



ITAÚSA

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Financial Statements

December 31, 2000

Itaúsa - Investimentos Itaú S.A.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

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Itaúsa - Investimentos Itaú S.A.

FINANCIAL STATEMENTS

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Relatório da Administração

To Our Stockholders:

We hereby submit for your appreciation the management's report and financial statements for fiscal year 2000 of Itaúsa - Investimentos Itaú S.A. and its subsidiaries, including the favorable opinion of the Fiscal Council, as required by the Brazilian Securities and Exchange Commission - CVM (*Comissão de Valores Mobiliários*). The accounts were prepared in accordance with the Brazilian Corporate Legislation.

ITAÚSA RESULTS FOR 2000

Itaúsa reported consolidated net income of R\$ 882.5 million for the fiscal year, with a return of 21.5% on consolidated stockholders' equity of R\$ 4,114.3 million. The recurring net income of R\$ 1,002.5 million posted a growth of 23.2% in relation to 1999.

The consolidated net income per thousand shares of Itaúsa's capital stock was R\$ 296.83 while the book value was R\$ 1,383.89.

At the end of 2000, the preferred shares of Itaúsa were trading at R\$ 1.93 per share, an appreciation of 3.2% during the year, particularly notable given that the Bovespa Index (Ibovespa) reported a depreciation of 10.7% over the same period.

Principal indicators of the Holding Company and the Itaúsa Conglomerate

				R\$ th
	Year	Controlling Co.	Minorities	Conglomerate
Total Net Income	2000	882,455	1,001,492	1,883,947
	1999	951,105	1,003,526	1,954,631
- Recurring Net Income	2000	1,002,517	1,033,696	2,036,213
	1999	813,718	874,941	1,688,659

- Extraordinary Net Income	2000	(120,062)	(32,204)	(152,266)
	1999	137,387	128,585	265,972
Stockholders' Equity	2000	4,114,261	4,130,460	8,244,721
	1999	3,476,296	3,585,291	7,061,587
Return (NI/SE) (%)	2000	21.45	24.25	22.85
	1999	27.36	27.99	27.68
Dividends / Interest on Capital	2000	333,164	342,173	675,337
	1999	250,663	328,089	578,752

Principal Indicators of the Companies Controlled by Itaúsa							R\$ thousand
	Financial Area			Industrial Area			
	Year	Banco Itaú S.A. (Consolidated)	Insurance Private Pension Plan and Capitalization (1)	Duratex	Itautec Philco	Elekeiroz	Consolidated / Group (2)
Total Assets	2000	69,554,780	6,024,180	1,448,240	728,753	208,956	72,284,373
	1999	51,910,982	5,020,639	1,110,649	594,725	188,891	53,989,134
Operating Revenues (3)	2000	15,292,037	3,028,072	744,596	1,168,999	115,283	17,385,901
	1999	15,647,953	2,649,207	654,119	884,995	93,766	17,374,001
Net Income	2000	1,840,568	464,975	66,654	60,149	12,018	1,883,947
	1999	1,869,363	491,384	10,121	20,302	16,553	1,954,631
Stockholders' Equity	2000	6,642,077	2,857,537	849,755	278,045	146,057	8,244,721
	1999	5,906,672	2,438,934	614,445	235,169	138,039	7,061,587
Return (ROE) %	2000	27.7%	16.3%	7.8%	21.6%	8.2%	22.9%
	1999	31.6%	20.1%	1.6%	8.6%	12.0%	27.7%
Permanent Assets	2000	3,196,852	2,188,724	724,044	180,168	110,951	4,227,719
	1999	2,939,285	1,998,284	659,853	149,293	87,035	3,804,667
Investments in Period	2000	2,362,056	80,680	138,901	59,395	31,435	2,571,495
	1999	801,590	324,652	65,362	54,375	8,562	908,115

Internal Cash Generation (4)	2000	4,412,985	297,760	141,507	94,045	18,786	4,548,042
	1999	3,269,170	488,068	82,870	98,767	23,169	3,359,355
Dividends Paid	2000	628,764	115,349	21,498	17,273	3,359	675,337
	1999	602,470	266,555	15,142	6,032	4,315	578,752
Salaries	2000	2,239,249	94,036	163,013	152,224	14,555	2,588,611
	1999	2,108,122	94,825	143,878	131,490	13,781	2,417,581
Non-compulsory Employee Benefits	2000	183,479	11,996	10,442	4,051	1,320	200,491
	1999	177,585	8,856	12,560	1,687	1,095	193,969
No of Employees	2000	47,524	2,047	5,792	4,930	399	58,850
	1999	39,011	1,699	5,820	4,194	400	49,599
Taxes P Paid and Provisioneds	2000	1,007,719	99,334	164,006	130,219	16,679	1,341,252
	1999	884,257	106,489	117,970	103,580	12,054	1,140,174

- (1) The data relating to Banco Itaú's insurance companies, private pension plan and capitalization companies is also shown separately in order to distinguish each entity.
- (2) The data for the consolidated figures/conglomerate shows values net of eliminations on consolidation and unrealized intercompany operations.
- (3) According to world tendencies, Operating Revenues as per area of activity were obtained as follows:
- Banco Itaú S.A.: the sum of Income from Financial Operations, Banking Services Fees, Premiums from Insurance, Capitalization and Private Pension Plans and other Operating Income.
 - Insurance, Private Pension Plan and Capitalization: consider Income from Insurance Premiums, Capitalization, Private Pension Plans, Financial Income and Capital Gains.
 - Duratex, Itaotec Philco and Elekeiroz: consider Net Revenues from Sales of Products and/or Services
- (4) Includes resources from the operations:
- plus expenses for provisions for non-performing credits;
 - not considering variations in the mathematical provisions for capitalization and pension plans, but considering the variations in insurance claims to be settled, credits and debits relating to insurance operations and deferred expenses on the sale of insurance, pension plans and capitalization.

FINANCIAL AREA AND INSURANCE

Banco Itaú

Banco Itaú reported excellent results in fiscal year 2000 maintaining its profitability (NI/SE) at high levels and in line with the average return of 27% recorded over the past

three years. Itaú's market capitalization remained the highest among all Latin American banks posting a value of R\$ 21,297 million (US\$ 10,891 million).

Principal performance indicators - Banco Itaú Consolidated figures			R\$ Million
	2000	1999	Change (%)
Net Income	1,841	1,869	(1.5)
Stockholders' Equity	6,642	5,907	12.5
NI/SE (%)	27.71	31.65	
Total Funds	98,903	74,882	32.1
Funding from Third Parties	52,887	39,517	33.8
Funds under Management	42,025	31,994	31.4
Working Capital	3,991	3,371	18.4
Total Assets	69,555	51,911	34.0
Loan Operations, Leasing, Other Credits, Advances and Guarantees	27,253	20,005	36.2
Provision for Loan Losses Complementary to Minimum Required	603	686 (*)	(12.1)
Risk Based Capital Ratio (Basle Index) (%)	14.4	21.0	
(*) Already taking into account the criteria of Resolution 2682/99			

The consolidated portfolio of loans, leasing, advances, guarantees and operations with the characteristics of credit operations totaled R\$ 27,253 million, a growth of 36.2% compared to December 1999. Itaú's outstanding free loan portfolio, excluding compulsory items, totaled R\$ 10,079 million, posting an expansion of 38.0% for the year. The non-compulsory loan portfolios for private and corporate clients rose 65.9% and 23.0%, respectively. On-lending operations, which typically finance fixed investments, grew 72.6%, to reach R\$ 3,220 million.

At the end of the year Itaú reached a total of R\$ 98,903 million in consolidated own free funds plus third party and managed funds, a value 32.1% above that for December 1999. Of this total, R\$ 42,025 million corresponded to investment funds and other administered resources, an increase of 31.4%. Deposits (demand, savings and term) rose 20.5%, to reach a total of R\$ 27,645 million.

Itaú, together with its subsidiary banks in Brazil, administers 10.8 million current accounts, 8.6 million savings accounts and 3.3 million credit cards. Banking service facilities are provided by 2,029 full branches, 851 banking service points and 11.375 ATMs.

Acquisition of the Banco do Estado do Paraná - Banestado

On October 17, 2000, Banco Itaú acquired by privatization auction, 88.04% of the shares in the total capital of Banco do Estado do Paraná S.A. - Banestado, for a total of R\$ 1,625 million. The acquisition also included companies in the insurance, asset management, credit cards and capitalization, areas either directly or indirectly controlled by Banestado.

Banestado has 346 branches in the State of Paraná, 171 banking service points, 668,000 current accounts and 1,230,000 savings accounts. With this acquisition, the Itaú Group takes the leading market share in Paraná, thus consolidating its lead position in three of the five largest states in Brazil.

Banestado will only begin to make a positive contribution to Itaú's earnings from 2002, following the necessary investments to restructure the Bank. Itaú plans to invest R\$ 70 million up to December 2001 in the modernization of branches and in the operating infrastructure.

Strategic alliance with America Online Latin America (AOLA)

On June 12, 2000, Banco Itaú concluded a strategic alliance with America Online Latin America, Inc. (AOLA) and its subsidiary América Online Brasil Ltda. (AOL Brasil), whereby it took a 12% stake in AOLA's capital stock. Itaú obtained this stake without making any cash disbursement since it simultaneously committed itself to offering the AOL Internet service to its clients. This includes access to on-line banking services, an exclusive customized financial channel and a complete package of AOL Brasil's exclusive services, as well as free subscriber access to the exclusive consumer service center.

By entrusting AOL with the function of providing the best access technology and content to its clients, Itaú will continue to specialize in the supply of financial services. At the same time, the Bank increases its competitiveness by benefiting from the best available partnerships in the market thus contributing to the success of its policy of creating shareholder value.

Partnership with "la Caixa"

Itaú and "la Caixa" - Caja de Ahorros y Pensiones of Barcelona have established a partnership, which had its origins when both acquired equal stakes of 15% in BPI - Banco Português de Investimentos, SGPS, S.A.

This partnership has now been expanded through the acquisition of a 3% stake by "la Caixa" in the capital of Banco Itaú. "La Caixa" now has the right to indicate a members to Banco Itaú's Administrative Council and the International Consultative Committee

together with a Managing Director to the Board of the Bank.

"La Caixa" is an institution founded more than 150 years ago. It currently ranks in first place among the European savings banks on the basis of net income. It is Spain's third largest financial conglomerate with assets of US\$ 80.3 billion, and stockholders equity of US\$ 5.6 billion and employs 21,976. It holds a 10% share of the Spanish market and 36% in the Catalan Region, its home market. Besides holding a stake in BPI, "la Caixa" has significant participations of 4% in Deutsche Bank, 3.8% in Telefónica, 9.9% in Repsol-YPF, 26.4% in Gas Natural, 5% in Endesa and 15% in Banco Sabadell.

This partnership is now expected to grow through the mutual cooperation in areas of the investment bank particularly those involving capital flows between Brazil and the Iberian Peninsula.

Launching of Itau's Code of Ethics

In launching its pioneering Code of Ethics, Itaú reaffirms to its clients, stockholders and employees its commitment to the practice of the best business ethics. The Code of Ethics, which is being widely divulged to both the Bank's internal and external public, reinforces one of the pillars of Itaú's corporate culture by establishing guidelines for professional and personal conduct to be followed by all employees.

Recognition

During 2000, Itaú continued to receive several manifestations of public recognition. Itaú was ranked the Best National Bank in Latin America (*o Melhor Banco Nacional na América Latina*) by Euromoney magazine and the Best Brazilian Bank (*Melhor Banco Brasileiro*) by The Banker magazine. Itaú was also the first Brazilian company to receive Moody's "Aaa.br" classification, the highest on its domestic national rating scale.

Insurance, Private Pension Plans and Capitalization

Itaú Seguros (Itauseg) and its subsidiaries posted net income of R\$ 157 million in the fiscal year, a growth of 6.0% compared to 1999 and a return of 23.7% on equity. Premium income registered a total of R\$ 1,307 million and technical reserves were R\$ 838 million. Several refinements in the acceptance of risk and the settlement of vehicle insurance claims contributed to an improvement in the claims ratio from 64.7% in 1999 to 61.1% in 2000. As a result, the combined ratio fell to 98.7% against 103.1% in 1999. Itauseg is well placed to expand its insurance operations thanks to favorable earnings and the close monitoring of risks.

The area of private pensions was notable for the growth in the Itaú Previdência e

Seguros (Itauprev) plans for the personal segment, principally the PGBL (*Plano Gerador de Benefício Livre*) plans. During 2000, Previdência's income grew 47.2%, representing revenues totaling R\$ 433 million. Itauprev has accumulated technical reserves and funds in PGBL plans of R\$ 896 million, 57.3% higher than 1999, a value which ranked the company in fourth position in the market.

Itaú Capitalização (Itaucap) ended the fiscal year operating 19 active capitalization plans with accumulated technical reserves of R\$ 865 million.

ITAÚSA PORTUGAL

Itaúsa Portugal, SGPS, S.A., the holding company for the group's activities in the European Union reported consolidated assets at the end of 2000 of EUR 1.7 billion (US\$ 1.6 billion), a growth of 29.3% over the year. Recurring net income posted EUR 27.9 million (US\$ 26 million), 25% higher than 1999, corresponding to an average 11.8% return on consolidated equity of EUR 252.8 million (US\$ 235.2 million).

The subsidiary company Banco Itaú Europa (BIE), a bank incorporated according to Portuguese legislation and regulated by the Central Bank of Portugal, maintained its investment grade classification and ended the fiscal year with total assets of EUR 1,527 million (US\$ 1,420.9 million), 26.8% higher than 1999. Net income was EUR 15 million (US\$ 14 million), or 47.8% more than a year earlier. With shareholders' equity of EUR 195 million (US\$ 181.5 million), the Bank posted a capital ratio of 27%.

Banco Itaú Europa Luxembourg (BIEL), regulated by the Central Bank of Luxembourg, operates exclusively in the sphere of private banking. At the end of the fiscal year, BIEL managed assets, which surpassed US\$ 800 million, registering a net income of EUR 4 million (US\$ 3.7 million) and a return of 13.7% on shareholders' equity.

The Itaú Group increased its stake in its associated company BPI, SGPS, S.A., from 12.5% to 15%. BPI, SGPS, S.A. is the holding company of one of the most important Portuguese banking groups and reported end of year figures of EUR 21.9 billion (US\$ 20.4 billion) in assets and net income of EUR 152.4 million (US\$ 141.8 million), a growth of 32.4% and 22%, respectively. Itaú Group's participation in BPI, SGPS is focused on IPI - Itaúsa Portugal Investimentos, Lda., in which Itaúsa Portugal holds 51% of the quotas in the capital stock and Banco Itaú the remaining 49%.

INDUSTRIAL AREA

Duratex

Duratex reported revenues of R\$ 944.7 million in the fiscal year, surpassing the 1999

result by 15.7%. Operating income before the financial result was R\$ 142,0 million, equivalent to earnings before interest, tax, depreciation and amortization (EBITDA) of R\$ 199.4 million. Net income was R\$ 66.7 million, a significant jump of 560.4% over the R\$ 10.1 million posted the previous year.

Capital expenditure during the year was R\$ 138.9 million, of which the most important items were:

- The Wood Division: R\$ 68.5 million was invested in a new wood conglomerate production line in Itapetininga-State of São Paulo; R\$ 12.4 million in forestry activities, including the purchase of equipment for mechanization of timber extraction, acquisition of farms and reforestation and forestry maintenance; and R\$ 9.7 million in the implementation of a new impregnator for finishing papers at the Agudos plant in the State of São Paulo.
- The Deca Division: R\$ 20.0 million for expanding the installed capacity of metal sanitary-ware output and for the acquisition of foundry equipment and automation via robotization; R\$ 7.7 million in new products and processes and R\$ 2.3 million for increasing the production capacity of vitreous china products through the installation of one more furnace.

In the specific area of development and technology, Duratex invested R\$ 13.7 million, of which R\$ 9.0 million went to the Deca Division and R\$ 4.6 million to the Wood Division.

Notable in the Deca Division was the investment of R\$ 1.7 million in the development of the new HydraFlux flushing valve. This valve, which supplements the existing line of water-saving products, is the most efficient in the market, using only six liters of water. The product received the XXVI “The State Governor Prize – Brazilian Invention category” award.

As part of its strategy of technological integration into the new economy, Deca has established an Internet site (www.decanet.com.br) directed towards business development and loyalty programs aimed at wholesale customers, the result being that there has been a significant reduction in costs for both company and customer. The site enables enrolled clients to buy products, consult invoices, trade notes, prices and delivery terms.

In September/October, Duratex increased its capital of R\$ 190.8 million, through the issue of 3.6 billion in shares to supplement the funds necessary for the implementation of the Investment Plan. The issue was concluded successfully in November with a resulting improvement in the liquidity of the company’s paper through the increase in the shareholding base and free float.

Duratex is taking the preparatory steps for a listing on the New York Stock Exchange via

an ADR Level 2 program. The company believes that this will make its business activities more transparent as well as projecting a more significant presence in the capital markets.

Below are outlined the principal steps the company is taking in the development and technological upgrading of the company. Duratex has programmed investments of approximately US\$ 8 million to be disbursed over the next two years:

- Conclusion of innovative technological development for the production of MDF and HDF panels with significant gains in productivity. The equipment for manufacturing these panels is being especially developed by the German company, Siempelkamp GmbH & Co. Duratex will enjoy exclusive rights to the equipment over eight years. A contract covering the purchase of a production line using this technology has already been signed. The new line will have a capacity of up to 400,000 m³/year – one of the largest production lines for paneling in the world and involving investments of US\$ 70 million with start-up scheduled for the fourth quarter of 2002.
- New processes of surface finishing for the wood conglomerate production line at the Itapetininga plant and for the impregnation of coating papers at the Agudos unit.

Itautec Philco

Itautec Philco reported revenues of R\$ 1,327.8 million, 31.8% higher than 1999. Net income was R\$ 60.1 million, nearly three times the earnings posted in 1999 and representing a 21.6% return on equity of the controlling company. Earnings before interest, taxes, depreciation and amortization (EBITDA) were R\$ 129.7 million, or a growth of 48.4% in the fiscal year.

Net income, including provisions and depreciation appropriated in the period, produced a cash flow of R\$ 134.4 million. Investments in working capital were R\$ 121.7 million, the lion's share for building up inventory to meet increased demand during the period.

Itautec Philco called an Extraordinary General Meeting on December 28, 2000, to establish the rules of corporate governance and to make the necessary adjustments to conform with the requirements of the New Market, also launched with by the São Paulo Stock Exchange - Bovespa in December. The EGM approved the conversion of all A and B class preferred shares into common shares.

The Plan for Use of Funds (*Plano de Aplicação de Recursos - PAR*) posted an accumulated total of R\$ 122.3 million, distributed as follows: (1) R\$ 41.8 million in technological development; (2) R\$ 44.8 million in plant for automation and modernization of industrial plant and in office installations. Included in this figure, worthy of note was R\$ 22.2 million spent on the installation of a factory for the manufacture of Multilayer printed circuit boards; (3) R\$ 12.2 million in equipment for rental; and (4) R\$ 23.5 million for

revamping points of sale as well as promotional events and propaganda for strengthening the Itautec and Philco brand names.

Itautec

The Itautec area is known as the pioneer in the production of high performance PCs with the launches of innovative products, such as the *Transglobe Slim* (equipment with a compact design) and a new line in notebooks. As a result, sales of PCs reported a year-on-year growth of 88% compared to 1999, to reach monthly output levels of 20,000 per month in the last quarter of 2000.

In the segment of banking and business automation, Itautec consolidated its position with the expansion in the supply of products and also infrastructural items both in Brazil and overseas. The company now has equipment installed in the USA, Argentina, Uruguay, Portugal, Mozambique and Angola. In Portugal, the company installed its largest web interface support project using the IHC (Internet Host Connector).

The company's leading product in the segment of self-service banking was the WebWay Slim kiosk with avant garde design, which permits multi-purpose uses, such as terminals for Internet access, line organization system, billing payments or general information purposes.

More than 130 client projects were included under the Itautec.com Serviços umbrella, including development of sites and *business-to-consumer* (B2C) and *business-to-business* (B2B) applications. In the area of implementation and technical assistance, the focus was on connection services for the installation of the Internet broadband system with more than 15,000 units being activated over a four-month period. The company also has an important market presence in the maintenance of VSat communication equipment for heavy-duty users. In addition, over a two-month period and using NT servers, the company installed the entire local network and communications architecture for approximately 650 branches of a new client with major penetration in the banking segment.

Itautec displayed its products and services using the WebWay architecture at two major events, both of which were highly successful. Keen interest was shown by the market, particularly in relation to the WebWay Shop (virtual shopping system), JetShop (store rental service for small and medium-size businessmen) and WebWay Trade (a B2B and B2C site).

Philco

Philco successfully met growth forecasts for the electrical and electronic equipment market, especially in the sound and vision segment. The company reported a year-on-

year increase in gross revenues of 53.8%, with a strong contribution coming from higher volumes in the TV “Platinum” line, especially the wide screen version.

In July, Philco launched its new generation DVDs, the DV-P2000, which among other characteristics combines the qualities of a high-resolution digital picture, Dolby Digital audio system with built in decodifier and capacity to reproduce not only DVDs but also CDs, CDRs, CDRWs and MP3 archive discs. In June, the company also launched an new line of 14” and 20” Duetto models, (combined TV-VCR), which were very well received by the market in view of their ultra modern design. Finally, in October, Philco began marketing a new line of *Mini-systems* with 3 CDs, in two versions of 40 and 100W RMS.

In the TV segment, of particular note was the development of the 29” and 32” wide-screen models employing the 100% flat screen (*RealFlat*) technology. These models provide the consumer with a brighter picture, wider vision and dynamic focus among other characteristics.

This product was such a success that one month’s sales were equivalent to what had been forecast for the whole of the final quarter. The company also launched another important new product – the *Infoway* TV line, the first TV to be sold to the domestic market with fully digitalized sound and vision characteristics.

Itaucom

The Itaucom area registered a year-on-year revenue growth of 15%, in the semiconductor segment. This performance reflected the increased production of the leading computer manufacturers and the consolidation of motherboard sales to the distribution market.

In 2000, sales of memory module components were 11% higher than in 1999, with an accompanying improvement in the value added mix, thanks to the use of larger capacity modules. In 2000, the company began the manufacture of other types of modules for notebooks, printers, servers and expanded video memory.

The company posted an increase in overall revenues of 16% in its printed circuit business, an expansion in volume of 35% over 1999. The family of simple face products registered a particularly important growth of 65% in revenues, thanks largely to greater demand from the telecommunications market.

In the area of new products, Itaucom built a new plant for the production of Multilayer circuit boards using the fine track technology. These products are currently awaiting approval by the clients.

Elekeiroz

The quantity of products shipped by Elekeiroz during the year was 8% more than in 1999, thus establishing a new record of 334,000 tons. Inorganics totaled 255,000 tons, a growth of 10% and organics, 79,000 tons or an increase of 4%.

Capital expenditure at Elekeiroz during the fiscal year 2000 totaled R\$ 31.5 million, 40% of which was financed by the Brazilian Development Bank - BNDES. These investments increased the annual installed production capacity to 374,000 tons.

Among the most important investments are (1) the duplication and automation of the maleic anhydride plant, (2) the installation of the second turbo-generator which will enable the company to produce up to 68% of its energy requirements at the Várzea Paulista industrial complex, (3) the automation of the phthalic anhydride plant, (4) a new pumping station for water supplies, (5) engineering services and the initial stages in the plant expansion for the production of concentrated urea/formaldehyde, (6) the initial phases of the second master plan for implementing information technology to support automated operations in real time and (7) R\$ 4.8 million for specific application in the development of technologies for products and processes, principally in relation to rationalization and automation.

During the course of the fiscal year, the Resins Division was set up as a direct consequence of the rationalization and focus process. This Division will have its own independent management, which will provide it with the greater flexibility and efficiency in reacting to the needs of its business. The operation received ISO 9002 certification covering the entire development and manufacturing process of polyester resins.

REAL ESTATE

Itaúsa Empreendimentos

In the second half of 2000, Itaúsa Empreendimentos delivered *Transamérica Towers Nações Unidas*, a building consisting of 143 full service apartments developed in partnership with Camargo Corrêa Desenvolvimento Imobiliário Ltda. and Vera Cruz Empreendimentos Imobiliários Ltda.

The construction of *Panamerica Park*, developed in partnership with Hines do Brasil, is transforming the appearance of the area in which it is being constructed. The project consists of 9 office blocks on a site of more than 40,000 square meters. The construction method that is being used is a pioneering one providing industrial quality to the construction as well as accelerated execution. The first stage of the development will be delivered in March 2001 and completion is planned for August 2001. The new project

was well received by the real estate market and this has already guaranteed the rental of two buildings still in the phase of completion.

Raposo Shopping posted revenues that were 36% higher than 1999. This result amply justifies the investment made in the restoration of the Shopping Center so far and supports the continued program of refurbishment in 2001.

PERSONNEL

The Itaúsa group employed 58,850 at the end of 2000. Total remuneration including labor charges and benefits was R\$ 2,789.1 million. The variable portion of this amount (participation in profits or results, commissions, bonuses) was R\$ 159.3 million.

The social benefits conceded to employees and their dependents include complementary pensions, food vouchers, medical assistance and dental care, welfare service, scholarships, leisure, sporting and cultural activities, loans at subsidized rates, insurance, travel vouchers, contributions and special concessions among others.

These benefits amount to R\$ 405.2 million, of special importance being the Complementary Pension Plan offered by the Itaú Banco Foundation, Duratex Foundation and Aricanduva Previdência, the three of which are already paying pensions worth R\$ 67.4 million to 5,462 retired employees.

One of the fundamental objectives of the Itaúsa conglomerate is the improvement of employee skills as a means to face the constant challenges presented by the market. This process forms the basis for the technological innovation, the importance of which is always reaffirmed by the companies in the conglomerate. The improvement in skills is also the basis for standards of quality and excellence underlying the operations of the entire group. In 2000, the companies invested R\$ 35.1 million in educational, training and development programs.

Attracting, developing and retaining talents are the order of the day at Banco Itaú. In 2000 alone, the Bank hired 572 graduates selected from the best Brazilian universities. Itaú has also awarded more than two thousand scholarships for graduation, post-graduation and university extension courses both in Brazil and overseas.

In 2000, Duratex offered training facilities to more than 32,000 people, an investment of R\$ 2.6 million, with the object of obtaining a qualification or increasing professional skills not only for the benefit of its own employees but also its outside partners including plumbers, carpenters and Durafloor installers.

SOCIAL, CULTURAL AND ENVIRONMENTAL ACTIVITIES

The Itaúsa conglomerate through its subsidiary companies has another fundamental value, which is reflected in its community and environmental protection activities. The best expression of this value translates into the concept of "entrepreneurial citizenship" which the group practices.

The group companies paid or provisioned R\$ 1,967.9 million in taxes and contributions on income, revenues and payroll. Additionally, R\$ 3,112.4 million was withheld in taxes and contributions directly on financial intermediation or retained on behalf of clients.

The following chart illustrates the added value provided by the activities of the Itaúsa conglomerate in 2000.

R\$ thousand				
Statement of Consolidated Value Added	2000 Value	2000 Share (%)	1999 Value	1999 Share (%)
Sales of products and Services Net of Costs of Materials, Out-Sourced Services and Others (A)	4,384,755	–	3,914,411	–
Income from Financial Operations (B)	4,322,527	–	3,875,830	–
Income from Insurance Operations (C)	381,329	–	281,108	–
Other Operating Income / Operating Expenses (D)	(2,972,846)	–	(2,058,727)	–
Value Added (E = A + B + C + D)	6,115,765	–	6,012,622	–
Remuneration from Labor (F) (*)	2,440,643	39.9	2,309,171	38.4
Remuneration from the Government (G)	1,689,711	27.6	1,442,553	24.0
Dividends to the Shareholders (H)	675,337	11.0	578,752	9.7
Controlling Company	333,164	5.4	250,663	4.2
Minority Shareholders	342,173	5.6	328,089	5.5
Remuneration of Financing in the Industrial Area (I)	101,464	1.7	306,267	5.0
Reinvestment of Income (J)	1,208,610	19.8	1,375,879	22.9
Controlling Company	549,291	9.0	700,442	11.7
Minorities	659,319	10.8	675,437	11.2
Distribution of Value Added (K = F + G + H + I + J)	6,115,765	100.0	6,012,622	100.0
(*) Does not include social security charges				

Itaú Social Program

In 2000 the Itaú Social Foundation was constituted with assets worth R\$ 170 millions for

the purpose of providing support to the group's community programs. In 2000 alone, R\$ 11 million was invested in 185 projects of a social nature.

Among these, the most worthy of mention are (1) the Regional Educators Meetings (*Encontros Regionais de Educadores*), the objective of which is to train the members comprising the participating entities in the Itaú-Unicef Prize award; (2) The Partnership Program (*Programa Parcerias*), created and implemented by Itaú and Unicef in 2000, with the objective of providing technical and financial support to 30 projects developed by the finalists in the Itaú-Unicef Prize 1999 award; (3) the Improvement of Education in the Municipality Project (*O Projeto Melhoria da Educação no Município*), for technical staff working in the municipal education secretariats, among other entities with approximately 32,000 professionals and 700,000 students taking part in the project during 2000.

In the last five years, 50,000 educational kits of the Roots and Wings project (*Raízes e Asas*) were distributed to public schools, these events also being aired on the Educational TV channels.

Itaú continued to provide financial support to the Training and Literacy Solidarity Program (*Capacitação Solidária e Alfabetização Solidária*), and the Talk Brazil Program (*Programa Fala Brasil*), run by the Ministry of Education and the Future TV Channel (*Canal Futura*) in partnership with 15 other major corporations and institutions.

In the area of health care, Itaú Social, has implemented The Health and Citizenship Project (*Projeto Saúde e Cidadania*), which involves the publication and distribution of training material for municipal health care agents. Itaú Social has also been providing support for the project for constructing hospitals and the acquisition and installation of medical and hospital equipment among other related items.

Itaú Cultural Institute

In the cultural field, Itaú Cultural Institute, founded thirteen years ago, continues to consolidate its reputation as a benchmark in the production and divulging of cultural information in the form of products, events and various forms of artistic exhibitions. This outstanding position was achieved thanks to a policy of coherent and constant activities, which currently combine two distinctive forms.

On the one hand, Itaú Cultural promotes a process of prospective actions whereby it surveys artistic productions throughout the country for the purposes of revealing new talents and then assisting in the development and divulging of the artists' work. On the other hand, retrospective actions, within the field of action coordinated by the Institute's governors - thematic guidelines that establish its annual program of activities - ,

guarantee the renovation, preservation and dissemination of the cultural heritage in Brazilian society

Itaú Cultural, 2000 in numbers

- 219,756 visitors
- 863,868 visits to site
- 20,833 products distributed
- 2,949 cultural and teaching institutions contemplated with products from Itaú Cultural
- 145 cultural product titles available for distribution
- 47 contractual agreements with other institutions
- 38 institutions receiving support and/or via partnerships
- 10 awards received for work in various areas
- 152 presentations and workshops
- 35 exhibitions
- 43 shows
- 135 cinema and video shows

ENVIRONMENTAL ACTIVITIES

Investments made in environmental management and acquisition of equipment for protecting the environment totaled R\$ 9.1 million. Particularly worthy of note was the R\$ 8.2 million which Duratex invested in equipment, treatment and disposal of waste, such as Stations for the Treatment of Effluents (*Estações de Tratamento de Efluentes -ETEs*), among others.

Duratex was also recertified for the management of its forests located at its Botucatu, Lençóis Paulista and Agudos plants, - clear evidence of the company's concern for the correct use of natural resources. The company runs the Piatan Nature Reserve Area in Agudos-SP, which last year received more than 6,000 visitors.

ACKNOWLEDGEMENTS

We wish to thank our stockholders for the support and trust with which they have honored us. Our thanks also go our clients for their loyalty and the receptiveness to the innovations introduced in our products and services. Finally, we congratulate our employees and suppliers for the dedication and competent manner in which they worked during the year.

(Approved at the Meeting of the Board of Directors on March 8, 2001)

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Balance Sheets *(In thousands of reais)*

Assets	Itaúsa		Itaúsa Consolidated	
	12.31.00	12.31.99	12.31.00	12.31.99
CURRENT				
Cash and cash equivalents	2	1	1,666,261	1,761,457
Interbank funds applied	-	-	8,694,752	7,188,496
Loan operations	-	-	12,374,967	9,402,694
Rents and leasing	-	-	512,068	326,065
Trade accounts receivables and others	300,492	287,879	8,176,030	5,479,327
Securities	19,220	94,416	14,296,244	9,186,203
Inventories:				
Products	-	-	309,968	219,016
Real estate	-	-	31,498	22,245
Prepaid expenses	313	448	255,274	225,553
Interbank accounts of subsidiaries	-	-	4,108,281	4,396,784
Total	320,027	382,744	50,425,343	38,207,840
LONG-TERM				
Interbank funds applied	-	-	30,543	51,671
Loan operations	-	-	6,642,190	4,615,677
Rents and leasing	-	-	351,307	177,234
Accounts receivables	48,476	4,446	3,850,206	1,767,780

Securities	103	27	6,491,053	5,290,179
Prepaid expenses	-	-	8,443	12,337
Interbank accounts of subsidiaries	-	-	257,569	61,749
Total	48,579	4,473	17,631,311	11,976,627
PERMANENT				
Investments	4,568,334	3,903,583	731,737	592,490
Fixed assets:				
For own use	9,288	9,627	3,165,766	2,900,374
For rental	-	-	19,680	21,028
Forest reserves	-	-	68,096	72,793
Deferred expenses:				
Deferred installation expenses	-	-	186,908	147,395
Goodwill to be amortized	-	-	55,532	70,587
Total	4,577,622	3,913,210	4,227,719	3,804,667
Total	4,946,228	4,300,427	72,284,373	53,989,134

	Itaúsa		Itaúsa Consolidated	
LIABILITIES	12.31.00	12.31.99	12.31.00	12.31.99
CURRENT				
Funding obtained by subsidiaries:				
Foreign currency		-	3,752,125	3,866,854
Domestic currency	-	-	29,772,072	24,574,773
Money market	-	-	10,132,569	4,925,241

Borrowings:				
Foreign currency	150,247	141,043	496,343	396,925
Domestic currency	8,543	197,384	59,612	223,363
Real estate commitments	-	-	-	924
Dividends payable	265,854	159,618	667,366	367,976
Taxes and social security contributions	6,629	34,638	960,062	960,686
Provisions and accounts payable	4,447	24,547	7,171,554	4,669,966
Interbank accounts of subsidiaries	-	-	540,197	493,832
Technical provisions of insurance, pension plans and capitalization operations - Vinculated	-	-	425,495	324,532
Total	435,720	557,230	53,977,395	40,805,072
LONG-TERM				
Funding obtained by subsidiaries:				
Foreign currency	-	-	1,324,673	925,219
Domestic currency	-	-	3,051,548	2,239,503
Money market	-	-	1,039,988	137,908
Borrowings:				
Foreign currency	-	-	130,301	145,144
Domestic currency	141,172	31,180	302,873	147,820
Taxes	33,118	28,021	379,765	184,568
Provisions and accounts payable	-	-	1,314,522	227,024
Interbank accounts of subsidiaries	-	-	-	511
Total	174,290	59,201	7,543,670	4,007,697
TECHNICAL PROVISIONS OF INSURANCE, PENSION PLANS AND CAPITALIZATION OPERATIONS - NOT VINCULATED	-	-	2,336,555	1,945,419

DEFERRED INCOME	-	-	182,032	169,359
STOCKHOLDERS' EQUITY				
STOCKHOLDERS' EQUITY RELATED TO MINORITY INTEREST IN SUBSIDIARIES	-	-	4,130,460	3,585,291
STOCKHOLDERS' EQUITY OF HOLDING COMPANY				
Capital	1,800,000	1,500,000	1,800,000	1,500,000
Capital reserves	55,273	74,541	55,273	74,541
Revaluation reserves	56,013	61,453	56,013	61,453
Retained income	2,424,932	2,048,002	2,202,975	1,840,302
Total	4,336,218	3,683,996	4,114,261	3,476,296
STOCKHOLDERS' EQUITY OF ITAÚSA GROUP				
	-	-	8,244,721	7,061,587
Total	4,946,228	4,300,427	72,284,373	53,989,134

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Statements of Changes in Stockholders' Equity *(In thousands of reais)*

CAPITAL RESERVES				
	CAPITAL STOCK	MONETARY CORRECTION LAW 8.200	TAX INCENTIVE	REVALUATION RESERVE
Balances at December 31, 1998	1,300,000	210,381	3,261	53,939
Capital increase - Extraordinary General Meeting of March 24, 1999	60,000	–	–	–
Capitalization of reserves - Extraordinary and Ordinary General Meeting of April 29, 1999	140,000	(140,000)	–	–
Goodwill from shares subscription	–	767	–	–
Tax incentive investment credits	–	–	132	–
Reversal/realization of reserves	–	–	–	7,514
Net income for the year	–	–	–	–
Treasury shares	–	–	–	–
Apropriations from income:				
Revenue reserves:				
Legal reserve	–	–	–	–
Unrealized revenue	–	–	–	–
Statutory reserves	–	–	–	–
Proposed interest on capital:	–	–	–	–
Prepaid				
Quarterly - Two payments of R\$ 2.83 per lot of thousand shares paid on July 1, 1999 and October 1, 1999	–	–	–	–

Supplementary of R\$ 15.96 per lot of thousand shares paid on October 1, 1999			-	-	-
Provision:					
Quarterly - Two payments of R\$ 2.83 per lot of thousand shares to be paid on January 3, 2000 and April 3, 2000	-		-	-	-
Supplementary of R\$ 0.0582 per share, to be paid on February 28, 2000	-		-	-	-
Balances at December 31, 1999	1,500,000		71,148	3,393	61,453
Capital increase - Extraordinary and Ordinary General Meeting of April 24, 2000	88,500		-	-	-
Capitalization of reserves - Extraordinary and Ordinary General Meeting of April 24, 2000	211,500		(19,309)	(132)	-
Goodwill from shares subscription	-		173	-	-
Reversal/realization of reserves	-		-	-	(5,440)
Net income for the year	-		-	-	-
Apropriations from income:					
Revenue reserves:					
Legal reserve	-		-	-	-
Statutory reserves	-		-	-	-
Proposed interest on capital:					
Prepaid	-		-	-	-
Quarterly - Two payments of R\$ 2.83 per lot of thousand shares paid on July 3, 2000 and October 2, 2000	-		-	-	-
Supplementary of R\$ 17.30 per lot of thousand shares paid on September 1, 2000			-	-	-
Provision:					
Quarterly:					

• One payment of R\$ 2.83 per lot of thousand shares paid on January 2, 2001				–	–	–
• One payment of R\$ 2.83 per lot of thousand shares to be paid on April 2, 2001				–	–	–
Supplementary of R\$ 0.05371 per share, paid on February 28, 2001		–	–	–	–	–
Supplementary to be stated		–	–	–	–	–
Balances at December 31, 2000	1,800,000		52,012		3,261	56,013

REVENUE RESERVES

	LEGAL	UNREALIZED REVENUE	ITAÚSA SPECIAL RESERVE	RETAINED INCOME	TOTAL
Balances at December 31, 1998	56,785	212,513	1,349,574	–	3,186,453
Capital increase - Extraordinary General Meeting of March 24, 1999	–	–	–	–	60,000
Capitalization of reserves - Extraordinary and Ordinary General Meeting of April 29, 1999	–	–	–	–	–
Goodwill from shares subscription	–	–	–	–	767
Tax incentive investment credits	–	–	–	–	132
Reversal/realization of reserves	–	(55,960)	55,960	2,959	10,473
Net income for the year	–	–	–	956,754	956,754
Treasury shares	–	–	(279,920)	–	(279,920)
Apropriations from income:					
Revenue reserves:					
Legal reserve	47,838	–	–	(47,838)	–
Unrealized revenue	–	112,681	–	(112,681)	–
Statutory reserves	–	–	548,531	(548,531)	–
Proposed interest on capital:	–	–	–	(250,663)	(250,663)
Prepaid					

Quarterly - Two payments of R\$ 2.83 per lot of thousand shares paid on July 1, 1999 and October 1, 1999	-	-	-	(17,456)	(17,456)
Supplementary of R\$ 15.96 per lot of thousand shares paid on October 1, 1999	-	-	-	(49,222)	(49,222)
Provision:					
Quarterly - Two payments of R\$ 2.83 per lot of thousand shares to be paid on January 3, 2000 and April 3, 2000	-	-	-	(16,307)	(16,307)
Supplementary of R\$ 0.0582 per share, to be paid on February 28, 2000	-	-	-	(167,678)	(167,678)
Balances at December 31, 1999	104,623	269,234	1,674,145	-	3,683,996
Capital increase - Extraordinary and Ordinary General Meeting of April 24, 2000	-	-	-	-	88,500
Capitalization of reserves - Extraordinary and Ordinary General Meeting of April 24, 2000	-	-	(192,059)		
Goodwill from shares subscription	-	-	-	-	173
Reversal/realization of reserves	-	(269,234)	269,234	5,440	-
Net income for the year	-	-	-	896,713	896,713
Apropriations from income:					
Revenue reserves:					
Legal	44,836	-	-	(44,836)	
Estatutárias	-	-	524,153	(524,153)	-
Proposed interest on capital:					
Prepaid	-	-	-	(333,164)	(333,164)
Quarterly - Two payments of R\$ 2.83 per lot of thousand shares paid on July 3, 2000 and October 2, 2000	-	-	-	(16,827)	(16,827)
Supplementary of R\$ 17.30 per lot of thousand shares paid on September 1, 2000	-	-	-	(51,432)	(51,432)

Provision:

Quarterly:

• One payment of R\$ 2.83 per lot of thousand shares paid on January 2, 2001	–	–	–	(8,413)	(8,413)
• One payment of R\$ 2.83 per lot of thousand shares to be paid on April 2, 2001	–	–	–	(8,413)	(8,413)
Supplementary of R\$ 0.05371 per share, paid on February 28, 2001	–	–	–	(159,679)	(159,679)
Supplementary to be stated	–	–	–	(88,400)	(88,400)
Balances at December 31, 2000	149,459	–	2,275,473	–	4,336,218

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Statements of Income *(In thousands of reais)*

	ITAÚSA		ITAÚSA CONSOLIDATED	
	12.31.00	12.31.99	12.31.00	12.31.99
OPERATING INCOME				
Sales of products and services	-	-	5,414,606	4,712,780
Insurance, pension plan and capitalization	-	-	2,176,706	2,000,935
Financial	6,799	14,089	4,554,747	4,661,681
Securities	5,153	49,960	3,810,545	4,691,629
Leasing and rental	429	324	649,075	565,585
Equity share in income of subsidiaries and affiliates	1,012,415	801,610	367,201	241,043
Other operating income	18,057	6,096	413,021	500,348
Total	1,042,853	872,079	17,385,901	17,374,001
OPERATING EXPENSES				
Cost of products and services	-	-	(1,492,412)	(1,193,485)
Insurance, pension plan and capitalization	-	-	(1,795,377)	(1,719,827)
Loan losses provision, depreciations and others	(4,834)	(587)	(1,206,181)	(1,176,510)
Administrative	(23,491)	(23,248)	(4,689,888)	(4,225,415)
Directors' fees	(6,171)	(6,235)	(51,779)	(40,882)

Equity share in income of subsidiaries and affiliates	(549)	(211)	(2,295)	-
Financial	(41,893)	(61,859)	(4,001,665)	(5,288,364)
Other operating expenses	(685)	(1,861)	(1,421,763)	(1,315,046)
Total	(77,623)	(94,001)	(14,661,360)	(14,959,529)
OPERATING RESULTS	965,230	778,078	2,724,541	2,414,472
NONOPERATING RESULTS	(2,773)	8,161	(55,493)	(148,024)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	962,457	786,239	2,669,048	2,266,448
INCOME TAX AND SOCIAL CONTRIBUTION				
Due on operations for the year	(211)	(1,293)	(449,257)	(552,517)
Deferred related to temporary additions	(283)	3,226	(48,982)	108,946
EXTRAORDINARY RESULTS	(61,264)	172,233	(152,266)	265,972
Holding company	(61,264)	172,233	(120,062)	137,387
Minority interest in subsidiaries	-	-	(32,204)	128,585
PROFIT SHARING	(3,986)	(3,651)	(134,596)	(134,218)
Employees	-	-	(91,368)	(100,730)
Directors - Statutories	(3,986)	(3,651)	(43,228)	(33,488)
NET INCOME FROM MINORITY INTEREST IN SUBSIDIARIES				
	-	-	(1,001,492)	(1,003,526)
NET INCOME OF HOLDING COMPANY	896,713	956,754	882,455	951,105
Holding company	896,713	956,754	882,455	951,105
Minority interest in subsidiaries	-	-	1,001,492	1,003,526

NET INCOME OF ITAÚSA GROUP	-	-	1,883,947	1,954,631
NUMBER OF SHARES (IN THOUSANDS)	2,972,961	2,904,884	2,972,961	2,904,884
NET INCOME OF HOLDING COMPANY PER THOUSAND SHARES (IN REAIS)	301.62	329.36	296.83	327.42
EQUITY VALUE OF HOLDING COMPANY PER THOUSAND SHARES (IN REAIS)	1,458.55	1,268.21	1,383.89	1,196.71
RECURRING NET PROFIT OF THE HOLDING COMPANY	957,977	784,521	1,002,517	813,718
ANNUAL GROWTH ON RECURRING NET PROFIT OF THE HOLDING COMPANY	22.1%	-	23.2%	-
EXTRAORDINARY RESULTS	(61,264)	172,233	(120,062)	137,387
Total Holding Company	896,713	956,754	882,455	951,105

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Statements of Changes in Financial Position *(In thousands of reais)*

	ITAÚSA		ITAÚSA CONSOLIDATED	
	12.31.00	12.31.99	12.31.00	12.31.99
SOURCES OF FUNDS OPERATIONS				
Net income for the year	896,713	956,754	882,455	951,105
Items not representing movement of net working capital:				
Net change in minority shareholding	-	-	1,001,492	1,003,526
Depreciation and amortization	594	558	506,305	432,265
Provision to market value of fixed assets	-	32	-	-
Increase/(decrease) in technical provisions in insurance, pension plans and capitalization operations of affiliates	-	-	391,136	257,283
Equity share in income of subsidiaries, net of dividends received	(684,152)	(499,790)	(355,463)	(232,236)
Extraordinary results of affiliates	61,264	(246,875)	-	(543,419)
Gains on currency translation	-	-	313,576	745,377
Changes in deferred income	-	-	12,673	4,846
Amortization of goodwill	685	-	1,396,874	159,832
FUNDS FROM OPERATIONS	275,104	210,679	4,149,048	2,778,579
FUNDS FROM STOCKHOLDER				
Capital increase	88,500	60,000	88,500	60,000
Goodwill from shares subscription	173	767	173	767
THIRD-PARTY FUNDS				
Increase in long-term liabilities	115,089	-	3,535,973	-
Cost of real estate and permanent assets sold	-	-	59,223	192,511

Cost of investments sold	137,092	1,034	219,783	35,203
Write-offs and transfers from deferred assets	-	-	8,146	2,701
Decrease in long-term assets	-	67,195	-	-
TOTAL THIRD-PARTY FUNDS	252,181	68,229	3,823,125	230,415
TOTAL SOURCES	615,958	339,675	8,060,846	3,069,761
APPLICATIONS OF FUNDS				
Increase in long-term assets	44,106	-	5,654,684	2,285,756
Real estate and other fixed assets acquired	255	116	740,362	508,766
Investments in the year	179,640	6,578	1,699,337	289,797
Increase in deferred assets	-	-	131,796	109,552
Dividends paid to minority shareholders	-	-	342,173	328,089
Proposed dividends	333,164	250,663	333,164	250,663
Purchase of own shares	-	279,920	-	279,920
Decrease in long-term liabilities	-	84,222	-	1,295,495
Net changes in minority shareholding	-	-	114,150	52,443
TOTAL APPLICATIONS	557,165	621,499	9,015,666	5,400,481
CHANGES IN NET WORKING CAPITAL	58,793	(281,824)	(954,820)	(2,330,720)

STATEMENT OF CHANGE IN NET WORKING CAPITAL

Net working capital				
- Beginning of year				
Current assets	382,744	331,475	38,207,840	37,825,206
Current liabilities	557,230	224,137	40,805,072	38,091,718
	(174,486)	107,338	(2,597,232)	(266,512)
- End of year				
Current assets	320,027	382,744	50,425,343	38,207,840
Current liabilities	435,720	557,230	53,977,395	40,805,072
	(115,693)	(174,486)	(3,552,052)	(2,597,232)
CHANGES IN NET WORKING CAPITAL	58,793	(281,824)	(954,820)	(2,330,720)

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Note 1 - Operations *(In thousands of reais)*

Itaúsa - Investimentos Itaú S.A. (ITAÚSA) and its subsidiaries operate in various industries in Brazil and abroad, as follows:

- Banking
- Insurance, pensions and capitalization
- Lumber and construction materials
- Technology and electronics
- Chemicals
- Real estate
- Support area

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Note 2 - Presentation of the Financial Statements *(In thousands of reais)*

The financial statements of Itaúsa - Investimentos Itaú S.A. - (ITAÚSA) and the consolidated financial statements (ITAÚSA CONSOLIDATED) have been prepared in accordance with accounting principles derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission (CVM), Insurance Company Regulatory Agency (SUSEP) and the Central Bank of Brazil (BACEN), which include the use of accounting estimates and practices to calculate provisions.

In ITAÚSA, the equity share in income of its subsidiary Banco Itaú S.A. (ITAÚ) includes the amortization of goodwill on the basis of future profit expectations (10 years), derived from the acquisitions of Banco Banestado S.A. (BANESTADO), on October 17, 2000, Banco Bemge S.A. (BEMGE) and del Buen Ayre S.A. and a portion of Itaú Bankers Trust Banco de Investimento S.A. IBT occurred in previous years, and a portion of the shares of BPI-SGPS acquired this year and in 1999, in order to: (a) avoid unnecessary reductions in stockholders' equity and its effects on operating limits; (b) avoid the need for possible future capital increases; and (c) allow better comparability with current market practices.

In ITAÚSA CONSOLIDATED, it was maintained the same procedure that was adopted in the consolidated financial statements of ITAÚ, of fully amortizing these goodwill on the years in which such investment acquisitions occurred, in order to: (a) permit better comparability with the consolidated financial statements of previous years; and (b) allow the assessment of its results and stockholders' equity using a conservative criteria. In BANESTADO, directly against this amortization occurred the tax credits recognition until the limit of this goodwill, according to the following paragraph.

Tax credits were recorded by BANESTADO, which were reflected in ITAÚSA through the equity interest on its subsidiary ITAÚ, in the amount considered adequate based on forecasted future profits, after taking into consideration the adjustments (Note 11) provided as a result of the planned reorganization. Since ITAÚSA CONSOLIDATED is inserted in a broader context with increased synergy, which favors the maximization of results, BANESTADO's tax credits were recognized up to the limit of the goodwill resulted from the acquisition, which was completely amortized in 2000.



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Note 3 - Consolidated Companies *(In thousands of reais)*

The consolidated financial statements cover ITAÚSA and the direct and indirect subsidiaries, including those listed below:

		Participation (%)	
		12.31.2000	12.31.1999
Financial institutions			
Banco Itaú S.A. and subsidiaries	(a)	48.13	47.93
Banco Banerj S.A. and subsidiaries		48.13	47.92
Banco Bemge S.A. and subsidiaries	(a)	48.06	47.86
Banco Banestado S.A. and subsidiaries	(a)(b)	43.10	-
Banco Francês e Brasileiro S.A.		48.13	47.93
Banco Itaú Buen Ayre S.A.	(c)	48.13	47.80
Banco Itaú Europa, S.A. and subsidiaries		89.87	87.16
Banco Itaú Europa Luxembourg S.A. and subsidiaries		89.82	87.11
Cia, Itauleasing de Arrendamento Mercantil		48.13	47.93
Intrag Distribuidora de Títulos e Valores Mobiliários Ltda.		48.13	47.93
Itaú Corretora de Valores S.A.		48.13	47.93
Insurance, pensions and capitalization			
Itaú Seguros S.A. and subsidiaries		46.20	45.93
Itaú Capitalização S.A.		48.13	47.86
Itaú Previdência e Seguros S.A.		48.13	47.86
Lumber and construction materials			
Duraflora S.A.		45.75	46.12
Duratex S.A. and subsidiaries	(a)	45.74	46.74
Technology and electronics			

Itautec Philco S.A. and subsidiaries	(a)	95.02	89.98
Chemicals			
Elekeiroz S.A	(a)	96.89	94.16
Real estate			
Itaúsa Empreendimentos S.A		98.88	99.07
PRT Investimentos S.A		98.88	98.88
Support area			
Itaúsa Export S.A. and subsidiaries		88.47	85.39
Itaú Turismo Ltda		99.92	99.92
Itaú Planejamento e Engenharia Ltda	(d)	48.13	79.17

(a) Publicly held company;

(b) New denomination of Banco do Estado do Paraná S.A. investment acquired by ITAÚ on October 17, 2000;

(c) New denomination of Banco Itaú Argentina S.A., after Banco del Buen Ayre S.A. incorporation;

(d) Interest reduction caused by the control transfer to ITAÚ on May 5, 2000.



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Note 4 - Summary of Significant Accounting Practices *(In thousands of reais)*

- a. **Basis of consolidation** - All material intercompany profits, transactions and balances have been eliminated on consolidation. The difference in net income and shareholders' equity between ITAÚSA and ITAÚSA CONSOLIDATED is the result of the adoption of different criteria for amortization of the goodwill on the acquisition of investments and tax credits recorded in its subsidiary ITAÚ, as well as goodwill generated from ITAUSA's acquisition and from its subsidiaries and the elimination of unrealized income resulting from transactions between the consolidated companies. The respective taxes were deferred (Note 6d).
- b. **Interbank funds applied, loan operations, funding obtained by subsidiaries, money market repurchase commitments and other receivables and payables** - Transactions subject to monetary correction or foreign exchange rates are recorded at present value, calculated "pro rata die", based on the variation of the contracted index. Real estate loans are adjusted to present value, based on the discounted cash flow of future installments. Transactions with predetermined remuneration rates are recorded at their redemption value, adjusted for any unearned income/expenses.
- c. **Securities** - Securities are recorded at the lower of price-level restated cost or market value through a provision.
- d. **Allowance for loan losses** - Allowance for loan losses was constituted based on the realization risk analysis of the loan portfolio, in amounts considered sufficient to cover possible losses.

- e. **Investments** - Investments in subsidiaries and affiliates are accounted for by using the equity method. The financial statements of foreign subsidiaries were adapted to comply with Brazilian accounting standards, and translated into Reais. Other investments are stated at monetarily corrected cost at December 31, 1995.
- f. **Fixed assets** - Fixed assets are stated at cost of acquisition or construction, less accumulated depreciation, monetarily adjusted at December 31, 1995. For insurance, pension plan and capitalization, fixed assets are adjusted to market value, through revaluations supported by appraisal reports. Depreciations are recorded using the straight-line method, based on cost monetarily adjusted over the useful lives of depreciable assets at the following annual rates:

		%	
Buildings used in operations			4
Installations, furniture, equipment and security and communication systems	10	to	25
EDP systems	20	to	50

- g. **Deferred expenses** – The deferred expenses with organization and expansion are related, basically, to improvements to third-party properties and they are linearly amortized over the respectively rental periods. The acquisition and development of logistic are linearly amortized based on contract terms, limited to 5 years.
- h. **Technical provisions for insurance, pension plans and capitalization operations** - Unearned premium provisions for insurance operations are calculated on the basis of the nominal value of retained premiums, in accordance with criteria established by Resolution CNSP 14/1988 and to provisions for the automobile area, complemented, based on reference rates, in accordance with SUSEP Circulars 02/1994 and 05/1994. Provisions not vinculated for pension plans and capitalization operations are established in accordance with actuarial technical plans approved by SUSEP.

- i. **Income tax, social contribution, PIS and COFINS** - The provisions were calculated at the rates presented below, considering, for the effect of the respective basis of calculation, the current legislation pertaining to each tax or charge:

	12.31.2000	12.31.1999
Income tax	15.00%	15.00%
Additional income tax	10.00%	10.00%
Social contribution	8.00%	8.00%
Additional social contribution (*)	1.00%	4.00%
PIS	0.65%	0.65%
COFINS	3.00%	3.00%

() Over the period from May 1, 1999 to January 31, 2000, the additional social contribution rate was 4%. Beginning in February 2000, the rate was reduced to 1%. This rate will remain in effect until December 31, 2002.*

Amounts subject to litigation in court have been fully provided for.



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Note 5 - Income Tax and Social Contribution *(In thousands of reais)*

- a. Income tax and social contribution due on operations for the year are shown below:

	ITAÚSA		ITAÚSA CONSOLIDATED	
	2000	1999	2000	1999
Net income before income tax and social contribution	962,457	786,239	2,669,048	2,266,448
Taxes payable (income tax and social contribution) at rates of 25% and 9%, respectively (*)	(327,235)	(279,705)	(907,476)	(812,984)
Increases/Decreases in income tax and social contribution payable as the result of:				
• Permanent inclusions/(exclusions)	322,483	283,498	693,319	614,994
Equity share in income of subsidiaries and affiliates	344,034	278,431	124,068	88,545
Nondeductible expenses and provisions and others	(5,072)	26,177	285,926	325,787
Interest on capital	(16,479)	(21,110)	283,325	200,662
• Temporary (inclusions)/exclusions	4,752	(1,102)	(170,879)	(270,121)
Allowance for loan losses	-	-	22,341	200,067
Labor provisions, tax contingencies and other expenses	4,752	(1,102)	(193,220)	(470,188)
• Other adjustments	(211)	(3,984)	(64,221)	(84,406)
Income tax of foreign subsidiaries	(211)	(3,984)	(64,221)	(84,406)
Income tax and social contribution due on operations for the year	(211)	(1,293)	(449,257)	(552,517)
Withholding tax on distribution of interest on capital	(49,975)	(37,599)	(100,753)	(86,032)
Total income tax and social contribution	(50,186)	(38,892)	(550,010)	(638,549)

(*) According to Note 4i.

- b. The composition of temporary additions to deferred income tax and social contribution is shown below:

	ITAÚSA		ITAÚSA CONSOLIDATED	
	2000	1999	2000	1999
Deferred income tax and social contribution related to temporary additions	(283)	3,226	(48,982)	108,946
Tax credits:				
Constitution (reversal) over temporary inclusions/exclusions	-	-	159,222	141,737
Constitution (reversal) over tax loss carry forward	-	-	67,520	(6,308)
Constitution (reversal) over initial balance of tax loss carry forward/ write-offs and others	(283)	3,226	(275,724)	(26,483)

- c. The balance of Tax Credits and Deferred Fiscal Liabilities (Income Tax and Social Contribution) is represented by: ITAÚSA - R\$ 3,213 (R\$ 3,496 in 1999) and R\$ 1,504 (R\$ 1,293 in 1999), respectively, and the medium-term expectation of realization is of one year, In ITAÚSA CONSOLIDATED this balance is represented as follows:

	12.31.1999	Net Changes	12.31.2000
Tax credits:			
Temporary differences:			
Provision for loan losses	545,225	166,990	712,215
Valuations allowance for securities/interbank funds applied	241,329	27,052	268,381
Provision for interest on capital	116,048	(89,962)	26,086
Provision for tax contingencies	94,854	93,345	188,199
Provision for labor contingencies	95,848	65,312	161,160
Provision for civil contingencies	35,273	27,664	62,937
Valuation allowance for real state	51,315	227	51,542

Tax losses and negative bases of social contribution	233,392	488,505	721,897
Other	142,742	357,849	500,591
Total	1,556,026	1,136,982	2,693,008
Deferred tax liabilities:			
Temporary differences:			
Excess of depreciation on leasing operations	83,315	63,404	146,719
Revaluation reserves	7,357	14,825	22,182
Taxation of foreign branches and subsidiaries	12,175	25,384	37,559
Other provisions	3,992	2,030	6,022
Total	106,839	105,643	212,482

The average expected realization period is four years.



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Note 6 - Stockholders' Equity - ITAÚSA *(In thousands of reais)*

a. Shares

Capital is represented by 2,972,960,911 nominative shares without per value, which 1,090,162,829 are common and 1,882,798,082 are preferred shares.

On November 12, 1999, based on the decision made by the Board of Directors and authorization from the Securities and Exchange Commission - CVMGEA - 4/no, 093/99, dated November 3, 1999, 203,002 thousand own preferred shares were acquired to be held in treasury and cancel at a later date.

The Extraordinary General Meeting on January 27, 2000 deliberated the cancel of the aforementioned shares, with no changes in the capital. Since this date, the capital is represented by 2,904,884 thousand nominative shares, without per value, which 1,065,200 thousand are common and 1,839,684 thousand are preferred shares. Also, that Extraordinary General Meeting deliberated capital increase from R\$ 1,500,000 to R\$ 1,588,500 correspondent to the issue of 24,963 thousand common shares and 43,114 thousand preferred shares, for the price of R\$ 1.30 per share. The above-mentioned capital increase was approved in the Extraordinary Stockholders' Meeting that was held on April 24, 2000. A capital increase through the incorporation of reserves was approved in the same April 24, 2000 meeting, raising capital from R\$ 1,588,500 to R\$ 1,800,000.

b. Dividends

Stockholders are assured the right to receive a minimum mandatory dividend equal to 25% of net income, which is adjusted according to rules set forth in the Brazilian Corporation Law. Both types of shares will participate equally after common shares have been guaranteed payments equal to the minimum preferential payments to preferred shares. The Administrative Council decided, effective January 1999, to introduce payments of interest on capital to replace payment of obligatory dividend.

I - Calculation			
Net income for the year	896,713		
Adjustments:			
• Legal reserve	(44,836)		
• Unrealized income reserve	269,234		
Dividend calculation basis	1,121,111		
Minimum obligatory dividends	280,278		
Paid/provided dividend	283,189		25,3%

II - Interest on capital - Payments/provided for

	Gross	Income Tax	Net
Paid/prepaid	68,259	10,239	58,020
Quarterly - Two payments of R\$ 2.83 per lot of Thousand shares paid on July and October 2000	16,827	2,524	14,303
Supplementary - 1 payment of R\$ 17.30 per lot of thousand shares paid on September 2000	51,432	7,715	43,717
Credited	159,679	23,952	135,727
Supplementary - R\$ 0.05371 per share lot to be paid on February 2001	159,679	23,952	135,727
Provided for	105,226	15,784	89,442
Quarterly:			
1 payment of R\$ 2.83 per lot of thousand shares to be paid on January 2001	8,413	1,262	7,151
1 payment of R\$ 2.83 per lot of thousand shares to be paid on April 2001	8,413	1,262	7,151
Supplementary to be declared	88,400	13,260	75,140
Total	333,164	49,975	283,189

c. Capital revaluation and revenue reserves

	12.31.2000	12.31.1999
Capital Reserves	55,273	74,541
Special reserve (ICVM 189/92)	52,012	71,148
Tax incentive options	3,261	3,393
Revaluation Reserves	56,013	61,453
Own and affiliates properties	56,013	61,453
Revenue Reserves	2,424,932	2,048,002
Legal	149,459	104,623
Unrealized income	-	269,234
Statutory - ITAÚSA	2,275,473	1,674,145

d. Net income reconciliation between ITAÚSA and ITAÚSA CONSOLIDATED

	Net income		Stockholders' equity	
	2000	1999	12.31.2000	12.31.1999
ITAÚSA	896,713	956,754	4,336,218	3,683,996
Goodwill amortization (1) BANESTADO	(591,526)	-	(591,526)	-
Others	(13,185)	(5,920)	(220,319)	(207,134)
Tax credits (2)	591,526	-	591,526	-
Unrealized income	(1,073)	271	(1,638)	(566)
ITAÚSA CONSOLIDATED	882,455	951,105	4,114,261	3,476,296

(1) Related to the acquisitions, by ITAÚ, of BANESTADO, during this year and of BEMGE and Banco del Buen Ayre S/A and the additional investment in IBT in previous years and additional ownership interest taken in BPI purchased during this year and the previous year (Note 2), as well as own and other subsidiaries' goodwill.

(2) According to Note 2.



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Note 7 - Related Parties *(In thousands of reais)*

Transactions between related parties were entered into for amounts and on terms, in accordance with normal market practices and terms, as well as under reciprocal conditions. Transactions with consolidated companies (stated in Note 8) were eliminated in the consolidated statements, whereas operations with nonconsolidated companies are not relevant in the overall context of ITAÚSA's operations.

Besides these transactions, guarantees were given, in accordance with Note 13 b.

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Note 8 - Relevant Investments *(In thousands of reais)*

Companies		Capital	Adjusted stockholders' equity	Book value of investment	Nominative	Preferred	Quotas
Adiboard S.A.	(1)	49,180	43,915	-	21	-	-
Antílope Administração e Participações S.A.	(1) (2)	31,089	32,810	32,810	6,733,856	-	-
Banco Itaú S.A.	(1)	3,000,000	7,145,065	2,431,088	38,919,029,863	420,661,946	-
Carnaubeiras Administração e Participações S.A.	(3)	-	-	-	-	-	-
Duraflora S.A.	(1)	90,212	192,847	3,774	696	2,150	-
Duratex Comercial Exportadora S.A.	(1) (4)	229,209	416,562	102	-	1,752	-
Duratex Madeira Industrializada S.A.	(4)	-	-	-	-	-	-
Duratex S.A.	(1)	231,335	849,755	259,880	2,753,118,981	980,275,562	-
Elekeiroz S.A.	(1)	116,726	146,057	2,296	16,394,564	-	-
Elekpart Participações e Administração S.A.	(1)	62,383	82,655	2,432	10,126,925	-	-
Guarará Administração e Participações S.A.	(1) (5)	38,121	38,841	78,758	3,539,098	-	-
Intrag Distribuidora de Títulos e Valores Mobiliários Ltda.	(6)	-	-	-	-	-	-
Itaú Capitalização S.A.	(1)	514,000	2,140,021	-	36	-	-
Itaú Gestão de Ativos S.A.	(1)	163,500	210,566	3	-	6,123	-
Itaú Planejamento e Engenharia Ltda.	(7)	-	-	-	-	-	-
Itaú Turismo Ltda.	(1)	1,135	7,631	7,625	-	-	539,932
Itaucorp S.A.	(1)	555,000	1,290,113	1,259,851	21,542,083	7,065,064	-
Itaúsa Empreendimentos S.A.	(1)	29,000	49,390	99	2,604	-	-
Itaúsa Export S.A.	(1)	174,442	356,735	283,092	1,606,851,042	129,487,732	-

Itaúsa Portugal - Sociedade Gestora de Participações Sociais, S.A.	(1)	246,112	486,729	49,424	3,251,336	-	-
Itautec America, Inc.	(1)	5,385	5,184	-	1	-	-
Itautec Informática S.A.	(1)	85,750	102,439	-	2,956	289	-
Itautec Philco S.A.	(1)	220,501	278,045	147,553	155,411,437	-	-
Itautec.Com Serviços S.A.	(1) (8)	10,000	30,926	8	441	-	-
Jamaris Administração e Participações Ltda.	(1) (9)	50	50	50	-	-	4,999
Jurupis Administração e Participações Ltda.	(1) (9)	50	50	50	-	-	4,999
Pintassilgo Administração e Participações Ltda.	(10) (11)	-	-	-	-	-	-
PRT Investimentos S.A.	(1)	115,555	145,728	-	1,238	616	-
Seg - Part S.A.	(1)	1,500	1,188	983	15,228,167	-	-
Trend Shop S.A.	(1) (12)	3,700	3,563	-	52	-	-
Total		-	-	4,559,878	-	-	-

Companies	Participation in voting capital (%)	Participation in capital (%)	Adjusted net income for the year/period	Balance of operations between ITAUSA and subsidiaries and affiliates		Adjustments resulting from valuation	
				Assets/ (liabilities)	Income/ (expenses)	2000	1999
Adiboard S.A.	0,01	0,01	(1,595)	-	-	-	-
Antílope Administração e Participações S.A.	99,99	99,99	6,625	(7,5140) (13a)	-	101,144 (15a)	-
Banco Itaú S.A.	59,44	34,17	1,830,336	98,396 (13b)	(2,111) (14a)	503,723 (15b) (16a)	517,637 (18a)
Carnaubeiras Administração e Participações S.A.	-	-	-	-	-	(73)	-
Duraflora S.A.	0,76	2,42	2,159	-	-	373 (16b)	1
Duratex Comercial Exportadora S.A.	-	0,04	28,103	-	-	6 (16c)	-
Duratex Madeira Industrializada S.A.	-	-	-	-	-	14	10 (18b)
Duratex S.A.	62,41	31,05	66,654	-	-	17,042 (16d)	26,934 (18c)
Elekeiroz S.A.	3,84	3,84	12,018	61 (13b)	-	358	632
Elekpart Participações e Administração S.A.	1,97	1,97	5,932	17,324 (13c)	(386) (14b)	117	181

Guarará Administração e Participações S.A.	100,00	100,00	766	-	-	766	-
Intrag Distribuidora de Títulos e Valores Mobiliários Ltda.	-	-	-	-	-	-	(37)
Itaú Capitalização S.A.	0,01	0,01	333,328	-	-	-	-
Itaú Gestão de Ativos S.A.	-	0,01	971	-	-	-	1
Itaú Planejamento e Engenharia Ltda.	-	-	-	-	-	(366)	(159)
Itaú Turismo Ltda.	99,92	99,92	883	(620) (13d)	-	906	526
Itaucorp S.A.	99,06	98,88	229,686	70,030 (13b)	768 (14c)	261,685	233,28
Itaúsa Empreendimentos S.A.	0,35	0,35	4,029	-	-	-1	10
Itaúsa Export S.A.	100,00	77,77	75,142	27,715 (13c)	(3,644) (14b)	57,941	15,730
Itaúsa Portugal - Sociedade Gestora de Participações Sociais, S.A.	12,14	12,14	78,839	-	-	10,734 (17)	2,970 (17)
Itautec America, Inc.	0,01	0,01	549	-	-	-	-
Itautec Informática S.A.	0,01	0,01	5,523	-	-	-	-
Itautec Philco S.A.	89,97	89,97	60,148	398 (13e)	8 (14c)	55,490	9,516 (18d)
Itautec.Com Serviços S.A.	0,01	0,01	20,206	-	-	2	2
Jamaris Administração e Participações Ltda.	99,98	99,98	-	-	-	-	-
Jurupis Administração e Participações Ltda.	99,98	99,98	-	-	-	-	-
Pintassilgo Administração e Participações Ltda.	-	-	-	-	-	2	-
PRT Investimentos S.A.	0,01	0,01	10,655	(3,799) (13f)	(463) (14b)	(15)	-
Seg - Part S.A.	76,14	76,14	(123)	-	-	(93)	(15)
Trend Shop S.A.	0,01	0,01	(138)	-	-	-	-
Total	-	-	-	-	-	1,009,755	807,219
Total						1,009,755	807,219
OPERATING INCOME						1,012,415	801,610
OPERATING EXPENSES						(549)	(211)
NONOPERATIONAL INCOME						(8,914)	5,820
EXTRAORDINARY RESULTS (15A and B)						6,803	-

- (1) *Data related to December 31, 2000;*
- (2) *Investment acquired on May 2, 2000;*
- (3) *Investment acquired on December 26, 2000 and partially split on December 28, 2000 to Guarará Administração e Participações S.A. incorporation;*
- (4) *Duratex Madeira Industrializada S.A. successor, incorporated on July 1, 2000;*
- (5) *Company incorporated on December 28, 2000 after Carnaubearas Administração e Participações S.A. split;*
- (6) *Investment sold to Banco Itaú S.A. on August 31, 1999;*
- (7) *Investment sold to Banco Itaú S.A. on May 5, 2000;*
- (8) *New denomination of Itautec Componentes e Serviços S.A.;*
- (9) *Company incorporated on December 4, 2000;*
- (10) *Company incorporated on December 10, 1999;*
- (11) *Investment sold to Caixa Holding S.A. on August 1, 2000;*
- (12) *New denomination of Itaucom Projetos e Pesquisas S.A.;*
- (13) *(a) Loan contracts payable and interests on own capital receivable;*
(b) Interest on own capital receivable;
(c) Loan contracts receivable;
(d) Other credits;
(e) Securities;
(f) Loan contracts payable;
- (14) *(a) Administrative expenses and rental income;*
(b) Financial expenses;
(c) Financial income;
- (15) *(a) Includes nonoperational income originated from the operation with La Caixa”, in the amount of R\$ 95,809; and*
(b) Includes nonoperational expense originated from the acquisition by Banco Itaú, of private shares to treasury maintenance in the amount of R\$ 89,006, both segregated to Extraordinary results account, in accordance with Note 11;
- (16) *Includes nonoperational adjustments originated from the participation variation:*
(a) Expenses - R\$ 6,060;
(b) Income - R\$ 317;
(c) Expense - R\$ 4; and
(d) Expense - R\$ 3,168;
- (17) *Includes the total of exchange variance adjustment, being: R\$ 2,413 related to income of 2000 and R\$ 9,826 related to income 1999;*
- (18) *Includes nonoperational adjustment originated from the interest variation:*
(a) Expense - R\$ 2,227;
(b) Expense - R\$ 3;
(c) Income - R\$ 3,827; and
(d) Income - R\$ 4,223.

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Note 9 - Financial Instruments *(In thousands of reais)*

a. Derivatives

In relation to transactions involving derivatives ITAÚSA's subsidiaries have sought to meet the principal needs of its corporate clients, on managing the market risks occurred mainly as a result of fluctuations on interest and exchange rates, and have also invested in the development of internal control systems for the purpose of monitoring these risks in a timely manner. It is ITAÚSA's subsidiaries policy to minimize market risks resulting from derivative operations, avoiding assuming positions exposed to fluctuations of market factors and only employing instruments that permit risk control, which is exercised by an independent area.

Most of the derivative contracts negotiated with clients are swap, which are all registered at the BM&F or CETIP, involve prefixed rates, interbank deposits rates, exchange variations or price indices, BM&F future contracts of interbank rates and dollars are mainly used as instruments to hedge in financing rates offered to clients for maturities or in currencies which are incompatible with the resources used to fund these operations.

The notional values for these financial instruments are recorded in memorandum accounts, and the adjustments/premiums are recorded in balance sheet accounts.

The consolidated position for these financial instruments were as follows:

A. Recorded in balance sheet accounts:

- a. R\$ 38,874 on December 31, 2000 and R\$ 21,913 on December 31, 1999, in adjustments receivable through futures contracts;
- b. R\$ 4,019 on December 31, 2000 and R\$ 75,104 on December 31, 1999, in adjustments receivable through swap operations;
- c. R\$ 71,374 on December 31, 2000 and R\$ 11,453 on December 31, 1999 in net premiums paid on options operations;

B. Recorded in memorandum accounts:

- a. R\$ 4,515,275 on December 31, 2000 and R\$ 4,184,484 on December 31, 1999 and R\$ 10,716,084 on December 31, 2000 and R\$ 1,993,669 on December 31, 1999, related to commitments to buy and sell, respectively, of futures contracts;
- b. R\$ 11,960,741 on December 31, 2000 and R\$ 8,209,243 on December 31, 1999 and R\$ 11,956,722 on December 31, 2000 and R\$ 8,134,137 on December 31, 1999, related to the asset and liability positions, respectively, of swap operations;
- c. R\$ 817,826 on December 31, 2000 and R\$ 327,284 on December 31, 1999, R\$ 248,648 on December 31, 2000 and R\$ 188,349 on December 31, 1999, related to commitments to purchase, call and put positions, respectively;
- d. R\$ 554,554 on December 31, 2000 and R\$ 119,494 on December 31, 1999 and R\$ 723,665 on December 31, 2000 and R\$ 190,080 on December 31, 1999, related to commitments to sell, call and put position, respectively, on options operations.

b. Market value

The financial statements were prepared based on accounting criteria, which assume the normal continuity of the operations of ITAÚSA and its subsidiaries.

The recorded values to ITAÚSA CONSOLIDATED of each financial instrument, whether included or not in the balance sheet, when compared with the values that might be obtained in an active market or, in the absence of the same, using the net present value of adjusted discounted future cash flows, based on the prevailing market interest rate, are close to the corresponding market value, or its value is not available, except for the amounts included in ITAÚSA CONSOLIDATED, represented basically by ITAÚ and its direct and indirect subsidiaries shown as follows:

	Record value		Market value		Unrealized income (loss)	
	12.31.2000	12.31.1999	12.31.2000	12.31.1999	12.31.2000	12.31.1999
Interbank funds applied	8,725,295	7,240,167	8,730,590	7,264,024	5,295	23,857
Securities and derivatives	20,805,814	14,531,353	21,787,276	15,512,487	981,462	981,134
Securities	20,787,297	14,476,382	21,754,054	15,486,066	966,757	1,009,684
Derivatives-Differential receivable/payable	18,517	54,971	33,222	26,421	14,705	(28,550)
Loan operations	19,002,569	14,038,844	19,009,738	14,044,253	7,169	5,409
Investment in Banco Português de Investimento SGPS S.A.	258,171	143,774	595,723	539,797	337,552	396,023
Other investments	376,820	352,309	378,770	352,227	1,950	(82)

Funding obtained by subsidiaries	49,072,886	36,669,837	48,965,373	36,524,173	107,513	145,664
Borrowings	989,129	913,252	982,496	906,971	6,633	6,281
Treasury shares	320,461	391,953	527,951	672,483	207,490	280,530
					1,655,064	1,838,816

This table does not include any earnings on shares in publicly traded subsidiaries, since they are considered permanent.

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

- Interbank deposits, certificates of bank deposits and mortgage securities - the latter two included in "Securities" - were determined on the basis of their nominal values, monetarily corrected to maturity and discounted to present value, using interest futures market rates, 354-day swap market rates for prefixed securities, and fixed interest securities market rates for post-fixed securities, published in Gazeta Mercantil on January 2, 2001;
- Public securities, included in "Securities", were determined on the basis rates obtained on the market, confirmed to information provided by the National Association of Open Market Institutions (ANDIMA);
- Investment fund quotas, included in "Securities", were determined on the basis of value per quota on the balance sheet date;
- Publicly traded shares, when included in "Securities", were valued using the average price quota of the last trading day of the month, if available, or on the basis of the most recent quotations for the companies' shares published in the Daily Bulletin of each Stock Exchange;
- Loan operations with maturities of over 90 days were calculated on the basis of their net present value, determined by means of future cash flows discounted, using market interest rates on the balance sheet date, when available; the effects of hedges (swap contracts) are also taken into account;
- Other investments and equity share in affiliates - Foreign are determined on the basis of stock market quotations or book value per share and auction quotation;
- Long-term time deposits, interbank deposits, acceptances and debentures, when available, were calculated on the basis of their present value, determined by means of future cash flows discounted, using interest futures market rates, 354-day swap market rates for prefixed securities, and fixed income securities market rates for postfixed securities published in Gazeta Mercantil of January 2, 2001. The effects of hedges (swap contracts) are also taken into account;
- Derivatives related to swaps contracted to hedge of other assets and liabilities are determined on the basis of reference values for each parameter set forth in the contracts (both parties), monetarily corrected through maturity, and discounted to present value using interest future market rates, according to the

characteristics of each contract;

- Treasury shares are valued according to the average quotation available on the last trading day of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the Daily Bulletin of each Stock Exchange.



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Note 10 - Revaluation of Assets - CVM Deliberation 183 *(In thousands of reais)*

The administration of ITAÚSA and its subsidiaries and affiliates opted to adopt the method of monetarily corrected cost in valuing their assets. The revaluations determined by subsidiaries in prior periods were maintained net of taxes and contributions, in accordance with Item 68, option b, of CVM Deliberation 183/95.

The realization of these reserves has not been generating relevant effects on the accounting, corporate or fiscal records.

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Note 11 - Extraordinary Results *(In thousands of reais)*

For a better analysis of the financial statements for 2000, the extraordinary results related to non recurring income and expenses have been segregated, net of the respective taxes (income tax and social contribution), as follows:

	ITAÚSA CONSOLIDATED 2000			
	Itaúsa	Controlling company	Minority	Group
• Tax credits - BANESTADO	224,096 (a)	815,622	933,298	1,748,920
• Goodwill amortization	-	(665,467)	(666,120)	(1,331,587)
BANESTADO	-	(591,526)	(637,394)	(1,228,920)
BPI	-	(61,310)	(23,156)	(84,466)
Lineinvest Participações S.A.	-	(3,520)	(3,794)	(7,314)
Other subsidiaries	-	(9,111)	(1,776)	(10,887)
• BANESTADO adjustments	(225,438)	(225,438)	(298,041)	(523,479)
Provision for operational restructuring	(150,853) (a)	(150,853)	(199,147)	(350,000)
Adjustments of accounting criteria	(37,260) (a)	(37,260)	(49,620)	(86,880)
Coverage of actuarial liability insufficiency of FUNBEP - Multisponsored Pension Plan	(37,325) (a)	(37,325)	(49,274)	(86,599)
• Result of Union Carbide do Brasil S.A. disposal	(20,542) (a)	(17,255)	20,878	3,623
• Additional for service period - Indemnity from a specific clause in the Collective Agreement for Employees of the Banking Sector	(16,933) (a)	(16,933)	(18,252)	(35,185)
• IRB funding	7,113 (a)	7,113	8,302	15,415
• Nonoperational earning ("La Caixa"), in accordance with relevant event disclosed on August 2, 2000	95,809 (b)	95,809	-	95,809
• Earning in the interest variation/or at IPI - Itaúsa Portugal Investimentos, SGPS Ltda.	-	11,856	(11,856)	-
• Acquisition of shares to ITAÚ treasury	(125,369) (c)	(125,369)	(413)	(125,782)
Extraordinary result	(61,264)	(120,062)	(32,204)	(152,266)

- (a) *Effects through equity accounting;*
- (b) *Own effect;*
- (c) *Own effect and through equity accounting.*



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Note 12 - Relevant Subsequent Event *(In thousands of reais)*

In accordance with Relevant Event Communication disclosed on February 15, 2001 by ITAÚSA. Caja de Ahorros y Pensiones de Barcelona ("La Caixa") expanded even more its alliance, which started in the past, increasing its interest at ITAÚ capital, in order to reach 3% of the total capital, represented by common and preferred shares.

This operation will generate, at ITAÚSA, an effect over the net profit of 2001 of R\$ 225 million.

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Note 13 - Supplementary Information *(In thousands of reais)*

a. Insured assets

ITAÚSA and its subsidiaries, despite the reduced degree of risk, because it does not physically concentrate its assets, adopts the policy of insuring its assets at amounts considered adequate to cover possible risks (against fire and theft, as applicable).

b. Guarantees given by ITAÚSA

Represented by endorsements, sureties and other guarantees, as follows:

	12.31.2000	12.31.1999
Duratex	218,377	206,466
Elekeiroz	29,128	14,996
Itautec Philco	4,201	10,092
Elekpart	436	-
Itaú Turismo	113	-
TOTAL	252,255	231,554

c. Supplementary Retirement Plan (PAC)

ITAÚSA and its subsidiaries sponsor complementary pension plans managed by Fundação ItaúBanco, Fundação Duratex, Fundação Bemge de Seguridade Social - FASBEMGE and Aricanduva Previdência (closed private pension funds), for the purpose of granting lifetime income (in the case of FUNBEP and the FASBEMGE plan, also for the purpose of death pension) to complement the retirement pension paid by social security. The contributions amounted to R\$ 239 (R\$ 125 in 1999) in ITAÚSA and R\$ 76,071 (R\$ 40,656 in 1999) in ITAÚSA CONSOLIDATED. The actuarial liabilities are calculated in accordance with the actuarial models established in the plans' technical notes, which call for compound capitalization and defined benefits, and are fully covered by the technical provisions for expired and unexpired risks. The contribution rate increases in accordance with the participant's salary.

d. Liquidity

The situation of liquidity of the Company on December 31, 1999 resulted basically by the borrowings entered to fund the purchase of own shares to hold in treasury, occurred on November 1999, as described in Note 6a.

This situation was, partially, reverted during 2000, with capital increase on January 2000 (Note 6a) and with the dividends and interest on capital to be received from its subsidiaries.

e. Taxes and contributions

During 2000, R\$ 1,967,887 (R\$ 2,143,161 in 1999) were collected or provisioned in ITAÚSA CONSOLIDATED, related to taxes and contributions of income, revenues and salaries. Moreover, taxes on financial intermediation were collected from clients in the amount of R\$ 3,112,382 (R\$ 2,470,167 in 1999) in ITAÚSA CONSOLIDATED.



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Note 14 - Assets and Liabilities in Foreign Currency *(In thousands of reais)*

On December 31, 1999 balances denominated in foreign currency were as follows.

	12.31.2000	12.31.1999
Foreign permanent investments	3,842,118	2,757,142
Net value of assets and liabilities in a foreign currency, including derivatives	(1,315,987)	(310,214)
Net accounting position	2,526,131	2,446,928



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Independent Auditor's Report

The Administrative Council and Stockholders
Itaúsa - Investimentos Itaú S.A.
São Paulo - SP

We have examined the balance sheets of Itaúsa - Investimentos Itaú S.A. (ITAÚSA) and the consolidated balance sheets of Itaúsa - Investimentos Itaú S.A. and its subsidiaries (ITAÚSA CONSOLIDATED) as of December 31, 2000 and 1999, and the related statements of income, changes in stockholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by management of the Company and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and the consolidated financial position of Itaúsa - Investimentos Itaú S.A. and its subsidiaries as of December 31, 2000 and 1999, and the results of its operations, changes in its stockholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices derived from the Brazilian Corporation Law.

São Paulo, March 8, 2001

Auditores Independentes
CRC 2SP014428/O-6

José Marcelo Bessan
Accountant - CRC 1SP129705/O-0

Cláudio Rogério Sertório
Accountant - CRC 1SP212059/O-0

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The Fiscal Council's Report

The effective members of the Fiscal Council of Itaúsa – Investimentos Itaú S.A., after examining the Management's Report and the financial statements referring to the period ended on December 31, 2000, confirm the exactitude of all of the elements analyzed, which accurately reflect the patrimonial situation, the financial position and the activities developed in the period, recommending that they be approved by the Administrative Council of the Corporation.

São Paulo, March 8, 2001

President

José Marcos Konder Comparato

Councilors

Geraldo de Camargo Vidigal

João José Caiafa Torres

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