulated by positive factors, such as increase in credit facilities, financing with fixed installments and reduction in taxes on many construction materials.

In the business segment, the demand for new office spaces is high, contributing to reduce the vacancy rate, which is nearly 10% today. Local and foreign investors continue to avidly seek investments.

## INDEPENDENT AUDITORS – CVM INSTRUCTION No. 381

### Procedures adopted by the Company

The policy adopted by Itaúsa and its subsidiary companies, to engage non-audit related services from our independent auditors is based on the applicable regulation and internationally accepted principles that preserve the auditor's independence. These principles include the following: (a) an auditor cannot audit his or her own work, (b) an auditor cannot function in the role of management in Companies where he or she provides external audit services; and (c) an auditor and audit client cannot have a relationship that creates a mutual or conflicting interest.

During the period from January to December 2006, the independent auditors and related parties did not provide non-audit related services in excess of 5% of total external audit fees

According to CVM Instruction No. 381, we list below the engaged services and related dates:

- March 6, 2006 – Agreement for using an electronic library of international accounting standards – Itaú Holding – Brazil;
- June 5, 2006 – Consulting and advisory services agreement in order to resolve specific issues regarding tax, accounting and corporate structure issues – Banco Itaú S.A.– Brazil;
- August 23, 24 and 25, 2006 – Participation in the course on international accounting – Banco Itaú S.A.– Brazil; and
- November 21, 22 and 23, 2006 – Participation in the course on international accounting – Banco Itaú S.A.– Brazil.

### **Summary of the Independent Auditors' justification**

The provision of the above described professional services other than external audit does not affect the independence or the objectivity of the external audit of Itaúsa and its subsidiary/affiliated companies. The policy adopted for providing non-audit related services to Itaúsa is based on principles that preserve the independence of Independent Auditors, all of them considered in the provision of the referred services.

### **ACKNOWLEDGEMENTS**

We thank our stockholders for their support and trust that we seek to repay by providing differentiated results. We thank the clients of our companies for their loyalty and we reaffirm our commitment to provide quality products and services. We express our special thanks to our employees for their work and effort, which have provided the sustainable growth of our business.

**(Approved at the Meeting of the Board of Directors held on February 26, 2007).**

## ITAÚSA - INVESTIMENTOS ITAÚ S.A.

### BOARD OF DIRECTORS

#### Chairman

OLAVO EGYDIO SETUBAL

#### Vice-Chairwoman

MARIA DE LOURDES EGYDIO VILLELA

#### Members

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JOSÉ CARLOS MORAES ABREU

PAULO SETUBAL

### FISCAL COUNCIL

#### President

JOSÉ MARCOS KONDER COMPARATO

#### Members

ARTEMIO BERTHOLINI

PAULO RICARDO MORAES AMARAL

### EXECUTIVE BOAD

#### President and Chief Executive Officer

OLAVO EGYDIO SETUBAL

#### Executive Directors Vice Presidents

JAIRO CUPERTINO

ROBERTO EGYDIO SETUBAL

#### Executive Directors

HENRI PENCHAS (\*)

RENATO ROBERTO CUOCO

### DISCLOSURE AND TRADING COMMITTEE

ALFREDO EGYDIO ARRUDA VILLELA FILHO

HENRI PENCHAS

PAULO SETUBAL

(\*) *Investor Relations Director*

### Accountant

REGINALDO JOSÉ CAMILO

CT-CRC-1SP - 114.497/O - 9

**BANCO ITAÚ HOLDING FINANCEIRA S.A.****BOARD OF DIRECTORS****Chairman**

OLAVO EGYDIO SETUBAL

**Vice Chairmen**ALFREDO EGYDIO ARRUDA VILLELA FILHO  
JOSÉ CARLOS MORAES ABREU  
ROBERTO EGYDIO SETUBAL**Members**ALCIDES LOPES TÁPIAS  
CARLOS DA CAMARA PESTANA  
FERNÃO CARLOS BOTELHO BRACHER  
GERALDO JOSÉ CARBONE  
GUILLERMO ALEJANDRO CORTINA  
GUSTAVO JORGE LABOISSIERE LOYOLA  
HENRI PENCHAS  
MARIA DE LOURDES EGYDIO VILLELA  
PERSIO ARIDA  
ROBERTO TEIXEIRA DA COSTA  
SERGIO SILVA DE FREITAS  
TEREZA CRISTINA GROSSI TOGNI**EXECUTIVE BOAD****Chief Executive Officer**

ROBERTO EGYDIO SETUBAL

**Senior Vice-President**

HENRI PENCHAS

**Executive Vice-Presidents**ALFREDO EGYDIO SETUBAL (\*)  
CANDIDO BOTELHO BRACHER**Legal Counsel**

LUCIANO DA SILVA AMARO

**Executive Directors**RODOLFO HENRIQUE FISCHER  
SILVIO APARECIDO DE CARVALHO**Managing Directors**JACKSON RICARDO GOMES  
MARCO ANTONIO ANTUNES  
WAGNER ROBERTO PUGLIESI**INTERNATIONAL ADVISORY BOARD**ROBERTO EGYDIO SETUBAL  
ARTUR EDUARDO BROCHADO DOS SANTOS SILVA  
CARLOS DA CAMARA PESTANA  
FERNÃO CARLOS BOTELHO BRACHER  
HENRI PENCHAS  
JOSÉ CARLOS MORAES ABREU  
MARIA DE LOURDES EGYDIO VILLELA  
ROBERTO TEIXEIRA DA COSTA  
RUBENS ANTONIO BARBOSA  
SERGIO SILVA DE FREITAS(\*) *Investor Relations Director***ADVISORY BOARD**FERNANDO DE ALMEIDA NOBRE NETO  
LÍCIO MEIRELLES FERREIRA  
LUIZ EDUARDO CAMPELLO**APPOINTMENT AND COMPENSATION COMMITTEE****President**

OLAVO EGYDIO SETUBAL

**Members**ALFREDO EGYDIO ARRUDA VILLELA FILHO  
CARLOS DA CAMARA PESTANA  
FERNÃO CARLOS BOTELHO BRACHER  
JOSÉ CARLOS MORAES ABREU  
ROBERTO EGYDIO SETUBAL  
ROBERTO TEIXEIRA DA COSTA**AUDIT COMMITTEE****President**

CARLOS DA CAMARA PESTANA

**Members**ALCIDES LOPES TÁPIAS  
TEREZA CRISTINA GROSSI TOGNI**DISCLOSURE AND TRADING COMMITTEE**ALFREDO EGYDIO SETUBAL  
ALCIDES LOPES TÁPIAS  
ALFREDO EGYDIO ARRUDA VILLELA FILHO  
ANTONIO CARLOS BARBOSA DE OLIVEIRA  
ANTÔNIO JACINTO MATIAS  
HENRI PENCHAS  
MARIA ELIZABETE VILLAÇA LOPES AMARO  
ROBERTO TEIXEIRA DA COSTA  
SILVIO APARECIDO DE CARVALHO  
TEREZA CRISTINA GROSSI TOGNI**FISCAL COUNCIL****President**

IRAN SIQUEIRA LIMA

**Members**ALBERTO SOZIN FURUGUEM  
FERNANDO ALVES DE ALMEIDA

## ITAÚSA EUROPA - INVESTIMENTOS SGPS LDA.

### MANAGING BOARD

ALMIR VIGNOTO (Delegate Manager)  
CARLOS DA CAMARA PESTANA  
HENRI PENCHAS  
JOSÉ CARLOS MORAES ABREU  
JOSÉ FRANCISCO CLARO  
MARIA DE LOURDES EGYDIO VILLELA  
OLAVO EGYDIO SETUBAL  
PAULO SETUBAL  
ROBERTO EGYDIO SETUBAL

## BANCO ITAÚ EUROPA S.A.

### BOARD OF DIRECTORS

#### Chairman

ROBERTO EGYDIO SETUBAL

#### Vice-Chairman

CARLOS DA CAMARA PESTANA

#### Board Members

ALFREDO EGYDIO SETUBAL  
ALMIR VIGNOTO  
CANDIDO BOTELHO BRACHER  
HENRI PENCHAS  
JEAN MARTIN SIGRIST JÚNIOR  
JORGE ALBERTO O. V. JARDIM GONÇALVES  
JOSÉ FRANCISCO CLARO  
RENATO ROBERTO CUOCO  
ROBERTO MASSARU NISHIKAWA  
RODOLFO HENRIQUE FISCHER  
SÉRGIO RIBEIRO DA COSTA WERLANG

### EXECUTIVE COMMISSION OF THE BOARD OF DIRECTORS

#### President

ALMIR VIGNOTO

#### Board Members

JOSÉ FRANCISCO CLARO  
JORGE ALBERTO O. V. JARDIM GONÇALVES  
JEAN MARTIN SIGRIST JÚNIOR  
ROBERTO MASSARU NISHIKAWA

### FISCAL COUNCIL

#### President

JOSÉ MATA SOUSA MENDES

#### Board Members

JOÃO MANUEL RICARDO CATARINO  
PRICEWATERHOUSECOOPERS & ASSOCIADOS, SOCIEDADE  
DE REVISORES OFICIAIS DE CONTAS, LDA.



**DURATEX S.A.****BOARD OF DIRECTORS****Chairman**

OLAVO EGYDIO SETUBAL

**Vice Chairmen**

LAERTE SETUBAL FILHO

MARIA DE LOURDES EGYDIO VILLELA

PAULO SETUBAL

**Members**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JAIR RIBEIRO DA SILVA NETO

JAIRO CUPERTINO

JOSÉ CARLOS MORAES ABREU

OLAVO EGYDIO SETUBAL JÚNIOR

**FISCAL COUNCIL****President**

PAULO RICARDO MORAES AMARAL

**Members**

IRAN SIQUEIRA LIMA

FABIANO ROMES MACIEL

**EXECUTIVE BOARD****Chief Executive Officer**

PAULO SETUBAL

**Executive Managing Vice Presidents**

GUILHERME ARCHER DE CASTILHO

PLINIO DO AMARAL PINHEIRO (\*)

RAUL PENTEADO

**Executive Directors**

CARLOS ALBERTO TENÓRIO NOBRE

ENRIQUE JUDAS MANUBENS

MÁRIO COLOMBELLI FILHO

**Managing Directors**

ALEXANDRE COELHO NETO DO NASCIMENTO

ANTONIO JOAQUIM DE OLIVEIRA

ANTONIO MASSINELLI

FLÁVIO DIAS SOARES

(\*) *Investor Relations Director***ITAUTEC S.A. - GRUPO ITAUTEC****BOARD OF DIRECTORS****Chairman**

OLAVO EGYDIO SETUBAL

**Vice-Chairman**

JOSÉ CARLOS MORAES ABREU

**Members**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JAIRO CUPERTINO

PAULO SETUBAL

RENATO ROBERTO CUOCO

RICARDO EGYDIO SETUBAL

**EXECUTIVE BOARD****Chief Executive Officer**

PAULO SETUBAL

**Managing Director**

GUILHERME ARCHER DE CASTILHO

**Executive Managing Vice Presidents**

CLÁUDIO VITA FILHO

RAUL PENTEADO

RICARDO EGYDIO SETUBAL (\*)

**Executive Director**

WILTON RUAS DA SILVA

(\*) *Investor Relations Director***ELEKEIROZ S.A.****BOARD OF DIRECTORS****Chairman**

OLAVO EGYDIO SETUBAL

**Vice Chairmen**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JOSÉ CARLOS MORAES ABREU

PAULO SETUBAL

**Members**

CESAR CALVO HUIDOBRO

RAUL PENTEADO

REINALDO RUBBI

**EXECUTIVE BOARD****Chief Executive Officer**

PAULO SETUBAL

**Managing Director**

REINALDO RUBBI (\*)

**Directors**

CARLOS CALVO SANZ

JULIÃO DE SOUZA ESCUDERO

RICARDO JOSÉ BARALDI

(\*) *Investor Relations Director*

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**CONSOLIDATED BALANCE SHEET**

(In thousands of Reais)

ASSETS	12/31/2006	12/31/2005
<b>Current assets</b>	<b>170,708,888</b>	<b>117,440,972</b>
<b>Cash and cash equivalents</b>	<b>3,732,337</b>	<b>2,193,878</b>
<b>Interbank investments (Notes 4a and 5)</b>	<b>29,879,956</b>	<b>22,085,184</b>
<b>Securities and derivative financial instruments (Notes 4b, 4c and 6)</b>	<b>37,670,603</b>	<b>25,756,421</b>
Securities	18,619,412	10,296,725
Derivative financial instruments	1,959,143	2,561,828
Assets Guaranteeing Technical Provisions – PGBL/VGBL fund quotas (Note 11b)	14,323,595	10,214,972
Assets Guaranteeing Technical Provisions – Other securities (Note 11b)	2,768,453	2,682,896
<b>Interbank accounts of subsidiaries</b>	<b>15,222,539</b>	<b>13,344,128</b>
<b>Loan, lease and other credit operations (Note 7)</b>	<b>59,933,697</b>	<b>36,896,491</b>
Operations with Credit Granting Characteristics (Note 4d)	64,441,527	40,237,298
(-) Allowance for loan losses (Note 4e)	(4,507,830)	(3,340,807)
<b>Inventories (Notes 4f and 8)</b>	<b>482,304</b>	<b>457,846</b>
Products	476,051	439,039
Real estate	6,253	18,807
<b>Other receivables</b>	<b>22,823,016</b>	<b>15,821,514</b>
Foreign exchange portfolio (Note 9)	12,872,015	7,707,411
Deferred tax assets (Note 14b I)	2,723,659	2,390,304
Sundry (Note 13a)	7,266,022	5,812,937
(-) Allowance for loan losses	(38,680)	(89,138)
<b>Other assets (Notes 4g and 13b)</b>	<b>315,862</b>	<b>283,287</b>
<b>Prepaid expenses (Note 13c)</b>	<b>648,574</b>	<b>602,223</b>
<b>Non-current assets</b>	<b>43,724,290</b>	<b>38,898,100</b>
<b>Long-term receivables</b>	<b>37,601,654</b>	<b>34,469,288</b>
<b>Interbank investments (Notes 4a and 5)</b>	<b>1,592,750</b>	<b>830,576</b>
<b>Securities and derivative financial instruments (Notes 4b, 4c and 6)</b>	<b>9,539,709</b>	<b>8,109,174</b>
Securities	7,312,516	6,514,498
Derivative financial instruments	1,399,662	654,180
Assets Guaranteeing Technical Provisions – Other securities (Note 11b)	827,531	940,496
<b>Interbank accounts of subsidiaries</b>	<b>354,747</b>	<b>362,834</b>
<b>Loan, lease and other credit operations (Note 7)</b>	<b>16,783,966</b>	<b>19,631,902</b>
Operations with Credit Granting Characteristics (Note 4d)	19,706,820	20,398,271
(-) Allowance for loan losses (Note 4e)	(2,922,854)	(766,369)
<b>Other receivables</b>	<b>8,589,352</b>	<b>4,685,270</b>
Deferred tax assets (Note 14b I)	3,741,731	1,422,380
Sundry (Note 13a)	4,847,621	3,262,890
<b>Other assets (Notes 4g and 13b)</b>	<b>7,560</b>	<b>-</b>
<b>Prepaid expenses (Note 13c)</b>	<b>733,570</b>	<b>849,532</b>
<b>Permanent assets</b>	<b>6,122,636</b>	<b>4,428,812</b>
<b>Investments (Notes 4i and 15a II)</b>	<b>2,023,119</b>	<b>764,418</b>
Investments in affiliates	1,779,561	589,620
Other investments	243,558	174,798
<b>Fixed assets (Notes 4j and 15b)</b>	<b>3,545,277</b>	<b>3,317,318</b>
Fixed assets	8,271,990	7,791,962
Leased properties	112,254	120,478
Forest reserves	111,302	98,011
(Accumulated depreciation)	(4,950,269)	(4,693,133)
<b>Intangible</b>	<b>5,788</b>	<b>6,205</b>
<b>Deferred charges (Notes 4k and 15b)</b>	<b>548,452</b>	<b>340,871</b>
Organization and expansion expenses	1,272,083	853,724
(Accumulated amortization)	(723,631)	(512,853)
<b>TOTAL ASSETS</b>	<b>214,433,178</b>	<b>156,339,072</b>

## ITAÚSA - INVESTIMENTOS ITAÚ S.A.

### CONSOLIDATED BALANCE SHEET

(In thousands of Reais)

LIABILITIES	12/31/2006	12/31/2005
<b>Current liabilities</b>	<b>120,062,715</b>	<b>87,988,289</b>
<b>Funds raised by subsidiaries (Notes 4a and 10)</b>	<b>83,113,460</b>	<b>60,770,859</b>
Foreign currency	4,019,526	3,369,250
Local currency	60,168,238	47,131,633
Money market	18,925,696	10,269,976
<b>Subordinated debts (Note 10)</b>	<b>61,900</b>	<b>72,744</b>
<b>Derivative financial instruments (Notes 4c and 6b)</b>	<b>1,292,540</b>	<b>2,040,934</b>
<b>Borrowings (Notes 4a and 10)</b>	<b>293,377</b>	<b>278,153</b>
Foreign currency	151,393	119,229
Local currency	141,984	158,924
<b>Statutory and social contributions</b>	<b>2,587,295</b>	<b>1,743,297</b>
<b>Tax and social security contributions (Note 14c I)</b>	<b>1,889,410</b>	<b>1,736,654</b>
<b>Other liabilities</b>	<b>25,706,176</b>	<b>17,581,833</b>
Foreign exchange portfolio (Note 9)	13,123,604	7,827,929
Credit card operations	6,877,710	5,304,011
Securitization of foreign payment orders (Note 10)	217,874	105,306
Sundry (Note 13d)	5,486,988	4,344,587
<b>Interbank accounts of subsidiaries</b>	<b>2,174,746</b>	<b>1,042,933</b>
<b>Technical provisions for insurance, pension plan and capitalization (Notes 4I and 11a)</b>	<b>2,943,811</b>	<b>2,720,882</b>
<b>Non-current liabilities</b>	<b>67,000,223</b>	<b>49,469,993</b>
<b>Long-term liabilities</b>	<b>67,000,223</b>	<b>49,469,993</b>
<b>Funds raised by subsidiaries (Notes 4a and 10)</b>	<b>35,392,783</b>	<b>25,822,383</b>
Foreign currency	5,432,112	5,059,940
Local currency	9,541,660	9,004,141
Money market	20,419,011	11,758,302
<b>Subordinated debts (Note 10)</b>	<b>4,504,490</b>	<b>4,511,677</b>
<b>Derivative financial instruments (Notes 4c and 6b)</b>	<b>983,741</b>	<b>367,119</b>
<b>Borrowings (Notes 4a and 10)</b>	<b>368,983</b>	<b>344,541</b>
Foreign currency	152,689	162,204
Local currency	216,294	182,337
<b>Tax and social security contributions (Note 14c I)</b>	<b>6,194,482</b>	<b>3,703,888</b>
<b>Other liabilities</b>	<b>3,463,104</b>	<b>2,801,733</b>
Securitization of foreign payment orders (Note 10)	1,313,842	1,180,029
Sundry (Note 13d)	2,149,262	1,621,704
<b>Technical provisions for insurance, pension plan and capitalization (Notes 4I and 11a)</b>	<b>16,092,640</b>	<b>11,918,652</b>
<b>Deferred income</b>	<b>124,939</b>	<b>116,452</b>
<b>Minority interest</b>	<b>14,403,016</b>	<b>9,010,494</b>
<b>Stockholders' equity of parent company (Note 16)</b>	<b>12,842,285</b>	<b>9,753,844</b>
Capital	5,200,000	5,000,000
Capital reserves	26,824	28,423
Revaluation reserves	43,318	49,392
Revenue reserves	7,600,397	4,961,334
Adjustment to market value – securities and derivatives	96,691	148,886
(-) Treasury shares	(124,945)	(434,191)
<b>Stockholders' equity of the Itaúsa Group</b>	<b>27,245,301</b>	<b>18,764,338</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>214,433,178</b>	<b>156,339,072</b>

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**CONSOLIDATED STATEMENT OF INCOME**

(In thousands of Reais)

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>OPERATING REVENUES</b>	<b>51,672,724</b>	<b>39,467,798</b>
Sales of products and services	12,554,562	11,006,545
Insurance, pension plan and capitalization	8,198,973	6,843,848
Financial	19,378,434	14,170,695
Insurance, pension plan and capitalization (Note 11c)	2,117,128	1,893,555
Securities	8,547,410	4,973,050
Equity in earnings of affiliates	294,367	53,958
Other operating revenues (Note 13e)	581,850	526,147
<b>OPERATING EXPENSES</b>	<b>(43,218,907)</b>	<b>(30,742,839)</b>
Cost of products and services	(2,641,442)	(2,434,182)
Insurance, pension plan and capitalization	(7,074,146)	(6,047,223)
Equity	(6,231,066)	(3,401,976)
Administrative	(9,799,776)	(8,247,345)
Management fees	(234,120)	(208,808)
Financial	(10,147,803)	(5,030,389)
Financial expenses on technical provisions for pension plan and capitalization (Note 11c)	(1,704,078)	(1,510,000)
Other operating expenses (Note 13f)	(5,386,476)	(3,862,916)
<b>OPERATING INCOME</b>	<b>8,453,817</b>	<b>8,724,959</b>
<b>NON-OPERATING INCOME (Note 13g)</b>	<b>520,780</b>	<b>(521,924)</b>
<b>INCOME BEFORE TAXES ON NET INCOME AND PROFIT SHARING</b>	<b>8,974,597</b>	<b>8,203,035</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Note 14a I)</b>	<b>(1,476,156)</b>	<b>(2,519,122)</b>
Due on operations for the period	(2,559,202)	(2,146,876)
Related to temporary differences	1,083,046	(372,246)
<b>PROFIT SHARING</b>	<b>(702,459)</b>	<b>(513,997)</b>
Employees – Law 10,101 of 12/19/2000	(527,841)	(372,217)
Officers - Statutory - Law 6,404 of 12/15/1976	(174,618)	(141,780)
<b>NET INCOME RELATING TO MINORITY INTEREST IN SUBSIDIARIES</b>	<b>(2,310,351)</b>	<b>(2,872,743)</b>
<b>NET INCOME OF PARENT COMPANY</b>	<b>4,485,631</b>	<b>2,297,173</b>
Net income relating to minority interest in subsidiaries	2,310,351	2,872,743
<b>NET INCOME OF THE ITAÚSA GROUP</b>	<b>6,795,982</b>	<b>5,169,916</b>
NUMBER OF OUTSTANDING SHARES – in thousands	3,177,929	3,176,014
NET INCOME OF PARENT COMPANY PER THOUSAND SHARES – R\$	1,411.50	723.29
BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES – R\$	4,041.09	3,071.10
<b>ELIMINATION OF THE EFFECTS OF THE BKB ACQUISITION (Notes 2a and 21c)</b>	<b>(936,896)</b>	<b>-</b>
<b>NET INCOME OF PARENT COMPANY WITHOUT THE EFFECTS OF THE BKB ACQUISITION</b>	<b>3,548,735</b>	<b>2,297,173</b>
<b>NET INCOME PER SHARE – R\$</b>	<b>1,116.68</b>	<b>723.29</b>

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

(In thousands of Reais)

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>A – FINANCIAL RESOURCES WERE PROVIDED BY</b>	<b>32,494,826</b>	<b>22,078,007</b>
NET INCOME FOR THE YEAR	4,485,631	2,297,173
Items not representing movement of net working capital		
Minority interest	2,310,351	2,872,743
Depreciation and amortization	760,603	708,559
Equity in the earnings of subsidiaries, net of received dividends	(248,475)	(8,805)
Amortization of goodwill	3,111,934	-
Other	(7,058)	(24,362)
<b>ADJUSTED NET INCOME</b>	<b>10,412,986</b>	<b>5,845,308</b>
<b>STOCKHOLDERS' RESOURCES</b>	<b>100,182</b>	<b>100,328</b>
Capital increase	100,000	100,000
Premium on subscription of shares	182	328
<b>THIRD PARTIES' RESOURCES</b>	<b>21,981,658</b>	<b>16,132,371</b>
Increase in long-term liabilities	17,530,230	16,016,827
Cost of disposed permanent assets	85,185	65,492
Cost of investment disposals	6,787	24,979
Change in deferred income	8,487	25,073
Changes in minority interests, net	4,350,969	-
<b>B- FINANCIAL RESOURCES WERE USED FOR</b>	<b>11,301,336</b>	<b>10,826,450</b>
Increase in long-term receivables	3,132,366	6,478,913
Adjustment to market value – securities and derivatives - subsidiary and affiliated	98,567	95,934
Purchased properties and other fixed assets	934,557	611,746
Investments in the period	976,768	33,102
Goodwill on purchase of investments	3,111,934	-
Increase in deferred assets	351,448	144,837
Purchase of treasury shares	124,945	434,191
Dividends paid to minority stockholders	1,268,798	1,021,724
Dividends proposed	1,301,953	891,786
Changes in minority interests, net	-	1,114,217
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)</b>	<b>21,193,490</b>	<b>11,251,557</b>
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL</b>	<b>21,193,490</b>	<b>11,251,557</b>
<b>At the beginning of the year</b>	<b>29,452,683</b>	<b>18,201,126</b>
Current assets	117,440,972	103,482,985
Current liabilities	87,988,289	85,281,859
<b>At the end of the year</b>	<b>50,646,173</b>	<b>29,452,683</b>
Current assets	170,708,888	117,440,972
Current liabilities	120,062,715	87,988,289

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.****BALANCE SHEET***(In thousands of Reais)*

<b>ASSETS</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
<b>Current assets</b>	<b>1,374,222</b>	<b>1,211,452</b>
Cash and cash equivalents	27	128
Securities (Note 6a)	482,976	384,617
Deferred tax assets	23,380	34,749
Other assets (Note 13a)	867,839	791,958
<b>Non-current assets</b>	<b>14,308,330</b>	<b>9,899,443</b>
<b>Long-term receivables</b>	<b>27,761</b>	<b>10,920</b>
Securities (Note 6a)	33	32
Other assets (Note 13a)	27,728	10,888
<b>Permanent assets</b>	<b>14,280,569</b>	<b>9,888,523</b>
Investments		
Investments in subsidiaries (Note 15a I)	14,267,712	9,874,798
Other investments	4,125	4,122
Fixed assets (Note 15b)	8,732	9,603
<b>TOTAL ASSETS</b>	<b>15,682,552</b>	<b>11,110,895</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>1,156,979</b>	<b>868,005</b>
Dividends payable	1,024,784	640,082
Tax and social security contributions	115,237	224,175
Other liabilities (Note 13d)	16,958	3,748
<b>Non-current liabilities</b>	<b>19,951</b>	<b>8,754</b>
<b>Long-term liabilities – Tax and social security contributions</b>	<b>19,951</b>	<b>8,754</b>
<b>Stockholders' equity (Note 16)</b>	<b>14,505,622</b>	<b>10,234,136</b>
Capital (Note 16a)	5,200,000	5,000,000
Capital reserves	26,824	28,423
Revaluation reserves	43,318	49,392
Revenue reserves (Note 16c)	9,263,734	5,441,626
Adjustment to market value - securities (Notes 4b, 4c and 6a)	96,691	148,886
(-) Treasury shares	(124,945)	(434,191)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>15,682,552</b>	<b>11,110,895</b>

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.****STATEMENT OF INCOME***(In thousands of Reais)*

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>OPERATING REVENUES</b>	<b>3,731,666</b>	<b>3,181,202</b>
Financial	-	13,841
Securities	181,769	570,889
Equity in earnings of subsidiaries (Note 15a I)	3,547,756	2,593,477
Other operating revenues (Note 13e)	2,141	2,995
<b>OPERATING EXPENSES</b>	<b>(129,090)</b>	<b>(138,249)</b>
Equity	(879)	(886)
Administrative	(24,266)	(20,359)
Management fees	(5,449)	(4,925)
Other operating expenses (Note 13f)	(98,496)	(112,079)
<b>OPERATING INCOME</b>	<b>3,602,576</b>	<b>3,042,953</b>
<b>NON-OPERATING INCOME (Note 13g)</b>	<b>1,984,937</b>	<b>(532,514)</b>
<b>INCOME BEFORE TAXES ON NET INCOME AND PROFIT SHARING</b>	<b>5,587,513</b>	<b>2,510,439</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Note 4n and 14a I)</b>	<b>85,262</b>	<b>(144,819)</b>
Due on operations for the period	(14,881)	(70,761)
Related to temporary differences	100,143	(74,058)
<b>PROFIT SHARING</b>	<b>(4,100)</b>	<b>(3,914)</b>
Officers - Statutory - Law 6,404 of 12/15/1976	(4,100)	(3,914)
<b>NET INCOME</b>	<b>5,668,675</b>	<b>2,361,706</b>
NUMBER OF OUTSTANDING SHARES (in thousands) (Note 16)	3,177,929	3,176,014
NET INCOME PER THOUSAND SHARES – R\$	1,783.76	743.61
BOOK VALUE PER THOUSAND SHARES – R\$	4,564.49	3,222.32
<b>ELIMINATION OF THE EFFECTS OF THE BKB ACQUISITION (Notes 2 and 21c)</b>	<b>(1,924,590)</b>	<b>-</b>
<b>NET INCOME WITHOUT THE EFFECTS OF THE BKB ACQUISITION</b>	<b>3,744,085</b>	<b>2,361,706</b>
<b>NET INCOME PER SHARE – R\$</b>	<b>1,178.15</b>	<b>743.61</b>

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE 16)**  
*(In thousands of Reais)*

	Capital reserves			Revenue reserves			Adjustment to Market Value - Securities and Derivatives	Treasury shares	Retained earnings	Total
	Capital	Monetary correction Law 8,200	Premium on subscription of shares	Options for tax incentives	Revaluation reserves	Legal				
<b>At December 31, 2004</b>	<b>3,800,000</b>	<b>25,013</b>	<b>1,453</b>	<b>1,094</b>	<b>50,673</b>	<b>470,730</b>	<b>244,820</b>	<b>(93,087)</b>	-	<b>9,294,722</b>
Prior years' adjustments	-	-	-	-	-	-	-	-	-	(101,244)
Share subscription - domestic	100,000	-	-	-	-	-	-	-	-	100,000
Premium on issuance of shares	-	-	328	-	-	-	-	-	-	328
Change of adjustment to market value - subsidiaries	-	-	-	-	-	-	(95,934)	-	-	(95,934)
Reversal/realization of reserves	-	-	-	-	(1,281)	-	-	-	1,281	-
Capital increase with reserves	1,100,000	-	-	-	-	-	(1,100,000)	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	(93,087)	93,087	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(434,191)	-	(434,191)
Options for tax incentives	-	-	-	535	-	-	-	-	-	535
Net income for the period	-	-	-	-	-	-	-	-	2,361,706	2,361,706
Appropriations:	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	118,085	-	-	(118,085)	-
Statutory reserve	-	-	-	-	-	-	-	-	(1,353,116)	-
Interest on capital	-	-	-	-	-	-	-	-	(891,786)	(891,786)
<b>At December 31, 2005</b>	<b>5,000,000</b>	<b>25,013</b>	<b>1,781</b>	<b>1,629</b>	<b>49,392</b>	<b>588,815</b>	<b>148,886</b>	<b>(434,191)</b>	-	<b>10,234,136</b>
Share subscription - domestic	100,000	-	-	-	-	-	-	-	-	100,000
Premium on issuance of shares	-	-	182	-	-	-	-	-	-	182
Change of adjustment to market value - subsidiaries	-	-	-	-	-	-	(52,195)	-	(18,278)	(70,473)
Reversal/realization of reserves	-	-	-	-	(6,074)	-	-	-	6,074	-
Capital increase with reserves	100,000	-	-	-	-	-	(98,219)	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	(434,191)	434,191	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(124,945)	-	(124,945)
Net income for the period	-	-	-	-	-	-	-	-	5,668,675	5,668,675
Appropriations:	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	283,434	-	-	(283,434)	-
Unrealized profits	-	-	-	-	-	-	239,650	-	(239,650)	-
Statutory reserve	-	-	-	-	-	-	-	-	(3,831,434)	-
Interest on capital	-	-	-	-	-	-	-	-	(1,301,953)	(1,301,953)
<b>At December 31, 2006</b>	<b>5,200,000</b>	<b>25,013</b>	<b>182</b>	<b>1,629</b>	<b>43,318</b>	<b>872,249</b>	<b>96,691</b>	<b>(124,945)</b>	-	<b>14,505,622</b>



**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**

(In thousands of Reais)

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>A – FINANCIAL RESOURCES WERE PROVIDED BY</b>	<b>1,400,120</b>	<b>1,464,971</b>
NET INCOME FOR THE PERIOD	5,668,675	2,361,706
Items not representing movement of net working capital:		
Depreciation and amortization	879	886
Equity in the earnings of subsidiaries, net of received dividends	(4,433,224)	(1,141,168)
Allowance for losses	(2)	111
Amortization of goodwill	6,199	3,341
ADJUSTED NET INCOME	1,242,527	1,224,876
<b>STOCKHOLDERS' RESOURCES</b>	<b>100,182</b>	<b>100,328</b>
Capital increase	100,000	100,000
Premium on subscription of shares	182	328
<b>THIRD PARTIES' RESOURCES</b>	<b>57,411</b>	<b>139,767</b>
Increase in long-term liabilities	11,197	3,594
Cost of investment disposals	46,214	43,174
Decrease in long-term receivables	-	87,757
Write-offs of fixed assets	-	5
Prior years' adjustments	-	4,702
Tax incentives	-	535
<b>B – FINANCIAL RESOURCES WERE USED FOR</b>	<b>1,526,324</b>	<b>1,547,147</b>
Increase in long-term receivables	16,842	-
Purchased properties and other fixed assets	8	24
Investments in the period	82,576	221,146
Purchase of treasury shares	124,945	434,191
Dividends proposed	1,301,953	891,786
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)</b>	<b>(126,204)</b>	<b>(82,176)</b>
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL</b>	<b>(126,204)</b>	<b>(82,176)</b>
<b>At the beginning of the year</b>	<b>343,447</b>	<b>425,623</b>
Current assets	1,211,452	1,017,113
Current liabilities	868,005	591,490
<b>At the end of the year</b>	<b>217,243</b>	<b>343,447</b>
Current assets	1,374,222	1,211,452
Current liabilities	1,156,979	868,005

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(In thousands of Reais)

**NOTE 1 - OPERATIONS**

ITAÚSA - Investimentos Itaú S.A. (ITAÚSA) has as main objective supporting the companies in which capital it holds interest, through studies, analyses and suggestions on the operating policy and projects for the expansion of the mentioned companies obtaining resources to meet the related additional needs of risk capital through subscription or acquisition of securities issued, to strengthen its position in the capital market and related activities or subsidiaries of interest of the mentioned companies, except for the specifics of financial institutions.

**NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS**

The financial statements of ITAÚSA and of its subsidiaries (ITAÚSA CONSOLIDATED) have been prepared in accordance with accounting principles established by the Brazilian Corporate Law and instructions issued by the Brazilian Securities and Exchange Commission (CVM), the Central Bank of Brazil (BACEN), the National Monetary Council (CMN), the Superintendency of Private Insurance (SUSEP) and the National Council of Private Insurance (CNSP), which include the use of estimates necessary to calculate accounting provisions.

In the preparation of the financial statements, the Company made changes provided for by the CVM Resolution 488 of October 3, 2005.

On May 1 and August 8, 2006, Banco Itaú Holding Financeira (ITAÚ HOLDING) and Bank of America Corporation (BAC) entered into agreements for the acquisition, by ITAÚ HOLDING, of the operations of BankBoston (BKB) and subsidiary companies in Brazil, Chile and Uruguay. On August 22, 2006 the operation was approved by BACEN and, at the ESM held on August 25, 2006, its implementation was approved as from September 1, 2006, and its company name was changed to Banco ItaúBank S.A. At the ESM held on December 26, 2006, stockholders approved the transfer of all shares making up the capital stock of BKB companies in Chile and Uruguay, converting them into ITAÚ HOLDING's wholly-owned subsidiary companies, and on February 1, 2007 this operation was approved by BACEN.

The acquisitions of BKB's investments were approved in the form of delivery of funds amounting to R\$ 2,331 and preferred and common shares arising from the capital increase of ITAÚ HOLDING in the amount of R\$ 5,954,213, representing 7.44% of ITAÚ HOLDING's total capital stock.

In order to provide for a better understanding of the result for the period, the Consolidated Statement of Income presents a disclosure of the "Net Income Without the Effects of BKB Acquisition", whereas the acquisition effect is presented in a single account named "Elimination of Effects of BKB Acquisition" (Note 21c).

Operations with Credit Cards, arising from purchases made by card holders, are included in receivables for Loan, Lease and Other credit operations. The resources related to these amounts are included for Other Liabilities – Credit Card Operations. Capital Lease Operations are presented, at present value, in the Balance Sheet, and related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credit operations in the Statement of Income. Advances on exchange contracts are reclassified from Other Liabilities – Foreign Exchange Portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

**NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS**

Intercompany transactions and balances and results have been eliminated on consolidation. The investments held by consolidated companies in Exclusive Investment Funds are consolidated. The investments in these fund portfolios are classified by type of transaction and were distributed by type of security, in the same categories in which these securities had been originally allocated. Deferred taxes related to adjustments to market value of trading securities, derivative financial instruments (assets/liabilities) and available-for-sale securities, including the additional provision, are presented in the Balance Sheet at their related net amounts (Note 14b II). Up to March 31, 2006, Operations with Credit Granting Characteristics and Allowance for Loan Losses were presented in the Balance Sheet net of additional write-offs, related to fully provisioned operations, and which recovery is considered remote by Management. As from the second quarter of 2006, the credit assignment procedure started being adopted for part of the operations with these characteristics. The effects of the Foreign Exchange Variation on investments abroad are classified in the Statement of Income accounts, according to the nature of the corresponding balance sheet accounts.

The difference in Net Income and Stockholders' Equity between ITAÚSA and ITAÚSA CONSOLIDATED (Note 16d) results from the elimination of unrealized income (losses) arising from consolidated intercompany transactions, the related taxes on which have been deferred, and from the adoption of different criteria for the amortization of goodwill on purchase of investments and the recognition of deferred tax assets:

- I- In ITAÚSA, goodwill recorded in subsidiaries, mainly originated from the acquisition of BankBoston S.A. operations in Brazil, Chile and Uruguay, from the partnership to set up the Financeira Itaú CBD and Americanas Itaú and from the acquisition of part of the shares of BPI S.A., is being amortized based on the expected future profitability (10 years) or by the realization of investments, in order to: a) avoid an unnecessary decrease in its Stockholders' Equity for operating limits computation purposes; b) avoid an unnecessary capital increase; and c) obtain better compliance with market accounting practices.

In ITAÚSA CONSOLIDATED, this goodwill was fully amortized in the years when these investments occurred in order to: a) permit better comparability with previous periods' consolidated financial statements; and b) permit measuring Net Income and Stockholders' Equity based on conservative criteria.

- II- In BANCO BANESTADO S.A. (BANESTADO) and in ITAÚSA CONSOLIDATED, deferred tax assets are recorded at amounts considering the expected future earnings.

The consolidated financial statements comprise ITAÚSA and its direct and indirect subsidiaries, among which we highlight:

		Holding (%)	
		12/31/2006	12/31/2005
<b>FINANCIAL SERVICES AREA</b>			
Banco Itaú Holding Financeira S.A.	(1)	44.64	48.41
Banco Itaú S.A.		44.64	48.41
Banco Itaú BBA S.A.		42.74	46.35
Banco ItauBank S.A.	(2)	44.64	-
Banco Itauced Financiamentos S.A.		44.64	48.41
Banco Fiat S.A.		44.64	48.41
Banco Itaú Buen Ayre S.A.		44.64	48.41
Banco Itaú Europa Luxembourg S.A.		89.14	89.88
Banco Itaú Europa, S.A.		89.19	89.92
Itaú Bank, Ltd		44.64	48.41
Cia. Itauleasing de Arrendamento Mercantil		44.64	48.41
ItauBank Leasing S.A. Arrendamento Mercantil	(2)	44.64	-
Itaú Corretora de Valores S.A.		44.64	48.41
Financeira Itaú CBD S.A. - Crédito, Financiamento e Investimento	(3)	22.32	24.20
Financeira Americanas Itaú S.A - Crédito, Financiamento e Investimento	(4)(7)	22.32	24.20
Itaú Seguros S.A.		44.64	48.41
Itaú Vida e Previdência S.A.		44.64	48.41
Cia. Itaú de Capitalização		44.64	48.41
Banco Itaucard S.A.	(5)	44.64	48.41
Credicard Banco S.A.	(6)(7)	-	24.21
Banco Itaú Cartões S.A.		44.64	48.41
Orbitall Serviços e Processamento e Informatização Comercial S.A.		44.64	48.41
Redecard S.A.	(7)	14.26	15.46
Fiat Administradora de Consórcios Ltda		44.64	48.41
Itaú Administradora de Consórcios Ltda		44.64	48.41
Afinco Américas Madeira, SGPS, Sociedade Unipessoal, LDA		44.64	48.41
Itaúsa Export S.A.		87.69	88.53
Serasa S.A.	(7)	14.45	15.68
<b>INDUSTRIAL AREA</b>			
Duratex S.A.	(1)	41.76	47.76
Itautec S.A.	(1)	94.01	94.22
Elekeiroz S.A.	(1)	96.49	96.52
Itaúsa Empreendimentos S.A.		99.95	100.00

(1) Listed company.

(2) Investment acquired on May 1, 2006 and approved by BACEN for implementation as from September 1, 2006.

(3) Company with shared control, fully included in consolidation, as authorized by CVM, in view of the business management by ITAÚ HOLDING.

(4) Investment set up on April 27, 2005 and approved to operate by BACEN on February 21, 2006.

(5) New company name of Itaucard Financeira S.A. Crédito, Financiamento e Investimento, approved by BACEN on April 25, 2006.

(6) Company proportionally incorporated by Banco Itaú Cartões S.A. on April 30, 2006.

(7) Companies with shared control included proportionally in consolidation.

**NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES**

**a) Interbank investments, funds raised by subsidiaries, borrowings and onlendings and other receivables and payables** - Transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, calculated "pro rata die" based on the variation of the contracted index and interest rate.

**b) Securities**

- I. In ITAÚSA and non-financial subsidiaries (Industrial Area) are recorded at cost of acquisition restated and adjusted to reflect the market value, when this is lower.
- II. In financial subsidiaries, insurance, pension plan, security and capitalization companies, and its subsidiaries (Financial Services Area), recorded at acquisition cost restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular Letter 3,068, of November 8, 2001 and SUSEP Circular Letter 314, of December 27, 2005. Securities are classified in the following categories:

- trading securities –acquired to be actively and frequently traded, are adjusted to market value, with a contra-entry to the results for the period;
- Available-for-sale securities – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a contra-entry to an account disclosed in stockholders' equity; and
- Held to maturity securities – securities, except for non-redeemable shares, for which the company has the financial condition and intends or is required to hold them in the portfolio up to their maturity, are recorded at cost of acquisition, or market value, whenever these are transferred from another category. The securities are adjusted up to maturity date, not being adjusted to market value.

Gains and losses on available-for-sale securities, when realized, are recognized at the trading date in the statement of income, with a contra-entry to a specific stockholders' equity account.

Decreases in the market value of available-for-sale and held-to-maturity securities below their related costs, resulting from non-temporary reasons, are recorded in results as realized losses.

- III. The effects of the procedures described in the item 2 above, in the subsidiaries of the Financial Services of ITAÚSA, recorded under stockholders' equity or the income statement, were equally recorded directly in stockholders' equity or in the equity of earnings of affiliates in proportion to the ownership percentage.

**c) Derivative Financial Instruments** - These are classified on the date of their acquisition, according to management's intention of using them either as a hedge or not, according to BACEN Circular Letter 3,082, of January 30, 2002. Transactions involving financial instruments, carried out upon the client's request, for their own account, or which do not comply with hedging criteria (mainly derivatives used to manage the overall risk exposure) are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statement of income.

The derivatives used for protection against risk exposure or to modify the characteristics of assets and liabilities which changes in market value are highly associated with those of the items being protected, at the beginning and throughout the duration of the contract, and found effective to reduce the risk-related exposure being protected, are classified as a hedge, in accordance with their nature:

- **Market Value Hedge** – Assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income.
- **Cash Flows Hedge** - The effective amount of the hedge of assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of hedge is recorded directly in the statement of income.

- d) Loan, Lease and Other Credit Operations (Operations with Credit Granting Characteristics)** - These transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index, and are recorded on the accrual basis until 60 days overdue in financial companies. After the 60th day, income is recognized upon the effective receipt of installments.
- e) Allowance for Loan Losses** - The balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution 2,682 of December 21, 1999, among which are:
- Provisions are recorded from the date loans are granted, based on the client's rating and on the periodic quality evaluation of clients and industries and not only in the event of default;
  - Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.
- f) Inventories** - These are valued at the average acquisition or production cost, which is lower than replacement costs or realizable values and, when applicable, decreased by the provision for obsolescence. Imports in transit are stated at the accumulated cost of each import .
- g) Other assets** - These assets are mainly comprised by assets held for sale relating to real estates available for sale, own real estate not in use or received as payment in kind which are adjusted to market value through the set-up of a provision, according to current regulations.
- h) Prepaid Expenses** – These refer to the disbursements the benefit of which will result in earnings in future periods.
- i) Investments** - In subsidiary and affiliated companies, investments are accounted for under the equity method. The consolidated financial statements of foreign branches and subsidiaries are adapted to comply with Brazilian accounting practices and converted into reais. Other investments are recorded at cost, restated up to December 31, 1995, and adjusted to market value by setting up a provision in accordance with current standards.
- j) Fixed assets** - These assets are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports.

In the Financial Area, with respect to operating lease, leased assets are stated at cost of acquisition less accumulated depreciation. The depreciation of leased assets is recognized under the straight-line method, based on their usual useful lives, taking into account that the useful life shall be decreased by 30% should it meet the conditions provided for by the Ministry of Finance Ordinance No. 113 of February 26, 1988 issued by the Ministry of Finance. Receivables are recorded in lease receivable at the contractual amount, with contra-entry to unearned income accounts. The recognition in income will occur on the due date of the installments.

Depreciation is calculated using the straight-line method, based on monetarily corrected cost, and for the Financial Area companies assets/ equipment with residual value up to R\$ 3 are fully depreciated. Depreciation is calculated at the following annual rates:

Real estates in use	4%	to	8%
Installations, furniture, equipment and security, transportation and communication systems	10%	to	25%
EDP systems	20%	to	50%

- k) Deferred charges** - Deferred organization and expansion expenses mainly represent leasehold improvements and acquisition of software, which are amortized on a straight-line basis over their respective contractual terms, limited to ten and five years, respectively.
- l) Technical Provisions of Insurance, Pension Plan and Capitalization** – provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution 120 of December 24, 2004.

**I - Insurance:**

- Provision for unearned premiums – recognized to determine unearned premiums relating to the risk coverage period;
- Provision for premium deficiency – recognized in case of insufficient Provision for unearned premiums;
- Provision for unearned premiums of current risks but not issued – calculated based on technical studies;
- Provision for unsettled claims – recognized based on claims of loss in an amount sufficient to cover future commitments;
- Provision for claims incurred but not reported - IBNR - recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not reported.

In order to calculate the amount of provision for claims under litigation, the experts and legal advisors carry out appraisals based on the amount insured and on technical regulations, taking into account the probability of unfavorable result to the insurance company.

**II - Pension Plan and Individual life insurance with living benefits:**

Correspond to liabilities assumed such as retirement plans, disability, pension and annuity.

- Provision for unsettled benefits and redemptions and/or Other unsettled amounts – refer to amounts still not settled up to the balance sheet date;
- Provision for events occurred but not reported - IBNR – recognized for the estimated amount of events incurred but not reported;
- Mathematical provisions for benefits granted and benefits to be granted – correspond to commitments assumed with participants, but for which benefits are not yet due, and to those receiving the benefits;
- Provision for insufficient contribution – recognized in case of insufficient mathematical provisions.

**III - Capitalization:**

- Mathematical provision for redemptions – represents capitalization certificates received to be redeemed;
- Provision for raffles – calculated according to definition in technical note;
- Provision for raffles payable – set up by raffles of certificates already held;
- Provision for contingencies – recognized for the application of contingency rate on the collected amount.



**m) Contingent Assets and Liabilities and Legal Liabilities – Tax and Social Security:** assessed, recognized and disclosed according to the provisions set forth in CVM Resolution No. 489 of October 3, 2005.

I- Contingent Assets and Liabilities

Refer to potential rights and obligations arising from past events, the occurrence of which is dependent upon future events.

- Contingent Assets: not recognized, except upon evidence ensuring a high reliability level of realization, usually represented by claims awarded a final and unappealable judgment and confirmation of the recoverability of the claim through receipt of amounts or offset against another liability.
- Contingent Liabilities: basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, tax and social security lawsuits and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recognized; possible, which are disclosed but not recognized; or remote, for which recognition or disclosure are not required. Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts, as follows:

Escrow deposits are restated in accordance with the current legislation.

Contingencies guaranteed by indemnity clauses in privatization processes and with liquidity are only recognized upon disbursement, with simultaneous recognition of receivables, not producing effect in results.

## II- Legal Liabilities – Tax and Social Security

Represented by amounts payable related to tax liabilities, the legality or constitutionality of which are subject to administrative or judicial defense, recognized at the full amount under discussion.

Liabilities and related escrow deposits are adjusted in accordance with the current legislation.

- n) Taxes** - These provisions are calculated according to current legislation at the rates shown below, for effects of the related calculation bases.

Income tax	15.00%
Additional income tax	10.00%
Social contribution	9.00%
PIS (*)	1.65%
COFINS (*)	7.6%
ISS	up to 5.00%
CPMF	0.38%

*(\*) For financial and similar companies, the PIS and COFINS rates are 0.65% and 4%, respectively.*

- o) Deferred income** – These refer to unexpired interest received in advance that is recorded as income is earned, and the negative goodwill on acquisition of investments arising from expected future income, not absorbed in the consolidation process.

**NOTE 5 - INTERBANK INVESTMENTS**

We present below the composition of interbank investments of the subsidiaries of the Financial Services Area:

	Book value	
	12/31/2006	12/31/2005
<b>Money market</b>	<b>20,687,459</b>	<b>12,709,922</b>
<b>Funded position (*)</b>	<b>12,019,176</b>	<b>8,186,337</b>
<b>Financed position</b>	<b>8,653,804</b>	<b>4,523,585</b>
With free movement	498,580	198,635
Without free movement	8,155,224	4,324,950
<b>Short position</b>	<b>14,479</b>	<b>-</b>
<b>Money market – Assets Guaranteeing Technical Provisions - SUSEP</b>	<b>717,972</b>	<b>429,101</b>
<b>Interbank deposits</b>	<b>10,067,275</b>	<b>9,776,737</b>
<b>TOTAL</b>	<b>31,472,706</b>	<b>22,915,760</b>

(\*) Includes R\$ 4,327,063 (R\$ 5,054,172 at 12/31/2005) related to money market with free movement, in which securities are restricted to guarantee transactions at the Brazilian Mercantile and Futures Exchange (BM&F).

**NOTE 6 - SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)**

We present below the composition of the accounts "Securities and Derivative Financial Instruments", maintained in the subsidiaries of the Financial Services Area, which are in accordance with the standards of BACEN and SUSEP. They are recorded at cost and market values, and the effects of market value adjustment are directly recorded in stockholders' equity and results of subsidiaries and of ITAÚSA.

**a) Summary**

Description	Cost	Provision for adjustment to market value with impact on		Market value	
		Result	Stockholders' equity	12/31/2006	12/31/2005
<b>Itaúsa and Industrial Area</b>					
Securities	983,859	-	-	983,859	756,909
Derivative financial instruments (assets)	(9,575)	252	-	(9,323)	10,332
<b>Subtotal</b>	<b>974,284</b>	<b>252</b>	<b>-</b>	<b>974,536</b>	<b>767,241</b>
<b>Financial Services Area (1)</b>					
Trading securities (2)	27,460,120	113,638	-	27,573,758	17,516,505
Available-for-sale securities	13,513,310	-	175,160	13,688,470	10,812,888
Held-to-maturity securities (3)	1,605,420	-	-	1,605,420	1,933,285
Derivative financial instruments (assets)	2,675,387	692,741	-	3,368,128	3,205,676
<b>Subtotal</b>	<b>45,254,237</b>	<b>806,379</b>	<b>175,160</b>	<b>46,235,776</b>	<b>33,468,354</b>
Deferred taxes			(69,353)		
Adjustment of securities reclassified in prior years to held-to-maturity category			27,518		
Adjustment of equity in unconsolidated affiliated companies			32,360		
<b>Total adjustment to market value</b>			<b>165,685</b>		
<b>Additional provision (exceeding minimum required)</b>				<b>-</b>	<b>(370,000)</b>
<b>Total Securities and Derivative Financial Instruments (Assets)</b>	<b>46,228,521</b>	<b>806,631</b>		<b>47,210,312</b>	<b>33,865,595</b>
Derivative Financial Instruments – Itaúsa and Industrial Area	(30,522)	508		(30,014)	(4,796,423)
Derivative Financial Instruments – Financial Area	(1,575,976)	(670,291)		(2,246,267)	2,388,370
<b>Total Securities and Derivative Financial Instruments (Liabilities)</b>	<b>(1,606,498)</b>	<b>(669,783)</b>		<b>(2,276,281)</b>	<b>(2,408,053)</b>
Minority interest			(68,994)		-
<b>Amount separately disclosed in Stockholders' equity of ITAÚSA</b>			<b>96,691</b>		

(1) No reclassification among categories was performed in the period.

(2) Includes portfolios of PGBL and VGBL plan securities, in the amount of R\$ 14,323,595 (R\$ 10,214,972 at 12/31/2005), whose ownership and embedded risks belong to the clients, and recorded as marketable securities in compliance with SUSEP requirements, with contra-entry to liabilities, in Technical Provision for Pension Plans.

(3) Securities classified under this category, if stated at market value, would present a positive adjustment of R\$ 187,348 (positive adjustment in the amount of R\$ 168,263 at 12/31/2005).

At ITAÚSA, the amount of R\$ 483,008 (R\$ 384,650 at 12/31/2005) is basically composed of Quotas of Investment Funds.

## b) Derivative Financial Instruments

The globalization of the markets in recent years has resulted in a high level of sophistication in the financial products used. As a result of this process, there has been an increasing demand for derivative financial instruments to manage market risks, mainly arising from fluctuations in interest and exchange rates, assets prices and credit, aiming to hedge against default by counterparts. Accordingly, ITAÚSA and its subsidiaries are fully involved in the derivative markets for meeting the growing needs of its clients, as well as carrying out its risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

The derivatives negotiated are purchased for three basic purposes:

- Market Risk Hedge - to perform hedge of the structural portfolio, arising from commercial bank operations;
- Trading - to serve as instruments for the Bank to assume proprietary and risk management positions of the derivatives traded with large clients; and
- Credit protection – to provide insurance against losses related to loan operations.

Most derivative contracts traded with clients in Brazil are swap and future contracts, which are registered at the Brazilian Mercantile & Futures Exchange (BM&F) or at the Clearing House for the Custody and Financial Settlement of Securities (CETIP). BM&F future contracts involving interbank rates and U.S. dollars are mainly used to lock the financing rates offered to customers with maturity or currency mismatches between their obligations and the resources used to fund them. ITAÚSA carries out transactions overseas with futures, forwards, options, swaps and credits with registration mainly in the Chicago, New York and London Exchanges.

The main risk factors of the derivatives, assumed by ITAÚSA at December 31, 2006, were related to the foreign exchange rate, interest rate, U.S. dollar coupon and Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to maximize the risk-return ratios, even under highly volatile situations.

The institution carries out operations involving credit derivatives for the following purposes: a) reducing or eliminating its exposure to specific risks to the assets of its balance sheet based on the concept of credit portfolio management; and b) assuming risk positions by way of hedging purchases or sales based on the trading concept.

The operations carried out for loan portfolio management reduce the specific risks of the counterpart in default, transferring these risks, totally or partially, to the institution that sells the hedge. Such risks are daily monitored in view of the credit limits established for each counterpart, thus ensuring that they are properly managed.

The operations carried out for trading purposes are daily controlled by way of sophisticated pricing and risk measurement models.

Under regular conditions, the exchange prices are the best indicators of the fair value of the financial instruments. However, not all instruments have liquidity or quotes and, in this case, it is necessary to adopt present value estimates and other valuation techniques. To obtain these market values, the following criteria were adopted:

- Futures and Forward Contracts: quotes on the exchanges;
- Swaps: the cash flow of each part is discounted to present value, according to the corresponding interest curves, obtained based on the BM&F prices and/or market prices of the government securities for Brazilian transactions, and on the international exchange prices for transactions carried out abroad.
- Options: pricing models that consider the volatility behavior of the asset object, the interest rates, the exercise price and the spot price of the goods, such as Black & Scholes model.
- Credit: Pricing model involving a payment flow in the case of no event, and in the case of event, the notional amount is paid in exchange for unsettled securities.

These financial instruments have their notional values recorded in memorandum accounts and adjustments/premiums are recorded in balance sheet accounts.

The table below summarizes the notional value restated to market price and the respective net exposures in the balance sheet for the derivative financial instruments.

	MEMORANDUM ACCOUNT NOTIONAL VALUE		BALANCE SHEET ACCOUNT RECEIVABLES / (RECEIVED) (PAYABLE)/ PAID	ADJUSTMENT TO MARKET VALUE	MARKET VALUE	
	12/31/2006	12/31/2005	12/31/2006	12/31/2006	12/31/2006	12/31/2005
<b>Futures contracts</b>	<b>190,720,774</b>	<b>88,229,522</b>	<b>30,293</b>	<b>(24,705)</b>	<b>5,588</b>	<b>15,558</b>
Purchase commitments	57,508,787	51,389,406	(3,765)	35,964	32,199	23,052
Commitments to sell	133,211,987	36,840,116	34,058	(60,669)	(26,611)	(7,494)
<b>Swap contracts</b>			<b>638,817</b>	<b>(51,565)</b>	<b>587,252</b>	<b>514,728</b>
Asset position	112,786,253	34,544,965	1,188,047	535,180	1,723,227	1,268,330
Liability position	112,147,436	34,177,445	(549,230)	(586,745)	(1,135,975)	(753,602)
<b>Option contracts</b>	<b>232,495,445</b>	<b>76,392,027</b>	<b>77,061</b>	<b>94,391</b>	<b>171,452</b>	<b>(12,880)</b>
Purchase commitments – long position	137,511,164	10,704,880	72,420	(19,872)	52,548	213,595
Commitments to sell – long position	26,365,253	26,172,324	252,481	145,478	397,959	224,048
Purchase commitments – short position	45,490,566	11,858,228	(182,423)	67,239	(115,184)	(407,332)
Commitments to sell – short position	23,128,462	27,656,595	(65,417)	(98,454)	(163,871)	(43,191)
<b>Forwards contracts</b>			<b>459,544</b>	<b>(1,569)</b>	<b>457,975</b>	<b>244,423</b>
Purchase receivable			1,371	(339)	1,032	40,000
Purchase payable			(3,173)	(412)	(3,585)	(40,000)
Sales receivable			466,787	(460)	466,327	253,007
Sales deliverable			(5,441)	(358)	(5,799)	(8,584)
<b>Other derivative financial instruments</b>	<b>19,580,691</b>	<b>12,727,150</b>	<b>(146,401)</b>	<b>6,658</b>	<b>(139,743)</b>	<b>46,126</b>
Asset position	10,592,070	7,057,619	654,413	57,711	712,124	1,201,470
Liability position	8,988,621	5,669,531	(800,814)	(51,053)	(851,867)	(1,155,344)
		<b>ASSETS</b>	<b>2,665,812</b>	<b>692,993</b>	<b>3,358,805</b>	<b>3,216,008</b>
		<b>LIABILITIES</b>	<b>(1,606,498)</b>	<b>(669,783)</b>	<b>(2,276,281)</b>	<b>(2,408,053)</b>
		<b>TOTAL</b>	<b>1,059,314</b>	<b>23,210</b>	<b>1,082,524</b>	<b>807,955</b>

Derivative contracts fall due as follows (in days):

Clearing	0 - 30	31 - 180	181 -365	Over 365	12/31/2006	12/31/2005
<b>Futures</b>	70,190,137	72,198,423	11,192,066	37,140,148	190,720,774	88,229,522
<b>Swaps</b>	6,920,715	71,477,272	8,896,154	24,304,065	111,598,206	33,490,108
<b>Options</b>	50,672,318	142,694,283	1,206,591	37,922,253	232,495,445	76,392,027
<b>Other</b>	1,858,572	7,488,061	3,307,310	6,926,748	19,580,691	12,727,150

See below the composition of the Derivative Financial Instruments portfolio by type of paper, stated at its notional value, per trading location (organized or over-the-counter market) and counterparts:

	12/31/2006				Total	12/31/2005
	Futures	Swaps	Options	Other		
<b>BM&amp;F/Bovespa</b>	<b>125,226,435</b>	<b>11,978,570</b>	<b>91,664,268</b>	<b>3,113,200</b>	<b>231,982,473</b>	<b>100,348,530</b>
<b>Over-the-counter market</b>	<b>65,494,339</b>	<b>99,619,636</b>	<b>140,831,177</b>	<b>16,467,491</b>	<b>322,412,643</b>	<b>110,490,277</b>
Financial institutions	41,545,370	75,724,185	137,871,596	9,084,315	264,225,466	89,400,580
Companies	23,948,969	22,970,913	2,959,581	7,378,817	57,258,280	20,906,312
Individuals	-	924,538	-	4,359	928,897	183,385
<b>Total</b>	<b>190,720,774</b>	<b>111,598,206</b>	<b>232,495,445</b>	<b>19,580,691</b>	<b>554,395,116</b>	<b>210,838,807</b>
<b>Total – 12/31/2005</b>	<b>88,229,522</b>	<b>33,490,108</b>	<b>76,392,027</b>	<b>12,727,150</b>	<b>210,838,807</b>	

Credit derivatives

	Credit risk amount		Effect on the calculation of the required net worth	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
<b>Transferred</b>				
Credit swaps whose underlying assets are:				
Securities	(438,804)	(23,407)	(48,268)	(2,575)
Derivatives with companies	(50,000)	-	(5,500)	-
Total return rate swap - Securities	(160,350)	-	(17,639)	-
<b>Received</b>				
Credit swaps whose underlying assets are:				
Securities	2,761,557	604,205	48,464	-
Derivatives with companies	100,000	87,500	11,000	9,625
<b>Total</b>	<b>2,212,403</b>	<b>668,298</b>	<b>(11,943)</b>	<b>7,050</b>

The market value of the credit derivative operations described above, recorded in assets, totals R\$33,125 (R\$ 942 at 12/31/2005), and in liabilities, R\$ 30,631 (R\$11,472 at 12/31/2005). During the year, there was no occurrence of a credit event as provided for in the agreements.

## NOTE 7 - LOAN, CAPITAL LEASE AND OTHER CREDIT OPERATIONS – FINANCIAL SERVICES AREA

### a) Summary

#### I- By type of operations

	12/31/2006	12/31/2005
Loan operations	57,418,462	43,748,181
Capital lease operations	15,842,384	8,291,822
Credit card operations	9,320,596	7,268,850
Advances on exchange contracts (1)	1,358,949	1,210,036
Other sundry receivables (2)	207,956	116,680
<b>Total</b>	<b>84,148,347</b>	<b>60,635,569</b>
Endorsements and sureties (3)	9,499,946	7,120,718
<b>Total with endorsements and sureties</b>	<b>93,648,293</b>	<b>67,756,287</b>

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Other Liabilities/Credits - Foreign Exchange Portfolio (Note 9).

(2) Includes Securities and Credits Receivable, Debtors for Purchase of Assets and Endorsements and Sureties paid.

(3) Recorded in Memorandum Accounts.

#### II - By business sector

	12/31/2006	%	12/31/2005	%
<b>Public sector</b>	<b>855,537</b>	<b>1.0</b>	<b>1,335,928</b>	<b>2.2</b>
<b>Private sector</b>	<b>83,292,810</b>	<b>99.0</b>	<b>59,299,641</b>	<b>97.8</b>
Corporations	40,625,489	48.3	28,861,612	47.6
Individuals	42,667,321	50.7	30,438,029	50.2
<b>Total</b>	<b>84,148,347</b>	<b>100.0</b>	<b>60,635,569</b>	<b>100.0</b>

### b) Allowance for loan losses

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Opening balance</b>	<b>(4,107,176)</b>	<b>(3,053,555)</b>
Balance from acquisition of BKB on 04/30/2006	(370,812)	-
Net increase for the period	(6,447,640)	(3,716,278)
Write-off	3,494,944	2,662,657
<b>Closing balance</b>	<b>(7,430,684)</b>	<b>(4,107,176)</b>
Specific allowance (1)	(3,317,907)	(1,354,394)
Generic allowance (2)	(2,412,777)	(1,382,782)
Additional allowance (3)	(1,700,000)	(1,370,000)

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies.

(2) For operations not covered by the previous item due to the classification of the client or operation.

(3) Refers to the provision in excess of the minimum required, recorded based on conservative criteria adopted by management in accordance with good banking practice, in order to cover any unexpected losses resulting from a strong reversal of the economic cycle, quantified based on historical data considering loan portfolios in cases of economic crisis.

Note: The specific and generic allowances reflect the effects of supplementary allowance totaling R\$ 254,975 (R\$ 215,975 at 12/31/2005) as it does not consider the option established by article 5 of CMN Resolution 2682, of 12/21/1999, amended by article 2 of CMN Resolution 2697, of 02/24/2000, that the loan transactions with clients whose total liability is below R\$ 50 could be determined based only on the overdue amounts.

At December 31, 2006, the balance of the allowance for loan losses in relation to the credit portfolio is equivalent to 8.8% (6.8% at 12/31/2005).

### c) Recovery and renegotiation of credits

#### I – Composition of the result of allowance for loan losses

	1/1 to 12/31/2006	1/1 to 12/31/2005
Net increase for the period	(6,447,640)	(3,716,278)
Recoveries	943,018	889,024
Renegotiation	268,218	380,594
Receipt	674,800	508,430
<b>Result of allowance for loan losses</b>	<b>(5,504,622)</b>	<b>(2,827,254)</b>

#### II – Renegotiated credits

	12/31/2006	12/31/2005
Renegotiated credits	2,726,332	1,369,674
Allowance for loan losses	(1,576,415)	(559,701)
(%)	57.8	40.9

**NOTE 8 - INVENTORIES**

	12/31/2006	12/31/2005
<b>Products</b>	<b>476,051</b>	<b>439,039</b>
Raw material	202,421	183,443
Work in process	39,767	25,614
Finished products	174,612	164,270
Storeroom	59,251	65,712
<b>Real estate</b>	<b>6,253</b>	<b>18,807</b>
<b>Total</b>	<b>482,304</b>	<b>457,846</b>



**NOTE 9 – FOREIGN EXCHANGE PORTFOLIO**

	12/31/2006	12/31/2005
<b>ASSETS – OTHER RECEIVABLES</b>	<b>12,872,015</b>	<b>7,707,411</b>
Exchange purchase pending settlement – foreign currency	6,851,561	4,135,028
Bills of exchange and term documents – foreign currency	1,448	2,023
Exchange sale rights – local currency	6,205,132	3,689,538
(-) Advances received – local currency	(186,126)	(119,178)
<b>LIABILITIES – OTHER LIABILITIES</b>	<b>13,123,604</b>	<b>7,827,929</b>
Exchange sales pending settlement – foreign currency	6,148,571	3,670,177
Liabilities from purchase of foreign currency – local currency	6,972,146	4,155,011
Other	2,887	2,741
<b>MEMORANDUM ACCOUNTS</b>	<b>188,562</b>	<b>85,399</b>
Outstanding import credits – foreign currency	136,176	59,424
Confirmed export credits – foreign currency	52,386	25,975

**NOTE 10 – FUNDS RAISED BY SUBSIDIARIES AND BORROWINGS AND ONLENDINGS  
– FINANCIAL SERVICES AREA**

	12/31/2006	12/31/2005
<b>Foreign currency</b>	<b>9,451,638</b>	<b>8,429,190</b>
Funds from acceptance and issuance of securities	4,066,389	3,505,310
Borrowings and onlendings (1)	5,385,249	4,923,880
<b>Local currency</b>	<b>69,709,898</b>	<b>56,135,774</b>
Deposits	61,103,081	50,447,931
Funds from acceptance and issuance of securities	3,475,000	1,455,452
Borrowings and onlendings	5,131,817	4,232,391
<b>Securitization of foreign payment orders (2)</b>	<b>1,531,716</b>	<b>1,285,335</b>
<b>Deposits received under securities repurchase agreements</b>	<b>39,344,707</b>	<b>22,028,278</b>
Own Portfolio	30,976,428	17,507,927
Third-party portfolio	8,352,714	4,520,351
Free portfolio	15,565	-
<b>Subordinated debts</b>	<b>4,566,390</b>	<b>4,584,421</b>
Bank Deposit Certificates	2,125,410	1,960,304
Debentures	623,715	632,412
Euronotes	962,545	1,058,865
Redeemable preferred shares	854,720	932,840
<b>Total</b>	<b>124,604,349</b>	<b>92,462,998</b>

(1) Foreign borrowings are basically represented by investments in foreign exchange transactions related to export pre-financing and import financing.

(2) Recorded in Other Liabilities

## NOTE 11 - INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS

## a) Composition of the Technical Provisions

	12/31/2006	12/31/2005
<b>Insurance</b>	<b>1,436,255</b>	<b>1,268,240</b>
Unearned premiums	780,079	700,428
Unsettled claims	362,518	348,644
IBNR	215,068	161,615
Premium deficiency - Others	20,874	11,908
Premium deficiency – Health care (1)	47,528	34,906
Mathematical provision for benefits to be granted	6,594	7,913
Mathematical provision for benefits granted	332	-
Financial surplus	1,501	1,055
Unsettled benefits	400	886
Redemption and other unresolved amounts	1,361	885
<b>Life Insurance and Pension Plan</b>	<b>16,473,041</b>	<b>12,260,056</b>
Unearned premiums	260,436	244,037
Unsettled claims	34,576	36,589
IBNR	45,727	41,566
Mathematical provision for benefits to be granted	15,526,003	11,438,954
Mathematical provision for benefits granted	108,561	89,315
Financial surplus	297,149	238,677
Financial variation	85,906	83,626
Risk variation	26,537	18,985
Insufficient contribution (2)	50,096	41,815
Redemption and other unresolved amounts	21,671	16,492
Premium deficiency	9,986	7,280
Unexpired risks	1,332	1,266
Unsettled benefits	1,392	1,427
Administrative	3,669	27
<b>Capitalization</b>	<b>1,127,155</b>	<b>1,111,238</b>
Mathematical provision for redemptions	1,051,556	1,021,332
Contingencies	65,167	74,896
Raffles pending / payable	10,432	15,010
<b>TOTAL</b>	<b>19,036,451</b>	<b>14,639,534</b>

(1) The provision for Premium Deficiency is calculated in accordance with the criteria established by the regulatory body and the technical actuarial note which establishes a provision for risk coverage for the next 12 months.

In compliance with USGAAP standards, the provisions recorded in the financial statements filed with SEC (Securities and Exchange Commission) were conservatively estimated at R\$ 614,109 at 12/31/2005 (R\$ 549,000 at 12/31/2004), enough to cover deficits until the termination of the plans in 2099.

To maintain the economic and financial balance of the health care plans, discussions are still being maintained with the ANS (National Health Agency – the Brazilian health market regulator) regarding the restructuring of the plan, as well as price adjustments. With the purpose of covering the existing imbalance, a capital increase considered sufficient to provide funds for the health insurance segment was carried out.

In relation to the coverage of estimated amounts, existing accounting differences between the local and USGAAP practices are substantially offset by the goodwill amortization criteria.

(2) Recorded based on actuarial valuation in a sufficient amount for the settlement of obligations.

## b) Assets Guaranteeing Technical Provisions - SUSEP

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Interbank investments – Money market	193,743	87,285	265,947	171,046	258,282	170,770	717,972	429,101
Securities and derivative financial instruments	966,031	937,133	16,065,975	11,943,230	887,573	958,001	17,919,579	13,838,364
PGBL/VGBL fund quotas (1)	-	-	14,323,595	10,214,972	-	-	14,323,595	10,214,972
Other securities	966,031	937,133	1,742,380	1,728,258	887,573	958,001	3,595,984	3,623,392
Government	312,705	225,866	777,918	693,229	143,701	120,071	1,234,324	1,039,166
Private	653,326	711,267	964,462	1,035,029	743,872	837,930	2,361,660	2,584,226
Credit rights (2)	270,066	262,019	189,136	199,648	-	-	459,202	461,667
<b>TOTAL</b>	<b>1,429,840</b>	<b>1,286,437</b>	<b>16,521,058</b>	<b>12,313,924</b>	<b>1,145,855</b>	<b>1,128,771</b>	<b>19,096,753</b>	<b>14,729,132</b>

(1) PGBL and VGBL plan securities portfolio, the ownership and embedded risks of which are the customers' responsibility, recorded as securities, as determined by SUSEP, with a contra-entry to liabilities in the Pension Plan Technical Provisions account.

(2) Recorded under Other receivables - Insurance premiums receivable.

## c) Results of Operations

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	01/01 to 12/31/2006	01/01 to 12/31/2005	01/01 to 12/31/2006	01/01 to 12/31/2005	01/01 to 12/31/2006	01/01 to 12/31/2005	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Income from financial operations</b>	<b>167,373</b>	<b>159,710</b>	<b>137,204</b>	<b>116,004</b>	<b>108,473</b>	<b>107,841</b>	<b>413,050</b>	<b>383,555</b>
Financial income from insurance, pension plan and capitalization operations	167,762	160,227	1,769,070	1,550,278	180,296	183,050	2,117,128	1,893,555
Financial expenses from insurance, pension plan and capitalization operations	(389)	(517)	(1,631,866)	(1,434,274)	(71,823)	(75,209)	(1,704,078)	(1,510,000)
<b>Results of operations from insurance, pension plan and capitalization</b>	<b>569,723</b>	<b>333,315</b>	<b>346,636</b>	<b>294,547</b>	<b>208,468</b>	<b>168,763</b>	<b>1,124,827</b>	<b>796,625</b>
Premiums and contributions	2,154,226	1,915,933	5,120,571	3,963,857	794,170	798,233	8,068,967	6,678,023
Changes in technical provisions	(97,088)	(111,323)	(2,573,719)	(1,957,161)	(555,761)	(595,369)	(3,226,568)	(2,663,853)
Expenses for claims	(1,162,882)	(1,140,757)	(124,725)	(117,484)	-	-	(1,287,607)	(1,258,241)
Selling expenses	(337,620)	(380,847)	(23,405)	(23,337)	(1,046)	-	(362,071)	(404,184)
Expenses for benefits and redemptions	-	-	(2,045,461)	(1,567,759)	(25,150)	(29,732)	(2,070,611)	(1,597,491)
Other income and expenses	13,087	50,309	(6,625)	(3,569)	(3,745)	(4,369)	2,717	42,371
<b>TOTAL</b>	<b>737,096</b>	<b>493,025</b>	<b>483,840</b>	<b>410,551</b>	<b>316,941</b>	<b>276,604</b>	<b>1,537,877</b>	<b>1,180,180</b>

## NOTE 12 - CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES - TAX AND SOCIAL SECURITY

ITAÚSA and its subsidiaries are involved in contingencies in the ordinary course of their businesses, as follows:

a) **Contingent Assets:** in the period from January 1 to December 31, 2006, contingent assets were not recognized and there are no lawsuits with realization classified as probable.

b) **Contingent Liabilities:**

- **Calculation criteria:**

Civil lawsuits: quantified upon judicial notification, and adjusted monthly:

- Collective (lawsuits related to claims considered similar and usual and the amounts of which are not considered significant): according to the statistical references per group of lawsuits, type of legal body (Small Claims Court or regular Court) and claimant; or
- Individual (lawsuits related to claims considered unusual on the amounts of which are considered significant): at the claimed indemnity amount, based on the evidence presented and on the evaluation of legal advisors – which considers case law, legal opinions raised, evidence produced in the records and the judicial decisions already issued – relating to the risk level of loss of lawsuits.

Adjusted up to the amounts deposited as guarantees for their execution or to the definitive execution amount (indisputable amount) when the claim is awarded a final and unappealable judgment.

Labor lawsuits: these are quantified upon judicial notification and adjusted monthly by the moving average of payment of lawsuits ended in the last 12 months plus the average cost of fees paid for lawsuits related to claims considered similar and usual and adjusted to the execution amount (indisputable amount) when it is in the stage of being a final and unappealable decision.

Tax and social security lawsuits: quantified upon judicial notification of administrative proceedings based on their monthly adjusted amounts.

Other risks: quantified mainly based on the assessment of credit risk on joint obligations.

- **Contingencies classified as probable:** are recognized in the accounting books and are represented by Civil Lawsuits demanding compensation for property damage and pain and suffering, such as protest of bills, return of checks, and inclusion of information in the credit protection registry, most of these actions being filed in the Small Claims Court and therefore limited to 40 minimum wages; Labor Claims seeking the recovery of alleged labor rights based on labor legislation specific to the related profession, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other; Tax and Social Security represented by lawsuits and administrative proceedings involving federal and municipal taxes; and Other Risks represented basically by the joint liability for securitized rural operations.

The table below shows the changes in the respective provisions for contingent liabilities and the respective escrow deposits balances:

Change in Provision for Contingent Liabilities	01/01 to 12/31/2006				
	Civil	Labor	Tax and social security	Other	Total
<b>Opening balance</b>	<b>(801,938)</b>	<b>(903,395)</b>	<b>(420,083)</b>	<b>(148,327)</b>	<b>(2,273,743)</b>
Balance from acquisition of BKB at 04/30/2006	(35,605)	(13,490)	(147,024)	(6,531)	(202,650)
Write-off due to the split of Credicard on 04/30/2006	86,279	9,497	93,076	-	188,852
Changes in the Period Reflected in Results (Notes 13e e 13f)	<u>(272,528)</u>	<u>(424,739)</u>	<u>(4,942)</u>	<u>74,621</u>	<u>(627,588)</u>
Restatements/Charges	-	-	(32,609)	-	(32,609)
Increase	(272,528)	(424,739)	27,667	(2,722)	(672,322)
Write-offs through reversal	-	-	-	77,343	77,343
Payments	215,850	314,094	3,805	-	533,749
<b>Subtotal</b>	<b>(807,942)</b>	<b>(1,018,033)</b>	<b>(475,168)</b>	<b>(80,237)</b>	<b>(2,381,380)</b>
Contingencies guaranteed by indemnity clauses (Note 4m l)	(20,289)	(550,896)	(7,048)	-	(578,233)
<b>Closing balance (Note 13d)</b>	<b>(828,231)</b>	<b>(1,568,929)</b>	<b>(482,216)</b>	<b>(80,237)</b>	<b>(2,959,613)</b>
<b>Escrow deposits at 31/12/2006 (Note 13a)</b>	<b>425,450</b>	<b>683,382</b>	<b>299,110</b>	<b>-</b>	<b>1,407,942</b>
<b>Escrow deposits at 31/12/2005 (Note 13a)</b>	<b>228,259</b>	<b>483,192</b>	<b>193,314</b>	<b>-</b>	<b>904,765</b>

- **Contingencies classified as possible:** not recognized in the accounting books and are represented by Civil Lawsuits amounting to R\$ 155,747 and Tax and Social Security Lawsuits amounting to R\$ 2,109,815. The principal characteristics of these lawsuits are described below:
  - CPMF (Tax on Bank Account Outflows) in Customer Operations – R\$ 387,944: refers to tax assessment notices issued for collection of tax credit related to CPMF on operations carried out with customers. The decision from the Taxpayers' Council or the Superior Chamber of Tax Appeals of the Ministry of Finance is pending.
  - IR/CS (Income Tax and Social Contribution) on disposal of investments: R\$ 321,342: refers to tax assessment notice issued due to tax effects on disposal of investments. The lower court's decision is pending.
  - IR (Income Tax)/Allowance for Loan Losses – R\$ 281,062: calculated by adopting the Regulatory Instruction (IN) 76/87 and the CMN Resolution 1,748/90, thus rejecting the IN 80/93, which reduced the percentage from 1.5% to 0.5% for realization of the Allowance for Loan Losses in base year 1993. The bank is questioning the impossibility of applying the rule to events occurred in the fiscal year when it was enacted (principle of anteriority). A suspension was awarded for the bank's appeal, however, the judgment by the Federal Regional Court of the 3rd Region is pending.

- Social Security Contribution on Profit Sharing and Results Exceeding the Collective Bargaining Agreement – R\$ 174,754: refers to the Debt Entry Tax Notice issued based on the levy of social security contribution on the payment of profit sharing and results. A decision from the appellate court is pending.
- ISS (Service Tax) – Leasing – R\$ 126,668: the bank is questioning the constitutionality of the requirement, since: a) capital lease is a type of lease of chattels; b) the referred operations are financial leases, in which there is no service provision and therefore they cannot be taxed by ISS, under penalty of violation of articles 156 III of the Federal Constitution of 1988 and 110 of the National Tax Code. Should the tax levy be confirmed, it shall be due at the company's principal place of business, under article 12, "a" of Decree-Law 406/68.
- ISS – Banking Institutions – R\$ 123,338: refers to tax assessments notices issued by municipalities for collection of ISS on amounts recorded in several accounts, on the grounds of being service revenue. An administrative final decision or tax foreclosure is pending.
- Apportionment of Net Assets by Book Value – R\$ 114,039: refers to the tax assessment notice issued due to the deduction of capital loss computed in the winding-up and liquidation of investments. A notice on the decision from the appellate court is pending.
- Social Security Contribution on Sole Bonus – R\$ 77,393: refers to Debt Entry Tax Notices issued based on the levy of social security contribution on sole bonus paid to the employees. The lower court's decision is pending.

The amount of R\$ 972,810 related to Securities, the amount of R\$ 537,409 (R\$ 198,058 at 12/31/2005) (Note 13a), as well as Permanent Assets represented basically by Property For Own Use in the amount of R\$ 984,757 (R\$ 521,157 at 12/31/2005), according to article 32 of Law 10,522/02, are pledged in guarantee of voluntary resources related to contingent liabilities lawsuits.

The Receivables balance arising from reimbursements of contingencies total R\$ 651,039 (R\$ 117,174 at 12/31/2005), basically represented by the guarantee in the Banerj privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition of Civil, Commercial, Labor and Tax Contingencies.

**c) Legal Liabilities – Tax and Social Security:** recognized at the full amount being questioned totaling R\$ 4,054,382, of which R\$ 1,071,250 refers to lawsuits in which the possibility of loss is considered probable, R\$ 341,499 in which the possibility of loss is considered possible and R\$ 2,641,633 in which the possibility of loss is considered remote. Changes in these provisions and respective deposits are shown in Note 14c II.

At March 31, 2006, income related to adjustment of deposits in guarantee and expenses on adjustment of corresponding liabilities started to be stated on the accrual basis of accounting, thus giving rise to an increase in result, net of taxes, of R\$ 47,811.

According to the opinion of the legal advisors, ITAÚSA and its subsidiary companies are not involved in any administrative proceedings or lawsuits that may significantly affect the results of their operations. The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recognized upon the adoption of statistical models for claims involving small amounts and separate analysis by internal and external legal advisors of other cases, showed that the amounts provided for are sufficient, according to the CVM Resolution 489 of October 3, 2005.

The adjustment to this Resolution's new requirements did not produce effects on the results and stockholders' equity.

## NOTE 13 – BREAKDOWN OF ACCOUNTS

## a) Other Sundry Receivables

	12/31/2006	12/31/2005
Escrow deposits for provisions for contingent liabilities (Note 12b)	1,945,351	1,102,823
Contingencies classified as probable	1,407,942	904,765
Contingencies classified as possible	537,409	198,058
Escrow deposits for legal liabilities – Tax and Social Security	2,407,101	1,623,711
Taxes and contributions for offset	1,679,274	1,324,327
Social contribution for offset – Provisional Measure 2,158 of August 24, 2001 (Note 14b I)	1,020,648	1,125,971
Income receivable	773,304	595,818
Trade notes receivable	762,034	588,185
Insurance premium receivable	758,217	714,179
Negotiation and intermediation of securities	740,648	969,828
Receivables from reimbursement of contingent liabilities (Nota 12b)	651,039	117,174
Escrow deposits for foreign fund raising program	489,563	220,853
Receivables from the sale of the Credicard brand	277,940	-
Tax incentive options	84,835	70,959
Sundry debtors	466,225	424,332
Domestic	335,035	352,155
Abroad	131,190	72,177
Sundry	57,464	197,667
<b>Total</b>	<b>12,113,643</b>	<b>9,075,827</b>

In ITAÚSA, basically consist of Dividends and Interest on capital - R\$ 731,677 (R\$ 620,050 at 12/31/2005) and Taxes and Contributions for Offset - R\$ 134,241 (R\$ 169,944 at 12/31/2005).

## b) Other Assets

	12/31/2006	12/31/2005
Assets not for own use	391,380	379,066
(-) Valuation allowance	(68,537)	(95,779)
Other	579	-
<b>Total</b>	<b>323,422</b>	<b>283,287</b>

## c) Prepaid expenses

	12/31/2006	12/31/2005
Technical cooperation agreement (*)	968,906	1,031,021
Commissions	204,732	184,725
Advertising	117,275	161,395
Other	91,231	74,614
<b>TOTAL</b>	<b>1,382,144</b>	<b>1,451,755</b>

(\*) Basically refers to the amounts spent to acquire rights to credit payrolls and perform tax collections for Municipal and State Governments. As of December 31, 2006, the balance basically comprises the amount of R\$ 374,000 (R\$ 477,410 at December 31, 2005) related to the agreement entered into at 09/16/2005 with the Municipal Government of São Paulo and R\$ 279,746 (R\$ 332,279 at 12/31/2005) related to the agreements entered into with the State Governments of Rio de Janeiro, Minas Gerais and Goiás.



**d) Other Sundry Liabilities**

	12/31/2006	12/31/2005
Provision for contingent liabilities (Note 12b)	2,959,613	2,273,743
Collection and payment of taxes	221,019	206,185
Negotiation and intermediation of securities	1,097,787	892,574
Provision for personnel	568,347	454,217
Suppliers	184,947	111,381
Sundry creditors	<u>1,641,266</u>	<u>1,077,573</u>
Domestic	1,557,925	1,020,437
Foreign	83,341	57,136
Liabilities related to insurance companies	203,841	212,019
Liabilities for official agreements and rendering of payment services	75,603	62,576
Provisions and sundry creditors	<u>683,827</u>	<u>676,023</u>
<b>Total</b>	<b><u>7,636,250</u></b>	<b><u>5,966,291</u></b>

At ITAÚSA, basically consists of Negotiation and Intermediation of Securities - R\$ 13,123 and Provision for Contingent Liabilities - R\$ 987 (R\$ 846 at 12/31/2005).

**e) Other Operating Revenues**

	01/01 to 12/31/2006	01/01 to 12/31/2005
Reversal of operating provisions	<u>260,972</u>	<u>122,125</u>
Legal liabilities – tax and social security (Note 14c II)	138,600	1,569
Provision for contingencies – other (Note 12b)	77,343	-
Other	45,029	120,556
Recovery of charges and expenses	78,194	91,703
Equity in subsidiaries, not derived from net income	63,722	7,426
Rents	7,017	8,086
Foreign exchange variation	-	31,235
Monetary variation	8,494	-
Other	<u>163,451</u>	<u>265,572</u>
<b>Total</b>	<b><u>581,850</u></b>	<b><u>526,147</u></b>

**f) Other Operating Expenses**

	01/01 to 12/31/2006	01/01 to 12/31/2005
Tax expenses (Note 14a II)	(2,401,459)	(2,062,324)
Amortization of goodwill (*)	(1,387,287)	(246,997)
Provisions for contingencies (Note 12b)	<u>(280,192)</u>	<u>(432,718)</u>
Civil lawsuits	(272,528)	(358,280)
Tax and social security	(4,942)	(74,438)
Other	(2,722)	-
Operating expenses from industrial companies	(282,596)	(306,145)
Selling - Credit cards	(337,932)	(246,842)
Claims	(175,732)	(187,487)
Other	<u>(521,278)</u>	<u>(380,403)</u>
<b>Total</b>	<b><u>(5,386,476)</u></b>	<b><u>(3,862,916)</u></b>

(\*) At December 31, 2006, it basically refers to: goodwill on Bankboston acquisition, net of non-operating gain of ITAUSA arising from the change in its interest in Banco Itaú Holding Financeira's capital increase amounting to R\$ 1,191,838 and BPI shares in the amount of R\$ 115,009, and at December 31, 2005, it refers to the partnership with Lojas Americanas S.A. amounting to R\$ 200,000, and the goodwill on acquisition of capital stock of Itaú Holding from Caja de Ahorros y Pensiones de Barcelona (LA CAIXA) amounting to R\$ 46,994.

At ITAÚSA, basically composed of Tax Expenses in the amount of R\$ 90,041 (R\$ 106,853 at December 31, 2005).

**g) Non-operating Income**

	<b>01/01 to 12/31/2006</b>	<b>01/01 to 12/31/2005</b>
Income from sale of investments (1)	401,327	(30,021)
(Provision)/reversal of non-operating provisions	40,974	1,311
Non-operating equity in earnings (2)	38,617	(534,286)
Capital gains/(losses) and Other	39,862	41,072
<b>Total</b>	<b>520,780</b>	<b>(521,924)</b>

(1) At December 31, 2006, basically refers to the effects of the sale of the Credicard by the parent company Itaú Holding brand and the Block Trade by operation of the subsidiary company Duratex S.A..

(2) At December 31, 2005, basically refers to the effect of the purchase of Itaú Holding's shares owned by Caja de Ahorros Y Pensiones de Barcelona ( La Caixa).

At ITAÚSA, basically composed of Non-Operating Equity Result - R\$ 1,931,356 (R\$ 11,651 at 12/31/2005) of which R\$ 1,920,096 is related to the BKB operation.

## NOTE 14 - TAXES

## a) Composition of expenses for taxes and contributions

I) We show below the Income Tax and Social Contribution due on operations for the period and on temporary differences arising from additions and exclusions:

Due on Operations for the Period	01/01 to 12/31/2006	1/1 to 12/31/2005
<b>Income before income tax and social contribution</b>	<b>8,974,597</b>	<b>8,203,035</b>
<b>Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (Note 4n), respectively</b>	<b>(3,051,363)</b>	<b>(2,789,032)</b>
<b>Increase/Decrease to Income Tax and Social Contribution charges arising from:</b>		
<b>Permanent (Additions) Exclusions</b>	<b>1,427,253</b>	<b>227,921</b>
Investments in affiliates	100,085	18,346
Foreign exchange variation on investments abroad	(172,043)	(317,110)
Interest on capital	822,179	574,302
Dividends, interest on external debt bonds and tax incentives	74,514	63,917
Gains (Losses) on equity interests	660,027	(181,312)
Other	(57,509)	69,778
<b>Temporary (Additions) Exclusions</b>	<b>(1,046,379)</b>	<b>205,558</b>
Allowance for loan losses	(770,217)	(252,001)
Excess (insufficiency) of depreciation of capital lease	923,633	603,669
Adjustment to market value of trading securities and derivative financial instruments, and adjustments from operations in futures markets	71,835	194,602
Interest on capital	(292,580)	(102,967)
Legal liabilities – tax and social security, contingent liabilities and restatement of escrow deposit	58,997	(111,783)
Income on sale of permanent asset items and rights	67,615	(350)
Goodwill on purchase of investments	(1,068,025)	(23,382)
Other non-deductible provisions	(37,637)	(102,230)
<b>(Increase) Offset on tax losses/negative social contribution basis</b>	<b>111,287</b>	<b>208,677</b>
<b>Expenses for Income Tax and Social Contribution</b>	<b>(2,559,202)</b>	<b>(2,146,876)</b>
<b>Related to temporary differences</b>		
Increase (reversal) for the period	946,979	(403,630)
Prior periods increase (reversal)	136,067	31,384
<b>Income (expenses) from deferred taxes</b>	<b>1,083,046</b>	<b>(372,246)</b>
<b>Total income tax and social contribution</b>	<b>(1,476,156)</b>	<b>(2,519,122)</b>

At ITAÚSA, income from income tax and social contribution related to temporary differences is basically represented by the provision for interest on capital.

## II) Composition of tax expenses:

	01/01 to 12/31/2006			01/1 to 12/31/2005		
	On Sales of Products and Services (*)	On Other Revenues (Note 13f)	Total	On Sales of Products and Services (*)	On Other Revenues (Note 13f)	Total
PIS and COFINS	(292,854)	(1,644,726)	(1,937,580)	(311,223)	(1,439,807)	(1,751,030)
ISS	(15,125)	(310,857)	(325,982)	(13,536)	(279,406)	(292,942)
IPI	(158,453)	-	(158,453)	(155,299)	-	(155,299)
ICMS	(332,803)	-	(332,803)	(338,949)	-	(338,949)
CPMF	-	(328,336)	(328,336)	-	(251,099)	(251,099)
Other	(33,015)	(117,540)	(150,555)	(12,279)	(92,012)	(104,291)
<b>Total (Note 4n)</b>	<b>(832,250)</b>	<b>(2,401,459)</b>	<b>(3,233,709)</b>	<b>(831,286)</b>	<b>(2,062,324)</b>	<b>(2,893,610)</b>

(\*) These taxes have been levied on Sales of Products and Services.

At ITAÚSA, tax expenses basically comprise PIS in the amount of R\$ 15,126 (R\$ 18,504 from 01/01 to 12/31/2005) and COFINS in the amount of R\$ 69,921 (R\$ 85,233 from 01/01 to 12/31/2005).

## III – Tax Effects on Foreign Exchange Management of Investments Abroad

In order to minimize the effects on income in connection with the foreign exchange variation on investments abroad, net of respective tax effects, ITAÚSA and Banco Itaú Holding Financeira S.A. carry out derivative transactions in foreign currency (hedge), as mentioned in Note 21b.

Results of these transactions are computed on calculation basis of income tax and social contribution, according to their nature, while the foreign exchange variation on investments abroad is not included in referred basis, pursuant to tax legislation in force.

## b) Deferred tax assets

I) The deferred tax asset balance, segregated based on origin (income tax and social contribution), is shown as follows:

	12/31/2005	BKB Acquisition	Write-off due to split	Realization / Reversal	Increase	12/31/2006
<b>Related to tax losses and negative social contribution basis</b>	<b>572,020</b>	<b>3</b>	<b>-</b>	<b>(170,470)</b>	<b>139,960</b>	<b>541,513</b>
<b>Temporary differences:</b>	<b>3,240,664</b>	<b>399,993</b>	<b>(95,892)</b>	<b>(1,210,128)</b>	<b>3,589,240</b>	<b>5,923,877</b>
Allowance for loan losses	1,388,404	192,263	-	(503,168)	1,275,921	2,353,420
Provision for interest on capital	208,162	-	-	(208,162)	502,830	502,830
Legal Liabilities – tax and social security	365,320	15,037	(52,118)	(23,615)	116,927	421,551
Provision for contingent liabilities	<u>553,872</u>	<u>41,412</u>	<u>(31,741)</u>	<u>(185,158)</u>	<u>280,936</u>	<u>659,321</u>
Civil	277,884	-	(28,755)	(49,702)	58,408	257,835
Labor	233,068	4,587	(2,986)	(107,844)	124,914	251,739
Tax and social security	42,920	36,825	-	(27,612)	97,614	149,747
Allowance for real estate	44,583	209	-	(21,194)	-	23,598
Goodwill on purchase of investments	-	-	-	-	1,315,046	1,315,046
Provision for corporate restructuring	9,180	76,166	-	(49,159)	-	36,187
Other	671,143	74,906	(12,033)	(219,672)	97,580	611,924
<b>Total deferred tax assets</b>	<b>3,812,684</b>	<b>399,996</b>	<b>(95,892)</b>	<b>(1,380,598)</b>	<b>3,729,200</b>	<b>6,465,390</b>
<b>Social Contribution for Offset arising from Option foreseen in article 8 of Provisional Measure 2,158-35 of August 24, 2001.</b>	<b>1,125,971</b>	<b>-</b>	<b>-</b>	<b>(105,323)</b>	<b>-</b>	<b>1,020,648</b>

At ITAÚSA, deferred tax assets amount to R\$ 36,877 (R\$ 87,662 at 12/31/2005) and are basically represented by contribution payable (PIS/COFINS) on interest on capital and tax loss, the expectation of realization of which is up to 1 year.

II - Provision for Deferred Income Tax and Social Contribution balance and its changes are shown as follows:

	12/31/2005	BKB Acquisition	Realization / Reversal	Increase	12/31/2006
<b>Reflected in income and expense accounts</b>	<b>(1,170,613)</b>	<b>(84,184)</b>	<b>46,060</b>	<b>(1,304,622)</b>	<b>(2,513,359)</b>
Depreciation in excess - lease	(971,930)	-	-	(916,748)	(1,888,678)
Taxation on results abroad – capital gains	(51,844)	-	-	(669)	(52,513)
Adjustment from operations in futures market	(87,247)	(84,184)	-	(112,943)	(284,374)
Restatement of escrow deposits related to legal and contingent liabilities	-	-	-	(138,541)	(138,541)
Income on sale of permanent asset items and rights	(2,738)	-	-	(70,514)	(73,252)
Other	(56,854)	-	46,060	(65,207)	(76,001)
<b>Reflected in stockholders' equity accounts - Adjustment to market value of available-for-sale securities (Note 4)</b>	<b>(184,673)</b>	<b>-</b>	<b>118,313</b>	<b>-</b>	<b>(66,360)</b>
<b>Total</b>	<b>(1,355,286)</b>	<b>(84,184)</b>	<b>164,373</b>	<b>(1,304,622)</b>	<b>(2,579,719)</b>

At ITAÚSA, Provision for Deferred Income Tax and Social Contributions amount to R\$ 69,051 and is represented basically by Interest on Capital and Taxes Levied on Restatement of Escrow Deposits.

III) The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure 2158-35 of 08/24/2001, and from Provision for Deferred Income Tax and Social Contribution existing at December 31, 2006, in accordance with the expected future taxable income, based on the history of profitability and technical studies of feasibility are:

Realization Year	Deferred tax assets			Social Contribution for Offset	Provision for Deferred Income Tax and Social Contribution	Net Deferred Taxes
	Temporary Differences	Tax loss and Negative Basis	TOTAL			
2007	2,472,176	409,408	2,881,584	121,100	(502,983)	2,499,701
2008	951,270	127,799	1,079,069	193,820	(586,919)	685,970
2009	845,309	1,435	846,744	227,839	(485,469)	589,114
2010	823,958	1,333	825,291	259,327	(443,124)	641,494
2011	399,464	1,538	401,002	218,562	(387,888)	231,676
After 2012	431,700	-	431,700	-	(173,336)	258,364
<b>TOTAL</b>	<b>5,923,877</b>	<b>541,513</b>	<b>6,465,390</b>	<b>1,020,648</b>	<b>(2,579,719)</b>	<b>4,906,319</b>
Present value (*)	5,263,147	509,212	5,772,359	879,584	(2,220,667)	4,431,276

(\*) The average funding rate was used to determine the present value.

The projections of future taxable income include estimates related to macroeconomic variables, foreign exchange rates, interest rates, volume of financial operations and sale of products and services, and others, which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to taxable income for income tax and social contribution due to differences existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the estimate of realization of deferred tax assets arising from temporary differences, tax losses and negative basis not be used as an indication of future net income.

IV - Unrecorded deferred tax assets amount to R\$ 490,269 (R\$ 502,156 at 12/31/2005).

At ITAÚSA, unrecorded deferred tax assets amount to R\$ 549 (R\$ 1,257 at 12/31/2005).

## c) Taxes and social security contributions

I - The balance of Taxes and Social Security Contributions is composed as follows:

	12/31/2006	12/31/2005
Taxes and contributions on income payable	854,930	744,122
Taxes and contributions payable	594,861	551,778
Provision for deferred income tax and social contribution	2,579,719	1,355,286
Legal liabilities – tax and social security	4,054,382	2,789,356
<b>Total</b>	<b>8,083,892</b>	<b>5,440,542</b>

II- Legal Liabilities – Tax and Social Security and related Escrow Deposits

Change in Legal Liabilities	01/01 to 12/31/2006	01/1 to 12/31/2005
<b>Opening balance (*)</b>	<b>(2,789,356)</b>	<b>(2,328,665)</b>
Balance from acquisition of BKB at 04/30/2006	(195,406)	-
Write-off due to the split of Credicard at 04/30/2006	119,107	-
Change in the period reflected in results	<u>(1,208,852)</u>	<u>(478,727)</u>
Charges on taxes	(561,197)	(275,775)
Net increase	(786,255)	(204,521)
Write-offs through reversal	138,600	1,569
Payments	20,125	18,036
<b>Closing balance</b>	<b>(4,054,382)</b>	<b>(2,789,356)</b>

(\*) The amounts related to Tax and Social Security Contingencies were reclassified to comply with the requirements of CVM Resolution 489 of 10/03/2005 (Note 20).

Change in Escrow Deposits	01/01 to 12/31/2006	01/1 to 12/31/2005
<b>Opening balance</b>	<b>1,623,711</b>	<b>1,098,961</b>
Balance from acquisition of BKB at 04/30/2006	81,804	-
Appropriation of income	500,931	28,788
Change in the period	<u>200,655</u>	<u>495,962</u>
Deposited	220,455	627,920
Withdrawals	(17,807)	(127,742)
Conversion into income	(1,993)	(4,216)
<b>Closing balance (Note 13a)</b>	<b>2,407,101</b>	<b>1,623,711</b>

**d) Taxes paid or provided for and withheld from clients**

We show below the amount of taxes paid or provided for, basically levied on income, revenue and payroll, and the amount withheld and collected from clients levied directly on financial operations:

	<b>01/01 to 12/31/2006</b>	<b>01/01 to 12/31/2005</b>
Taxes paid or provided for	6,921,199	6,175,601
Taxes withheld and collected from clients	9,130,934	6,338,559
<b>Total</b>	<b>16,052,133</b>	<b>12,514,160</b>



## NOTE 15 – PERMANENT ASSETS

## a) Investments

## I – Interest in subsidiaries - ITAÚSA

Companies	Balances at 12/31/2005 (a)	Subscription/Acquisition/Sales	Receipt/Provision of dividends and interest on capital (b)	Equity in earnings of subsidiaries	Adjustment to marketable securities of subsidiaries	Amortization of goodwill	Balances at 12/31/2006 (a)	Equity in earnings of subsidiaries from 01/01 to 12/31/2005 (c)
Banco Itaú Holding Financeira S.A.	8,030,305		(1,008,448)	5,150,859 (c)	(70,873)	(4,700)	12,097,143	2,017,364 (c)
Itaucorp S.A.	522,428	6,415	(966)	117,097 (c)			644,974	71,066
Itaúsa Export S.A.	493,870		(665)	79,120	342	(599)	572,068	(94,299)
Duratex S.A.	337,308	41,000	(22,747)	64,868 (c)		(688)	419,741	35,761 (c)
Itautec S.A.	216,617	206	(12,748)	37,484 (c)		(1)	241,558	77,758
Elektart Participações e Administração S.A.	124,009		(99)	10,420			134,330	911
Itaúsa Europa - Investimentos, SGPS, LDA.	87,914			19,693 (d)	60		107,667	(12,209) (d)
Ith Zux Cayman Company Ltd.	37,578			(1,993) (d)			35,585	(4,856) (d)
Elekeiroz S.A.	8,800		(210)	805			9,395	1,726
Other subsidiaries	15,969	(11,477)		759 (c)			5,251	(32,693)
<b>TOTAL</b>	<b>9,874,798</b>	<b>36,144</b>	<b>(1,045,883)</b>	<b>5,479,112</b>	<b>(70,471)</b>	<b>(5,988)</b>	<b>14,267,712</b>	<b>2,060,529</b>

(a) Includes total goodwill/negative goodwill, being: R\$ 56,605 at 12/31/2006, R\$ 51,305 at 12/31/2005.

(b) Income receivables includes dividends and interest on capital receivable amounting to R\$ 731,677 (R\$ 620,050 at 12/31/2005).

(c) Includes non-operating revenue arising from change in interest, being: R\$ 1,931,356 at 12/31/2006 and expenses of R\$ 532,948 at 12/31/2005.

(d) Includes total foreign exchange expenses, being: R\$ 2,260 at 12/31/2006 and R\$ 34,781 at 12/31/2005.

Companies	Capital	Stockholders' equity	Net income for the period	Number of shares owned by ITAÚSA		Equity share in voting capital (%)	Equity share in capital (%)
				Common	Preferred		
Banco Itaú Holding Financeira S.A.	14,254,213	26,935,579	6,819,129	534,425,660	28,030	85.99	44.64
Itaucorp S.A.	283,036	659,348	117,023	12,241,340	3,935,980	99.94	99.95
Itaúsa Export S.A.	508,552	884,272	101,734	14,702,122,576	148,328,939	80.00	77.77
Duratex S.A.	916,084	1,395,789	225,988	32,005,853	6,098,671	60.11	29.74
Itautec S.A.	196,410	349,552	50,063	10,366,478	-	88.98	88.98
Elektart Participações e Administração S.A.	220,453	400,056	31,220	252,930,540	-	33.38	33.38
Itaúsa Europa - Investimentos, SGPS, LDA.	690,304	1,061,887	138,854	29,708,318	-	12.14	12.14
Ith Zux Cayman Company Ltd.	74,830	46,650	2,219	35,000,000	-	100.00	100.00
Elekeiroz S.A.	200,000	333,373	18,828	11,183,657	12,628,787	3.85	3.78

**II - Composition of investments**

	12/31/2006	12/31/2005
<b>Investments in affiliates</b>	<b>1,779,561</b>	<b>589,620</b>
Banco BPI S.A.	693,729	483,933
Banco Itaubank - Chile	786,626	-
Banco Itaubank - Uruguay	176,841	-
AGF Brasil Seguros S.A.	114,915	101,172
Other	7,450	4,515
<b>Other investments</b>	<b>243,558</b>	<b>174,798</b>
Investments through tax incentives	108,033	109,444
Equity securities	86,983	48,542
Shares and quotas	25,299	24,923
Other	116,828	100,840
Provision for losses	(93,585)	(108,951)
<b>TOTAL</b>	<b>2,023,119</b>	<b>764,418</b>

**III – Composition of equity in earnings of affiliates**

	01/01 to 12/31/2006	01/01 to 12/31/2005
Equity in earnings of affiliates	285,421	208,827
Foreign exchange variation on investments	8,946	(154,869)
<b>TOTAL</b>	<b>294,367</b>	<b>53,958</b>

## b) Fixed Assets, Intangible and Deferred Charges

	12/31/2006			12/31/2005		
	Cost	Accumulated depreciation/ amortization/ depletion	Residual value	Cost	Accumulated depreciation/ amortization/ depletion	Residual value
<b>Fixed assets</b>	<b>8,495,546</b>	<b>(4,950,269)</b>	<b>3,545,277</b>	<b>8,010,451</b>	<b>(4,693,133)</b>	<b>3,317,318</b>
<b>Own fixed assets</b>	<b>8,271,990</b>	<b>(4,898,003)</b>	<b>3,373,987</b>	<b>7,791,962</b>	<b>(4,643,997)</b>	<b>3,147,965</b>
<b>Real estate</b>	<b>3,169,313</b>	<b>(1,287,305)</b>	<b>1,882,008</b>	<b>2,844,516</b>	<b>(1,187,868)</b>	<b>1,656,648</b>
Land	940,714	-	940,714	870,568	-	870,568
Buildings	2,228,599	(1,287,305)	941,294	1,973,948	(1,187,868)	786,080
<b>Other</b>	<b>5,102,677</b>	<b>(3,610,698)</b>	<b>1,491,979</b>	<b>4,947,446</b>	<b>(3,456,129)</b>	<b>1,491,317</b>
Installations	299,387	(210,645)	88,742	266,004	(198,201)	67,803
Furniture and equipment	1,863,816	(1,024,679)	839,137	1,771,543	(972,362)	799,181
EDP systems	2,580,748	(2,177,933)	402,815	2,579,594	(2,135,902)	443,692
Other (Communication, security and transportation)	358,726	(197,441)	161,285	330,305	(149,664)	180,641
<b>Leased fixed assets</b>	<b>112,254</b>	<b>(52,266)</b>	<b>59,988</b>	<b>120,478</b>	<b>(49,136)</b>	<b>71,342</b>
<b>Real estate</b>	<b>93,023</b>	<b>(48,224)</b>	<b>44,799</b>	<b>101,926</b>	<b>(48,651)</b>	<b>53,275</b>
Buildings	93,023	(48,224)	44,799	101,926	(48,651)	53,275
<b>Furniture and equipment</b>	<b>19,231</b>	<b>(4,042)</b>	<b>15,189</b>	<b>18,552</b>	<b>(485)</b>	<b>18,067</b>
<b>Forest reserves</b>	<b>111,302</b>	<b>-</b>	<b>111,302</b>	<b>98,011</b>	<b>-</b>	<b>98,011</b>
<b>Intangible</b>	<b>16,871</b>	<b>(11,083)</b>	<b>5,788</b>	<b>14,393</b>	<b>(8,188)</b>	<b>6,205</b>
<b>Deferred charges</b>	<b>1,272,083</b>	<b>(723,631)</b>	<b>548,452</b>	<b>853,724</b>	<b>(512,853)</b>	<b>340,871</b>
Leasehold improvements	412,744	(125,914)	286,830	583,560	(401,505)	182,055
Expenses on acquisition of software	470,627	(254,214)	216,413	216,865	(110,289)	106,576
Other deferred expenses	388,712	(343,503)	45,209	53,299	(1,059)	52,240

In ITAÚSA, Fixed Assets are basically composed of Buildings - R\$ 5,802 (R\$ 6,364 at 12/31/2005).

**NOTE 16 - STOCKHOLDERS' EQUITY - ITAÚSA****a) Capital**

The capital of ITAÚSA amounts to R\$ 5,200,000 and comprises 3,189,902,995 book-entry shares with no par value, of which 1,210,037,200 are common shares and 1,979,865,795 are preferred shares with no voting rights, but with the following advantages:

- Priority in the receipt of the annual minimum dividend of R\$ 10.00 per thousand shares, non-cumulative;
- Tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the control block, as well as a dividend at least equal to that of the common shares.

The table below shows the change in shares of capital stock and treasury shares during the period:

	NUMBER		
	Common	Preferred	Total
<b>Shares of capital stock at 12/31/2005</b>	<b>1,215,752,051</b>	<b>2,033,807,435</b>	<b>3,249,559,486</b>
<b>Treasury shares at 12/31/2005</b>	<b>10,983,372</b>	<b>62,562,008</b>	<b>73,545,380</b>
Cancellation of shares – ASM/ESM of 04/28/2006	(10,983,372)	(62,562,008)	(73,545,380)
Purchase of shares in 2006 (*)	-	11,974,000	11,974,000
<b>Capital increase with subscription of shares</b>	<b>5,268,521</b>	<b>8,620,368</b>	<b>13,888,889</b>
<b>Outstanding shares at 12/31/2006</b>	<b>1,210,037,200</b>	<b>1,967,891,795</b>	<b>3,177,928,995</b>
<b>Outstanding shares at 12/31/2005</b>	<b>1,204,768,679</b>	<b>1,971,245,427</b>	<b>3,176,014,106</b>

(\*) Own shares purchased under the authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market. We detail below the costs of shares repurchased in the period as well as the average cost of treasury shares and their market price at 12/31/2006:

Cost/market value (R\$ 1 per thousand shares)	Preferred	
	12/31/2006	12/31/2005
<b>Purchases in the period</b>		
Minimum	10.07	4.90
Weighted average	10.45	5.61
Maximum	11.13	6.73
<b>Total treasury shares</b>		
Average cost	10.43	5.67
Market value	10.92	7.40

**b) Dividends**

Stockholders are entitled to an annual mandatory dividend of not less than 25% of net income, which is adjusted according to the rules set forth in Brazilian Corporate Law. Both types of shares participate equally, after common shares have received dividends equal to the minimum priority dividend per share to be paid to preferred shares.

The quarterly advance of the mandatory minimum dividend, paid as Interest on Capital, upon resolution of the Board of Directors in a meeting held on March 6, 2006, was increased from R\$ 9.50 to R\$ 12.00 per thousand shares, as from those paid on July 3, 2006, inclusive.

**I- Calculation**

Net income	5,668,675	
Adjustments		
(-) Legal reserve	(283,434)	
Dividend calculation basis	5,385,241	
Dividends/interest on capital payable	1,346,310	25,00%
(-) Unrealized revenue reserve (*)	239,650	
(=) Mandatory minimum dividend	1,106,660	

(\*) Calculated according to article 202 of Law 6,404/76, amended by Law 10,303/01.

**II- Provision of Interest on Capital**

	Gross	WHT	Net
<b>Paid / Prepaid</b>			
1 quarterly installment of R\$ 12.00 per thousand shares paid on July 3, 2006	38,279	5,742	32,537
Supplementary of R\$ 48.00 per thousand shares paid on August 21, 2006	153,115	22,967	130,148
1 quarterly installment of R\$ 12.00 per thousand shares paid on October 2, 2006	38,279	5,742	32,537
<b>Provided for</b>			
1 quarterly installment of R\$ 12.00 per thousand shares paid on January 2, 2007	38,186	5,728	32,458
1 quarterly installment of R\$ 12.00 per thousand shares to be paid on April 2, 2007	38,131	5,719	32,412
Supplementary of R\$ 127.50 per thousand shares, credited on December 29, 2006 to be paid on March 8, 2007	405,726	60,859	344,867
Supplementary of R\$ 73.00 per thousand shares to be paid on March 8, 2007	231,989	34,799	197,190
Supplementary of R\$ 112.73 per thousand shares to be paid on June 8, 2007	358,248	53,737	304,511
<b>Total at 12/31/2006 - R\$ 409.23 per thousand shares</b>	<b>1,301,953</b>	<b>195,293</b>	<b>1,106,660</b>
<b>Total at 12/31/2005 - R\$ 280.00 per thousand shares</b>	<b>891,786</b>	<b>133,768</b>	<b>758,018</b>

**c) Revenue reserves**

	12/31/2006	12/31/2005
<b>Revenue reserves</b>	<b>9,263,734</b>	<b>5,441,626</b>
Legal	872,249	588,815
Unrealized profits	239,650	-
Statutory	8,151,835	4,852,811
Dividends Equalization (1)	3,813,790	1,904,174
Working capital increase (2)	1,783,173	1,374,688
Increase in capital of investees (3)	2,554,872	1,573,949

(1) Reserve for Dividends Equalization - its purpose is to guarantee funds for the payment or advances of dividends, including interest on capital, to maintain the flow of the stockholders' compensation.

(2) Reserve for Working Capital - its purpose is to guarantee funds for the company's operations.

(3) Reserve for Increase in Capital of Investees - its purpose is to guarantee the preferred subscription right in the capital increases of investees.

**d) Reconciliation of Net Income and Stockholders' Equity between Itaúsa and Itaúsa Consolidated**

The difference between the Net Income and Stockholders' Equity of ITAÚSA and ITAÚSA CONSOLIDATED arises from the adoption of different criteria for the amortization of goodwill on purchase of investments, the recording of deferred tax assets and the write-off of unrealized income on intercompany operations, on which the related taxes were deferred.

	Net income		Stockholders' equity	
	01/01 to 12/31/2006	01/01 to 12/31/2005	12/31/2006	12/31/2005
<b>ITAÚSA</b>	<b>5,668,675</b>	<b>2,361,706</b>	<b>14,505,622</b>	<b>10,234,136</b>
Goodwill amortization	(1,405,819)	6,412	(2,244,860)	(839,036)
Deferred tax assets	222,655	(70,945)	581,523	358,864
Unrealized income (loss)	120	-	-	(120)
<b>ITAÚSA CONSOLIDATED</b>	<b>4,485,631</b>	<b>2,297,173</b>	<b>12,842,285</b>	<b>9,753,844</b>

**NOTE 17 – RELATED PARTIES**

Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

The transactions involving ITAÚSA and its subsidiary companies were eliminated and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- The owners of ITAÚSA;
- Fundação Itaúbanko, Fundação Itaúsa Industrial, FUNBEP – Multisponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG), and Itaúbank Association of Private Social Security, closed-end private pension funds that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 19a; and
- Fundação Itaú Social, Instituto Itaú Cultural – IIC and Fundação Itaúbank, entities sponsored by Banco Itaú Holding Financeira S.A. and subsidiaries to act in their respective areas of interest. During the period, the consolidated companies made donations to Fundação Itaú Social of R\$ 1,912 (R\$ 2,255 from 01/01 to 12/31/2005), to IIC of R\$ 21,560 (R\$ 24,600 from 01/01 to 12/31/2005), and to Fundação Itaúbank of R\$ 1,952 from 05/01 to 12/31/06.

The transactions with these related parties are not significant in the overall context of ITAÚSA CONSOLIDATED operations, and besides those already mentioned above, are basically characterized by:

- Bank transactions under normal conditions, in unrestricted compliance with the limits imposed by the Brazilian Central Bank (BACEN), such as current accounts, investments in and redemption of securities and the provision of custody/management services; and
- Rental of real estate from Fundação Itaúbanko, FUNBEP and PREBEG.

In addition to these transactions, there are guarantees provided by Itaúsa, represented by endorsements, sureties and others, as follows:

	12/31/2006	12/31/2005
Duratex S.A.	104,891	146,908
Elekeiroz S.A.	88,350	62,223
Itautec S.A.	42,411	52,832
<b>Total</b>	<b>235,652</b>	<b>261,963</b>



**NOTE 18 – FINANCIAL INSTRUMENTS - MARKET VALUE**

The financial statements are prepared in accordance with accounting principles which assume the normal continuity of the operations of ITAUSA and its subsidiaries.

The book value of each financial instrument, whether included or not in the balance sheet, when compared to the value that might be obtained in an active market, or in the absence of such market, using the net present value of future cash flows adjusted based on the current market interest, are approximately equal to the market value, or do not have a market quotation available, except for the instruments in the table below:

	Book value		Market		Unrealized income (loss) (1)		Stockholders' equity	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005	Result		12/31/2006	12/31/2005
					12/31/2006	12/31/2005	12/31/2006	12/31/2005
Interbank investments	31,472,706	22,915,760	31,489,449	22,942,664	16,743	26,904	16,743	26,904
Securities and derivative financial instruments	47,210,312	33,865,595	47,397,660	34,403,858	390,026	990,079	187,348	538,263
Additional provision (exceeding minimum required)					-	370,000	-	370,000
Adjustment of available-for-sale securities					175,160	434,561	-	-
Adjustment of held-to-maturity securities					214,866	185,518	187,348	168,263
Loan and lease operations	76,717,663	56,528,393	76,820,757	56,681,637	103,094	153,244	103,094	153,244
Investment in Banco BPI S.A.	693,729	483,933	2,216,793	1,307,463	1,523,064	823,530	1,523,064	823,530
Funds raised by subsidiaries	118,506,243	86,593,242	118,485,593	86,592,655	20,650	587	20,650	587
Securitization of foreign payment orders	1,531,716	1,285,335	1,574,803	1,288,389	(43,087)	(3,054)	(43,087)	(3,054)
Subordinated debts	4,566,390	4,584,421	4,610,518	4,641,785	(44,128)	(57,364)	(44,128)	(57,364)
Treasury shares	1,248,352	1,735,604	1,937,761	2,140,715	683,598	293,419	689,409	405,111
<b>Total unrealized</b>					<b>2,649,960</b>	<b>2,227,345</b>	<b>2,453,093</b>	<b>1,887,221</b>

(1) Does not include the related tax effects - Includes Unrealized Income of minority stockholders in the amount of R\$ 1,120,972 (R\$ 974,742 at 12/31/2005) in result and R\$ 1,387,191 (R\$ 892,330 at 12/31/2005) in stockholders' equity.

To obtain the market values for these financial instruments, the following criteria were adopted:

- Interbank deposits, bank deposits certificates and mortgage notes, the last two included in Securities, were determined based on their nominal values, monetarily restated to maturity dates and discounted to present value using future market interest rates and swap market rates for fixed-rate securities and using market interest rates for fixed-rate securities published in the Gazeta Mercantil newspaper on January 2, 2007 for floating-rate securities.
- Government securities, included in Securities, were determined based on rates obtained in the market and validated through the comparison with information provided by the National Association of Open Market Institutions (ANDIMA). For the companies of the Financial and Insurance Areas, they are recorded based on their market value, according to rules established by BACEN Circular Letters 3,068 and 3,082 of November 8, 2001 and January 30, 2002 and SUSEP Circular Letter 295, of June 14, 2005, except when classified as held to maturity.
- Shares of listed companies, when included in Securities, are valued according to the average quotation available on the last trading session of the month or, if this is not available, according to the most recent quotation on prior trading sessions, published in the daily bulletin of each Stock Exchange.
- Loans with maturity over 90 days, when available, were calculated based on their net present value of future cash flows discounted at market interest rates effective on the balance sheet date, taking into account the effects of hedges as well (swap contracts).
- Investments in foreign affiliated companies (Banco BPI S.A.) are determined based on stock market quotations, book value per share and auction quotations.
- Time and Interbank deposits and funds from acceptance and issuance of securities, when available, were calculated based on their present value determined by future cash flows discounted at future market interest rates, swap market rates for fixed-rate securities, and for floating-rate securities, market interest rates for fixed-rate securities published in the Gazeta Mercantil on January 2, 2007. The effects of hedges (swap contracts) are also taken into account.
- Securitization of foreign payment orders, based on the net present value of the future cash flows estimated as from the interest curves of the indexation market places, net of the interest rates practiced in the market on the balance sheet date, considering the credit risk of the issuer, calculated based on the market price of other securities issued by the same.
- Subordinated debts, based on the net present value of future fixed or floating cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The floating cash flows are estimated as from the interest curves of the indexation market places.
- Derivatives related to swaps contracted to hedge the remaining assets/liabilities, based on notional values of each of the contract parameters (part and counterpart), restated up to the maturity dates and discounted at present value using the futures market interest rates, in compliance with the characteristics of each contract.
- Treasury shares are valued according to the average quotation available on the last trading session of the month or, if this is not available, according to the most recent quotation on prior trading sessions, published in the daily bulletin of each Stock Exchange.

**NOTE 19 – BENEFITS TO EMPLOYEES**

Under the terms of CVM Resolution 371, dated December 13, 2000, we present the policies adopted by ITAÚSA and its subsidiaries regarding benefits to employees, as well as the accounting procedures adopted:

**a) Supplementary retirement benefits:**

ITAÚSA and its subsidiary companies sponsor the following supplementary retirement plans:

Entity	Benefit plan
Fundação Itaúbank	Supplementary Retirement Plan – PAC (1)
	Franprev Benefit Plan – PBF (1)
	002 Benefit Plan – PB002 (1)
	Supplementary Retirement Plan – Flexible Premium Annuity (ACMV)(1)
	Itaulam Basic Plan – PBI (1)
Fundação Itaúsa Industrial	Itaulam Supplementary Plan – PSI (2)
	Defined Benefit Plan – PAI-CD (3)
	Benefit Plan BD – Itaútec (1)
	Benefit Plan BD-DX (1)
Funbep Fundo de Pensão Multipatrocinado	Benefit Plan BD – Itaúsa (1)
	Funbep I Benefit Plan (1)
Caixa de Previdência dos Funcionários do Banco Beg - Prebeg	Funbep II Benefit Plan (2)
Citiprevi - Entidade Fechada de Previdência Complementar (Orbitall/Credicard Itaú)	Prebeg Benefit Plan (1)
Itaubank Sociedade de Previdência Privada	Credicard Retirement Plan (1)
	Credicard Supplementary Retirement Plan (2)
	Itaubank Retirement Plan (3)

(1) *Defined benefit plan*

(2) *Variable contribution plan*

(3) *Defined contribution plan*

The basic purpose of the defined benefit and variable contribution plans is to grant a benefit that, as a life annuity benefit (in case of FUNBEP, PREBEG, PB002 and Credicard, also as survivorship annuities), will supplement the pension paid by social security. In case of the defined contribution plan, the benefit is calculated based on the contributions made and its payment is made for an established period, which does not require actuarial calculation.

All of these plans, except for the PAI-CD plan, are closed to new participants. As regards the new employees hired after the closing, they have the option to participate in a defined contribution plan managed by Itaú Vida e Previdência S.A. (PGBL), in case of the Financial Services and Insurance Area's companies, or by Fundação Itaúsa Industrial (PAI-CD), in case of the Industrial Area's companies.

Fundação Itaúsa Industrial offered to the participants of BD-Duratex plan the option of migrating to the defined-contribution plan (PAI-CD) during the period from July 1 to August 31, 2005; 97% of the participants accepted to migrate.

During the period, the contributions paid totaled R\$ 36,919 (R\$ 29,764 from January 1 to December 31, 2005). The contribution rate increases based on the participant's salary.

**b) Post-employment benefits:**

ITAÚSA and or its subsidiaries do not sponsor other post-employment benefits, except in those cases arising from maintenance of obligations according to the acquisition agreements signed by Banco Itaú Holding Financeira S.A., under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries. During the period, the contributions made totaled R\$ 8,652 (R\$ 8,952 from January 1 to December 31, 2005). The contribution rate increases based on the beneficiary's age.

**c) Net amount of assets and actuarial liabilities of benefit plans:**

The net assets and actuarial liabilities, which consider the actuarial obligations, calculated in conformity with the criteria established by CVM Resolution 371/2000 are summarized below.

	12/31/2006	12/31/2005
Net assets of the plans	10,768,519	9,327,392
Actuarial liabilities	(8,672,398)	(8,128,429)
Surplus (*)	2,096,121	1,198,963

(\*) According to paragraph 49.g of the attachment to CVM Resolution 371 of December 13, 2000, the net surplus was not recognized.

In addition to the reserves recorded by the plans, the sponsors record provisions in the amount of R\$ 29,278 (R\$ 26,850 at December 31, 2005) to cover insufficient actuarial reserves.

**d) Changes in net assets and actuarial liabilities, and surplus**

	01/01 to 12/31/2006			1/1 to 12/31/2005		
	Assets	Actuarial liabilities	Surplus	Assets	Actuarial liabilities	Surplus
Present value - beginning of the period	9,327,392	(8,128,429)	1,198,963	8,685,202	(7,235,424)	1,449,778
Adjustments in the period (1)	-	-	-	(309,730)	194,011	(115,719)
Expected return on assets/ Cost of current service + interest	1,141,336	(1,022,386)	118,950	1,040,964	(893,415)	147,549
Benefits paid	(396,282)	396,282	-	(379,960)	379,960	-
Contributions of sponsors/participants	56,085	-	56,085	63,328	-	63,328
Gains/(losses) in the period (2)/(3)	639,988	82,135	722,123	227,588	(573,561)	(345,973)
Present value - end of the period	10,768,519	(8,672,398)	2,096,121	9,327,392	(8,128,429)	1,198,963

(1) Correspond to effects of change of 97% of participants from BD-Duratex Plan to the PAI-CD Plan.

(2) The gains in assets correspond to the actual earnings obtained above the expected return rate on assets.

(3) Gains on actuarial liabilities refer to the revision of future contributions.

**e) Main assumptions used in actuarial valuation**

	Financial Services Area (1)	Industrial Area (2)
Discount rate	10.24% p.a.	10.77% p.a. (3)
Expected return rate on assets	12.32% p.a.	12.20% p.a. (4)
Mortality table	GAM-83	AT-83 (5)
Turnover	Itaú Experience 1999/2001	Towers Experience
Future salary growth	7.12% p.a.	8.68% p.a. (6)
Growth of the pension fund and social security benefits	4.00% p.a.	4.50% p.a.
Inflation	4.00% p.a.	4.50% p.a.
Actuarial method	Projected Unit Credit (7)	Projected Unit Credit (7)

(1) Corresponds to the assumptions adopted by the plans managed by Fundação Itaúbanko, Funbep, and Prebeg.

(2) Corresponds to the assumptions adopted by the plans managed by Fundação Itaúsa Industrial (defined benefit plans sponsored by Duratex S.A. and its subsidiaries - BD-Duratex, and by Itaútec and its subsidiaries - BD-Itaútec).

(3) The BD-Itaútec plan uses a discount rate of 8.68% p.a. (9.20% at 12/31/2005).

(4) At December 31, 2005, the BD-Duratex adopted rate was 15.25% p.a.. The BD-Itaútec plan uses an expected return rate on assets of 11.20% p.a. (14.50% p.a. at 12/31/2005).

(5) As of December 31, 2006, the adopted mortality table changed to GAM 83, resulting in a difference of 1/3 in the life expectancy as compared to the AT-83 table.

(6) The BD-Itaútec plan uses a future salary growth rate of 10.77% p.a..

(7) Using the Projected Unit Credit method, the mathematical reserve is determined by the current projected benefit amounts multiplied by the ratio between the length of service in the company at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

**NOTE 20 – RECLASSIFICATION FOR COMPARISON PURPOSES**

We reclassified some balances as of December 31, 2005, for comparison purposes, in view of the regrouping of the headings, in the Balance Sheet, of Derivative Financial Instruments and Other Sundry Receivables - related to adjustment to market value of futures contracts; Foreign Exchange Portfolio – related to the reclassification in Other Liabilities of Advances on Exchange Contracts; and the reclassification of Tax Contingencies from Liabilities – Tax and Social Security to Other Sundry Liabilities, in such a way as to comply with CVM Deliberation 489 of October 3, 2005; the more adequate classification of Extraordinary Result in the Statement of Income; and reclassification and adjustment according to the requirements provided for by CVM Resolution 488 of October 3, 2005.

	Prior Balances	Reclassifications	Current Balances
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b>	<b>150,716,791</b>	<b>1,193,469</b>	<b>151,910,260</b>
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>33,895,563</b>	<b>(29,968)</b>	<b>33,865,595</b>
Derivative financial instruments	3,245,976	(29,968)	3,216,008
<b>OTHER RECEIVABLES</b>	<b>19,283,347</b>	<b>1,223,437</b>	<b>20,506,784</b>
Foreign exchange portfolio	6,513,942	1,193,469	7,707,411
Sundry	9,045,859	29,968	9,075,827
<b>PERMANENT ASSETS</b>	<b>4,428,812</b>	<b>-</b>	<b>4,428,812</b>
<b>FIXED ASSETS</b>	<b>3,321,602</b>	<b>(4,284)</b>	<b>3,317,318</b>
Fixed Assets	7,802,476	(10,514)	7,791,962
(Accumulated Depreciation)	(4,699,363)	6,230	(4,693,133)
<b>INTANGIBLE</b>	<b>-</b>	<b>6,205</b>	<b>6,205</b>
<b>DEFERRED CHARGES</b>	<b>342,792</b>	<b>(1,921)</b>	<b>340,871</b>
Organization and expansion expenses	857,603	(3,879)	853,724
(Accumulated amortization)	(514,811)	1,958	(512,853)
<b>TOTAL ASSETS</b>	<b>155,145,603</b>	<b>1,193,469</b>	<b>156,339,072</b>
<b>CURRENT AND LONG-TERM LIABILITIES</b>	<b>136,264,813</b>	<b>1,193,469</b>	<b>137,458,282</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>2,455,932</b>	<b>(47,879)</b>	<b>2,408,053</b>
<b>TAXES AND SOCIAL SECURITY CONTRIBUTIONS</b>	<b>5,720,758</b>	<b>(280,216)</b>	<b>5,440,542</b>
<b>OTHER LIABILITIES</b>	<b>18,862,002</b>	<b>1,521,564</b>	<b>20,383,566</b>
Foreign exchange portfolio	6,634,460	1,193,469	7,827,929
Sundry	5,638,196	328,095	5,966,291
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>155,145,603</b>	<b>1,193,469</b>	<b>156,339,072</b>
<b>STATEMENT OF INCOME FOR THE PERIOD</b>			
<b>OPERATING INCOME</b>	<b>39,400,371</b>	<b>67,427</b>	<b>39,467,798</b>
Equity in earnings of affiliates	(13,469)	67,427	53,958
<b>OPERATING EXPENSES</b>	<b>(30,415,601)</b>	<b>(327,238)</b>	<b>(30,742,839)</b>
Cost of products and services	(2,428,939)	(5,243)	(2,434,182)
Other operating expenses	(3,540,921)	(321,995)	(3,862,916)
<b>OPERATING INCOME</b>	<b>8,984,770</b>	<b>(259,811)</b>	<b>8,724,959</b>
<b>NON-OPERATING RESULT</b>	<b>36,507</b>	<b>(558,431)</b>	<b>(521,924)</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	<b>(2,566,852)</b>	<b>47,730</b>	<b>(2,519,122)</b>
Related to temporary additions	(419,976)	47,730	(372,246)
<b>EXTRAORDINARY RESULT</b>	<b>(770,512)</b>	<b>770,512</b>	<b>-</b>
<b>NET INCOME OF ITAÚSA CONGLOMERATE</b>	<b>5,169,916</b>	<b>-</b>	<b>5,169,916</b>

**NOTE 21 – ADDITIONAL INFORMATION****a) Insured assets**

ITAÚSA and its subsidiaries, despite the low risk exposure due to a non-physical concentration of their assets, have the policy to guarantee its assets at amounts considered sufficient to cover possible claims.

**b) Balances of foreign currency**

The balances in Reais linked to foreign currency were:

	12/31/2006	12/31/2005
Permanent foreign investments	8,961,493	6,761,094
Net amount of other assets and liabilities indexed to foreign currency, including derivatives	(12,742,596)	(10,526,633)
<b>Net foreign exchange position</b>	<b>(3,781,103)</b>	<b>(3,765,539)</b>

The net foreign exchange position, considering the tax effects on the net balance of the other assets and liabilities indexed to foreign currency, reflects the low exposure to exchange variations.

**c) Exclusion of the net effects from the acquisition of BKB**

	ITAÚSA	ITAUSA CONSOLIDATED
Amortization of goodwill	-	(3,111,934)
BKB operations in Brazil	-	(2,597,837)
BKB operations in Chile and Uruguay	-	(514,097)
(-) Tax effects of amortization of goodwill	-	929,533
Net income of BKB operations in Brazil from May 1, 2006 to December 31, 2006	65,671	144,569
Net income of BKB operations in Chile and Uruguay from May 1, 2006 to December 31, 2006	29,895	66,967
Adjustments to ITAÚ HOLDING's criteria	(91,072)	(200,607)
Minority interest	-	1,188,272
Non-operating gain through change in investment of ITAÚSA in ITAÚ HOLDING	1,920,096	1,920,096
<b>Net Effects in the result</b>	<b>1,924,590</b>	<b>936,896</b>

## d) Statement of cash flows

## I - ITAÚSA CONSOLIDATED

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Adjusted net income</b>	<b>18,847,154</b>	<b>12,281,589</b>
Net income	4,485,631	2,297,173
Adjustment to net income:	14,361,523	9,984,416
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(441,939)	(173,508)
Allowance for loan losses	6,447,640	3,718,117
Results from operations with subordinated debts	272,627	208,174
Results from securitization of foreign payment orders	(47,445)	(159,871)
Change in technical provision for insurance, pension plan and capitalization	3,226,568	2,663,853
Depreciation and amortization	760,603	708,559
Amortization of goodwill	3,111,934	-
Adjustment to legal liabilities – tax and social security	533,359	(39,780)
Adjustment to provision for contingent liabilities	(311,337)	(77,783)
Provision for corporate restructuring	-	75,000
Deferred taxes	(1,083,046)	372,246
Equity in earnings of affiliates	(294,367)	(53,958)
Income from held-to-maturity securities	(71,314)	(106,536)
Minority interest result	2,310,351	2,872,743
Other	(52,111)	(22,840)
<b>Changes in assets and liabilities</b>	<b>(48,444,369)</b>	<b>(25,446,243)</b>
(Increase) Decrease in interbank investments	(8,556,946)	(3,128,063)
(Increase) Decrease in securities and derivative financial instruments (assets/liabilities)	(13,497,867)	(4,304,620)
(Increase) Decrease in interbank accounts of subsidiaries	(738,511)	(2,864,004)
(Increase) Decrease in loan, lease and other credit operations	(26,687,368)	(15,890,655)
(Increase) Decrease in inventories	(24,458)	49,257
(Increase) Decrease in other receivables and assets	(3,481,057)	(860,215)
(Increase) Decrease in foreign exchange operations	131,071	(125,534)
(Increase) Decrease in prepaid expenses	69,611	(530,914)
(Decrease) Increase in technical provisions for insurance, pension plan and capitalization	1,170,349	952,608
(Decrease) Increase in social contribution and tax and other liabilities	3,162,320	1,230,824
(Decrease) Increase in deferred income	8,487	25,073
<b>OPERATING ACTIVITIES – Net cash provided by/ (invested)</b>	<b>(29,597,215)</b>	<b>(13,164,654)</b>
Interest on capital/Dividends received	45,892	45,154
Funds from interest received and redemption of held-to-maturity securities	409,254	1,701,259
Sale of investments	6,787	24,979
Sale of fixed assets	85,185	65,492
Purchase of held-to-maturity securities	(10,073)	(9,965)
Purchase of investments	(976,768)	(33,102)
Goodwill on purchase of investments	(3,111,934)	-
Purchase of fixed assets and forest reserves	(934,557)	(611,746)
Deferred charges	(351,448)	(144,837)
Changes in minority interest	4,341,799	(1,114,217)
<b>INVESTMENT ACTIVITIES – Net cash provided by/ (invested)</b>	<b>(495,863)</b>	<b>(76,983)</b>
Increase (Decrease) in funds obtained by subsidiaries – foreign currency	1,022,448	(835,371)
Increase (Decrease) in funds obtained by subsidiaries – local currency	13,574,124	9,500,647
Increase (Decrease) in funds obtained by subsidiaries – open market	17,316,429	5,929,860
Increase (Decrease) in borrowings – foreign currency	22,649	(60,486)
Increase (Decrease) in borrowings – local currency	17,017	(6,555)
Increase (Decrease) in credit card operations	1,573,699	1,628,682
Increase (Decrease) in securitization of foreign payment orders	293,826	(457,821)
Increase (Decrease) in subordinated debts	(290,658)	(389,093)
Interest on capital paid to minority stockholders	(935,311)	(822,100)
Subscription of shares	100,000	100,000
Premium on subscription of shares	182	328
Purchase of own shares	(124,945)	(434,191)
Interest on capital paid	(937,923)	(753,766)
<b>FINANCING ACTIVITIES – Net cash provided by/ (invested)</b>	<b>31,631,537</b>	<b>13,400,134</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>1,538,459</b>	<b>158,497</b>
At the beginning of the period	2,193,878	2,035,381
At the end of the period	3,732,337	2,193,878

## II - ITAÚSA

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Adjusted net income</b>	<b>196,639</b>	<b>305,515</b>
Net income	5,668,675	2,361,706
Adjustment to net income:	(5,472,036)	(2,056,191)
Amortization of goodwill	6,199	3,341
Equity in earnings of subsidiary and affiliated companies	(5,479,112)	(2,060,529)
(Reversal) Provision for losses	(2)	111
Depreciation and amortization	879	886
<b>Changes in assets and liabilities</b>	<b>(137,020)</b>	<b>226,735</b>
(Increase) Decrease in securities and derivative financial instruments	(98,360)	106,573
(Increase) Decrease in sundry receivables and other assets	25,200	(25,127)
(Decrease) Increase in provisions and accounts payable and other liabilities	(63,860)	145,289
<b>OPERATING ACTIVITIES – Net cash provided by/ (invested)</b>	<b>59,619</b>	<b>532,250</b>
Sale of investments	46,214	43,174
Sale of fixed assets	-	5
Sale of investments	(82,576)	(221,146)
Purchase of fixed assets for use	(8)	(24)
Interest on capital/Dividends received	939,336	732,770
<b>INVESTMENT ACTIVITIES – Net cash provided by/ (invested)</b>	<b>902,966</b>	<b>554,779</b>
Premium on subscription of shares	182	328
Capital increase	100,000	100,000
Purchase of treasury shares	(124,945)	(434,191)
Interest on capital paid	(937,923)	(753,766)
Reserves from tax incentives	-	535
<b>FINANCING ACTIVITIES – Net cash provided by/ (invested)</b>	<b>(962,686)</b>	<b>(1,087,094)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>(101)</b>	<b>(65)</b>
At the beginning of the period	128	193
At the end of the period	27	128



## e) Statement of added value

	01/01 to 12/31/2006	Share %	01/01 to 12/31/2005	Share %
Sale of products and services net of cost of materials, third-party services and others (a)	10,649,107	-	9,374,811	-
Income from financial operations (b)	12,739,004	-	11,760,167	-
Result from operations with insurance, pension plan and capitalization (c)	1,124,827	-	796,625	-
Other operating income/expenses (d)	(7,202,343)	-	(6,448,976)	-
<b>Added value (e = a + b + c + d)</b>	<b>17,310,595</b>	<b>-</b>	<b>15,482,627</b>	<b>-</b>
Compensation of employees (f) (*)	5,683,436	32.8	4,672,784	30.2
Payment of taxes and contributions (g)	4,705,907	27.2	5,470,202	35.3
Payment of debts (h)	125,270	0.7	169,725	1.1
Amount distributed to stockholders (i)	2,570,751	14.9	1,913,510	12.4
Parent company	1,301,953	7.5	891,786	5.8
Minority interests	1,268,798	7.3	1,021,724	6.6
Reinvestment of profits (j)	4,225,231	24.4	3,256,406	21.0
Parent company	3,183,678	18.4	1,405,387	9.1
Minority interests	1,041,553	6.0	1,851,019	12.0
<b>Distribution of added value (k = f + g + h + i + j)</b>	<b>17,310,595</b>	<b>100.0</b>	<b>15,482,627</b>	<b>100.0</b>

(\*) Does not include social security contributions.

## Report of Independent Auditors

To the Board of Directors and Stockholders

Itaúsa - Investimentos Itaú S.A.

- 1 We have audited the financial statements of Itaúsa - Investimentos Itaú S.A. and of Itaúsa - Investimentos Itaú S.A. and subsidiaries as of December 31, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company and subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting practices used and significant estimates made by Company management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and Itaúsa - Investimentos Itaú S.A. and subsidiaries at December 31, 2006 and 2005, the result of operations, the changes in stockholders' equity and the changes in the financial position of the Company, for the years then ended, as well as the consolidated results of operations and the changes in the consolidated financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

São Paulo, February 26, 2007

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Ricardo Baldin  
Contador CRC 1SP110374/O-0

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of  
Itaúsa – Investimentos Itaú S.A.  
São Paulo – SP

1. We have audited the accompanying balance sheets of Itaúsa – Investimentos Itaú S.A. (Company and consolidated) as of December 31, 2006, and the related statements of income, changes in shareholders' equity, and changes in financial position for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of subsidiaries Banco Itaú Holding Financeira S.A., Itaúsa Export S.A., Itaúsa Europa - Investimentos, SGPS, Ltda., Duratex S.A., Itautec S.A., and Elekeiroz S.A., for the year ended December 31, 2006, whose amounts were used for evaluation purposes under the equity and consolidation method (note 15a), were issued by other independent auditors, who issued an unqualified report, and our opinion on the amounts of these subsidiaries is solely based on the report of those independent auditors.
2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Itaúsa – Investimentos Itaú S.A. (Company and consolidated) as of December 31, 2006, and the results of its operations, the changes in shareholders' equity, and the changes in its financial position for the year then ended in conformity with Brazilian accounting practices.
4. Our audits were conducted for the purpose of expressing an opinion on the financial statements referred to in paragraph 1, taken as a whole. The statements of cash flows and added value, which are being presented for purposes of providing additional information, are not a required part of the financial statements. Such statements have been subjected to the auditing procedures described in paragraph 2 and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.
5. The financial statements for the year ended December 31, 2005, were audited by other independent auditors, whose report thereon, dated March 3, 2006, was unqualified.

São Paulo, February 26, 2007

Orlando Octávio de Freitas Júnior  
Engagement Partner  
BDO Trevisan Auditores Independentes

## **ITAÚSA - INVESTIMENTOS ITAÚ S.A.**

CNPJ - 61.532.644/0001-15

Publicly-held company

NIRE. 35300022220

### **OPINION OF THE FISCAL COUNCIL**

The effective members of the Fiscal Council of ITAÚSA - INVESTIMENTOS ITAÚ S.A., having perused the management report and financial statements for the year ended December 31, 2006, have verified the accuracy of all items examined, understanding them to adequately reflect the company's capital structure, financial position and the activities conducted during the period, recommending that they be approved by the company's Board of Directors.

São Paulo, February 26, 2007.

**JOSÉ MARCOS KONDER COMPARATO**  
President

**PAULO RICARDO MORAES AMARAL**  
Member

**ARTEMIO BERTHOLINI**  
Member