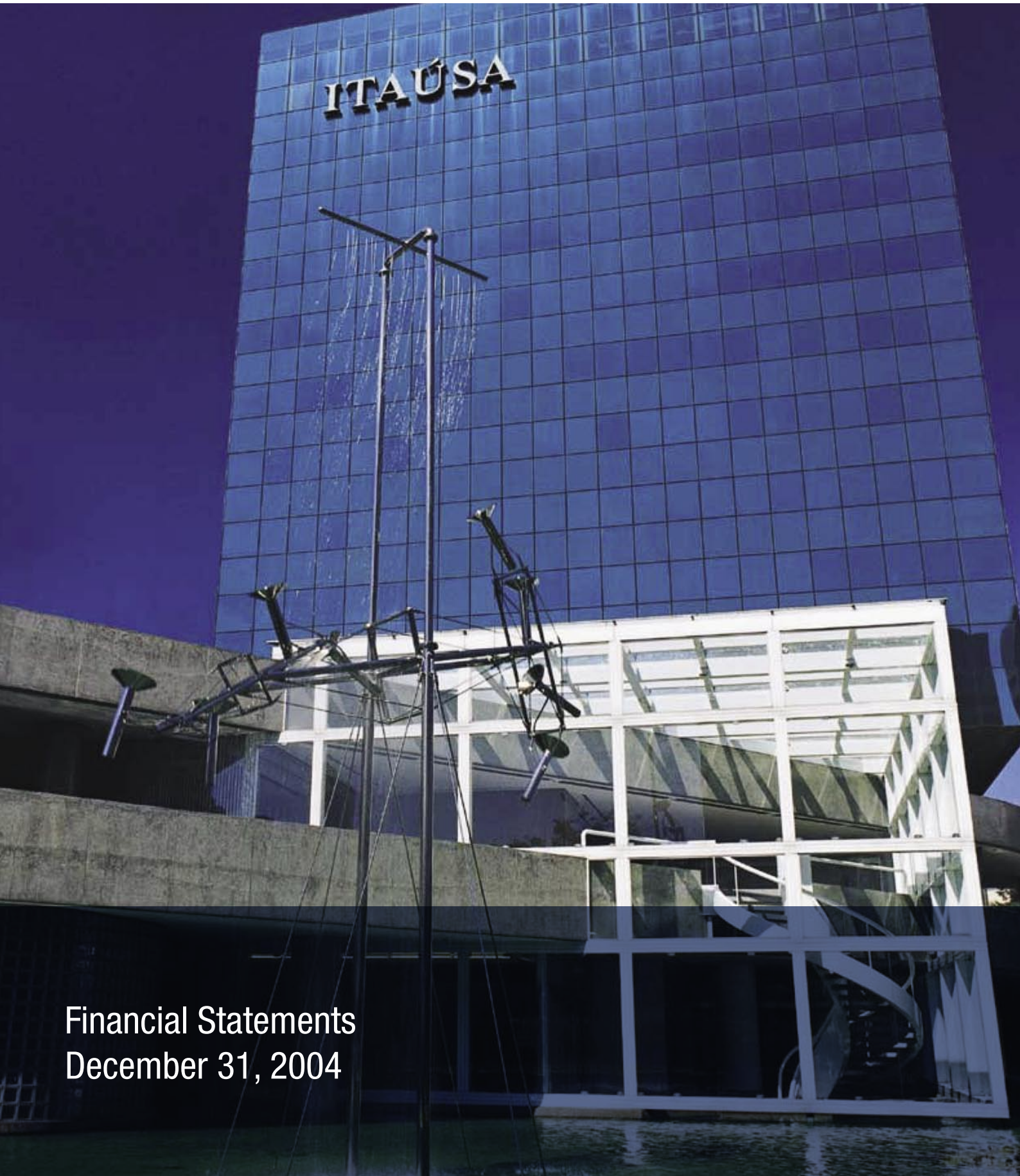


# ITAÚSA - INVESTIMENTOS ITAÚ S.A.



Financial Statements  
December 31, 2004

## **ITAÚSA INVESTIMENTOS ITAÚ S.A.**

### **MANAGEMENT REPORT– 2004**

#### **To our Stockholders**

We are pleased to present the Management Report and financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries for the year 2004, which have been prepared in accordance with Corporate Legislation and the regulations of the Brazilian Securities Commission (CVM). They have also received the favorable opinion of the Fiscal Council.

#### **THE ECONOMY**

The growth of the economy in 2004 was the largest in the last ten years, exceeding 5.0%. The GDP recovery, resulted in an increase in employment and income, with the creation of approximately 1.5 million jobs until December and higher demand for goods and services. The year was also highlighted by a strong investment upturn, posting an 10.9%, as well as an increase in exports, with a historical surplus of US\$33.7 billion in the balance of trade and US\$11.7 billion in current account (2% of GDP).

Another positive factor was the decrease in inflation measured by the Broad Consumer Price Index (IPCA) to 7.6%. The Central Bank's inflation target for 2005 is 5.1%. Accordingly, the efforts to reduce inflation were intensified in September, causing Brazil's base rate ("SELIC") to reach 17.75% in December.

Despite the reversal of the interest rates downward trend, free credit grew 12.7% to R\$271.9 billion (14.8% of GDP) in December 2004 from R\$241.3 billion (14% of GDP) in December 2003. There was also a 19.8% increase in loans to individuals. Loans to businesses increased 8.1%. The increase in loan transactions was concurrent with a decrease in delinquency: from 13.8% to 11.7% among individuals and from 4.0% to 3.1% among businesses, numbers that suggest positive prospects.

In 2005, development will depend on the continuity of the governments' fiscal adjustment and the foreign trade performance. In 2004, the fiscal adjustments increased the primary surplus from 4.25% to 4.61% of GDP. This fact caused a decrease in public debt as compared to the GDP - from 57.0% in January to 51.8% in December - and the public deficit accumulated in the 12 months was less than 3.0% of GDP for the first time since 1994.

Today, we believe that the Brazilian economy is less vulnerable to foreign risks, such as dollar devaluation, oil price hikes, and possible drops in the prices of exported commodities.

## OPERATIONS OF ITAÚSA

Itaúsa, a pure open capital holding company, centralizes the financial and strategic decisions of its subsidiaries, while preserving the operational autonomy of each business. The investments are diversified, but each business has its strategic business focus.

### MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R\$ thousand

	Parent company		Minority stockholders		Conglomerate	
	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003
<b>Total net income</b>	<b>1,962,392</b>	<b>1,561,263</b>	<b>2,106,997</b>	<b>1,716,021</b>	<b>4,069,389</b>	<b>3,277,284</b>
Recurring net income	2,646,772	1,823,275	2,686,890	2,014,894	5,333,662	3,838,169
Extraordinary results	(684,380)	(262,012)	(579,893)	(298,873)	(1,264,273)	(560,885)
Stockholders' equity	<b>8,879,419</b>	<b>7,636,181</b>	<b>8,319,458</b>	<b>7,123,403</b>	<b>17,198,877</b>	<b>14,759,584</b>
<b>Annualized return (net income/stockholders' equity)</b>	<b>22.10</b>	<b>20.45</b>	<b>25.33</b>	<b>24.09</b>	<b>23.66</b>	<b>22.20</b>
Dividends/Interest on own capital	<b>696,775</b>	<b>613,283</b>	<b>777,832</b>	<b>614,689</b>	<b>1,474,607</b>	<b>1,227,972</b>

### MAIN FINANCIAL INDICATORS

	12/31/2004	12/31/2003	Change %
<b>Results per lot of 1,000 shares - in whole R\$</b>			
Net income	608.58	486.66	25.05
Book value	2,753.68	2,380.29	15.69
Price per common share (ON) (1)	4,578.75	3,303.85	38.59
Price per preferential share (PN) (1)	4,509.52	3,214.50	40.29
Market capitalization (2) - in thousands of R\$	14,624,742	10,418,238	40.38

(1) Based on the average quote during the month of December of each year.

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

## MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

R\$ thousand

	Year	FINANCIAL AND INSURANCE AREA		INDUSTRIAL AREA			CONSOLIDATED / CONGLOMERATE (2)
		Banco Itaú Holding Consolidated	Insurance, pension plan and capitalization (1)	Duratex	Itautec Philco	Elekeiroz	
<b>Total assets</b>	<b>2004</b>	<b>130,338,643</b>	<b>15,302,720</b>	<b>1,812,552</b>	<b>949,165</b>	<b>492,463</b>	<b>134,232,984</b>
	2003	118,737,862	11,228,307	1,668,115	982,973	440,961	122,330,235
<b>Operating revenue (3)</b>	<b>2004</b>	<b>30,063,311</b>	<b>7,518,958</b>	<b>1,188,226</b>	<b>1,502,491</b>	<b>703,971</b>	<b>33,775,017</b>
	2003	24,791,306	5,883,143	989,602	1,275,581	554,860	27,801,294
<b>Net income</b>	<b>2004</b>	<b>3,775,616</b>	<b>736,950</b>	<b>125,293</b>	<b>22,527</b>	<b>70,839</b>	<b>4,069,389</b>
	2003	3,151,820	664,553	64,017	10,403	37,187	3,277,284
<b>Stockholders' equity</b>	<b>2004</b>	<b>13,971,082</b>	<b>3,246,204</b>	<b>990,436</b>	<b>326,990</b>	<b>287,436</b>	<b>17,198,877</b>
	2003	11,879,208	2,427,419	936,591	313,178	235,020	14,759,584
<b>Annualized return (Net income/ Stock</b>	<b>2004</b>	<b>27.02%</b>	<b>22.70%</b>	<b>12.65%</b>	<b>6.89%</b>	<b>24.65%</b>	<b>23.66%</b>
	2003	26.53%	27.38%	6.84%	3.32%	15.82%	22.20%
<b>Permanent assets</b>	<b>2004</b>	<b>3,118,823</b>	<b>1,593,149</b>	<b>1,156,683</b>	<b>169,860</b>	<b>225,074</b>	<b>4,627,885</b>
	2003	3,208,592	1,368,116	1,104,146	197,089	216,516	4,676,623
<b>Investments in the period</b>	<b>2004</b>	<b>2,015,902</b>	<b>106,321</b>	<b>139,343</b>	<b>32,299</b>	<b>29,876</b>	<b>2,173,204</b>
	2003	1,261,935	455,085	172,850	29,183	10,448	1,447,529
<b>Internal fund generation (4)</b>	<b>2004</b>	<b>9,587,404</b>	<b>2,854,244</b>	<b>212,741</b>	<b>83,851</b>	<b>86,896</b>	<b>10,016,024</b>
	2003	8,774,634	2,529,777	138,884	78,531	56,201	9,000,791
<b>Dividends paid</b>	<b>2004</b>	<b>1,372,564</b>	<b>212,460</b>	<b>58,110</b>	<b>8,715</b>	<b>20,414</b>	<b>1,474,607</b>
	2003	1,107,949	194,009	25,700	8,715	11,020	1,227,972
<b>Personnel expenses</b>	<b>2004</b>	<b>3,573,445</b>	<b>128,000</b>	<b>240,415</b>	<b>259,275</b>	<b>55,092</b>	<b>4,146,613</b>
	2003	3,376,103	122,047	215,011	213,253	40,230	3,862,780
<b>Voluntary benefits</b>	<b>2004</b>	<b>258,065</b>	<b>14,940</b>	<b>14,704</b>	<b>6,883</b>	<b>5,503</b>	<b>285,183</b>
	2003	191,344	9,910	14,343	5,963	3,164	214,662
<b>Number of employees</b>	<b>2004</b>	<b>45,316</b>	<b>2,009</b>	<b>5,951</b>	<b>5,234</b>	<b>787</b>	<b>57,288</b>
	2003	42,450	1,871	5,829	5,046	770	54,095
<b>Taxes paid and provisioned</b>	<b>2004</b>	<b>3,362,678</b>	<b>300,767</b>	<b>288,951</b>	<b>135,354</b>	<b>20,221</b>	<b>3,886,996</b>
	2003	2,606,985	244,131	223,237	155,752	35,949	3,070,980

(1) Data related to insurance, pension plan and capitalization companies are consolidated in Banco Itaú Holding Financeira S.A. and are also presented separately to highlight them.

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

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

- Banco Itaú Holding Financeira S.A.: totality of Income from financial intermediation, Income from services rendered, Income from insurance premiums, Capitalization and Pension plans and other operating income.
- Insurance, pension plan and capitalization: taking into consideration Income from insurance premiums, Capitalization, Pension plan, Financial income and Capital gains.
- Duratex, Itautec Philco and Elekeiroz: taking into consideration Net revenue from sales of products and/or services.

(4) Covers resources arising from operations:

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

## FINANCIAL AREA

### Banco Itaú Holding Financeira

Banco Itaú Holding Financeira (Itaú), the organization responsible for controlling all activities of the Itaúsa conglomerate related to the financial services area, has always valued its long-term strategic vision focused on profitability and in the creation of shareholder value. In 2005, our major points of focus will be the expansion of the individual and small business and middle market loan portfolios and cost management aimed at higher efficiency.

Itaú Holding's activities in the consumer credit area have been greatly reinforced in 2004 through three large operations: (i) the startup of the finance company Taií, with its own brand name and identity, operating in its own stores to provide consumer financing to non-account holders from the lower-middle and lower classes; (ii) the partnership with Companhia Brasileira de Distribuição (CBD), of the Pão de Açúcar Group, which offers exclusive financial products and services to the customers of the 555 CBD stores; and (iii) the increase in our interest in Credicard, assuming the leadership among credit card issuers with market share of approximately 20%. With this transaction Itaú's credit card base increased to 3.8 million. Itaú's investment in Orbitall, a credit card processing company, was increased from 33.33% to 100%.

Itaú Holding and Banco BMG signed a cooperation agreement with the objective of increasing the focus of the institutions on the individual segment. We also signed a contract with Banco InterCap S.A. for the acquisition of its car financing portfolio to individuals and its credit promotion company.

At the end of 2004, Itaú Holding's balance showed strong capitalization, clear revenue diversification, solid cost management, and a conservative risk management policy.

Itaú is still the financial institution with the highest stock market value in Latin America, reaching R\$ 44.1 billion, a 44.8% increase in the year.

At the end of 2004, the Bank's service network reached 3,073 branches and 653 bank service posts operating inside corporate customers. The ATM network totaled 21,150 units. The transactions by ATM, telephone, fax, internet, automatic debit system, and debit card purchases, totaled over two billion transactions. In 2004, the Bank invested more than R\$ 1 billion in IT.

The Itaú brand was considered again the most valuable brand in Brazil, according to a study made by the British consultants Interbrand. The value of the Itaú brand increased from US\$ 1,093 million in 2003 to US\$ 1,204 million in 2004. Another highlight is the recognition of Itaú as the most admired company in Brazil, according to Interscience and Carta Capital Magazine. Itaú was the leader in the retail banking, insurance company and private pension plan categories.

The April 28, 2004 Extraordinary and Annual General Meeting approved the creation of a single Audit Committee for the entire Itaú Financial Conglomerate, following the requirements of Resolution 3,198 of the National Monetary Council, the Sarbanes - Oxley Act and the Securities and Exchange Commission (SEC), due to the trading of Itaú Holding's shares on the New York Stock Exchange (NYSE). Three outside members were appointed to the Committee: director Carlos da Câmara Pestana, as Committee Chairman, and directors Alcides Lopes Tápias and Tereza Cristina Grossi Togni. The latter will be the Committee's financial expert because of her proven knowledge in the accounting and audit areas.

### ITAÚSA PORTUGAL

The holding company Itaúsa SGPS, S.A. concentrates the conglomerate's financial activities in the European Union, consolidated assets of which totaled, at the end of the year, €2.4 billion (R\$ 8.7 billion), 6% higher than in 2003. Consolidated net income and consolidated stockholders' equity reached €29.5 million (R\$106.8 billion) and €316.2 million (R\$ 1,144 million), respectively, with a return on equity of 9.6%. Itaúsa Portugal fully owns the capital of Banco Itaú Europa S.A., headquartered in Lisbon. This, in turn, owns 100% of the capital stock of Banco Itaú Europa Luxemburgo S.A. and 51% of the 16.1% share that the Itaú Group holds in BPI S.A.

The positive results of Banco Itaú Europa in 2004 reinforce its strategic direction, evidenced by the growth in assets and return, the significant liquidity, and the high solvency rates.

The expansion in different business areas allowed the Bank to diversify its sources of income. This output was enhanced by the financial margin on loan transactions and in particular the performance of the capital market area, the treasury area, international private banking, and the interest held in Banco BPI. Net income reached €30 million (R\$ 109 million), a 27.1% increase over 2003. The efficiency ratio was 32.4%.

Banco Itaú Europa's consolidated businesses, including assets and guarantees, reached €2,719 million (R\$ 9,841 million), a 13.9% increase over 2003. Highlights were corporate loan transactions that reached US\$ 720 million (R\$ 1,911 million). Itaú Europa has been operating in concert with the market segmentation structure dynamics of the Itaú Group, by increasing its corporate and middle market client base, offering structured foreign trade and capital market products, and supporting the investments of European companies in Brazil.

The investment grade status of the Bank has allowed the diversification of liabilities by issuing medium- and long-term Eurobonds in the international capital market with competitive terms to support its clients' business flows. In July 2004, Itaú Europa, led together with ING and HypoVereinsbank, led the placement of a three-year Eurobond of €200 million (R\$ 728 million). This transaction's success was also due to the support of the Bank's capital market desk in London.

The contribution of and the synergies obtained by the merger of Itaú Europa Luxemburgo into the Bank accounted for 26.6% of the Bank's banking output. This subsidiary maintained its policy of expanding its private client base. At the end of 2004, managed assets reached US\$ 2.1 billion (R\$ 5.6 billion).

Finally, at the end of 2004, the associated company BPI, the holding company of one of the most important Portuguese banking groups, recorded consolidated assets of €24 billion (R\$ 87 billion) stockholders' equity of €1.2 billion (R\$ 4.3 billion), and net income of €174 million (R\$ 630 million).

## INDUSTRIAL AND REAL ESTATE AREA

### Duratex

Consolidated gross revenues reached R\$ 1,580.6 million and net revenues R\$ 1,188.2 million, an increase of 26.0% and 20.1% over 2003, respectively. Exports totaled US\$ 57.5 million, a 23.7% increase as compared to 2003. Operating results before financial income and expenses increased 43.0%, to R\$ 237.2 million; operating cash generation, under the EBITDA concept, totaled R\$ 311.4 million, 38.6% higher than in 2003; net income was R\$ 125.3 million, a 95.7% increase over 2003, resulting in a return on equity of 12.6%, which is a significant improvement compared to the 6.8% in 2003.

In 2004, the market price of Duratex preferred shares increased 49.4%, while the Ibovespa increased 17.8%. The company made major changes in its by-laws: gradual removal of founders' shares, increase in minimum dividends to from 25% 30% of adjusted net income, and removal of priority dividends of 8% on the Company's capital attributed to preferred shares.

In 2004, R\$ 171.4 million was invested, R\$ 136.8 million of which refers to the purchase of fixed assets, in particular for expansion of the Ceramics II unit in Jundiaí (SP); new low pressure laminates line in Botucatu; equipment for the production of particleboard panels with a superfine finish suitable for painting; and the purchase of 4,100 hectares of land in the Botucatu and Itapetininga regions, in the state of São Paulo.

### Wood Division

Boosted by higher domestic demand and export growth, the Wood Division posted net revenues 23.0% higher than in 2003, totaling R\$ 807.2 million. This result is due to the 16% increase in the volume of products shipped and the price adjustments made throughout the year. Exports grew 21.2%, to US\$ 52.8 million. The exports of InterD+ furniture reached US\$ 3.0 million, compared to US\$ 900 thousand in 2003.

### Deca Division

The net revenues of the Deca Division grew 14.2% as compared to 2003, totaling R\$ 381.0 million. The increase in revenues is a consequence of price adjustments, since volume shipped grew only 3.2% compared to 2003, which reflects this sector's current difficulties. Exports increased 62% to US\$ 4.7 million. Of this total, US\$ 3.6 million relate to sales of sanitary porcelain fixtures.

At the end of the year, the Division took several operational and result improvement actions that caused an extraordinary operating negative impact of R\$ 1.9 million on operating income, fully recognized in the 2004 financial statements.

### Itautec Philco

In 2004, gross revenue from sales and services of Itautec Philco reached R\$ 1,760.4 million, 21.5% higher than in the previous year. Aggregate net income was R\$ 22.5 million. EBITDA was R\$ 114.9 million, an 18.2% increase over 2003.

The company's aggregate investments under the PAR - Resource Investment Plan were R\$ 131.5 million in the year, including the investment of R\$ 55.6 million in technology development.

In 2004, Itautec Philco's revenues abroad grew 26.5%, totaling R\$ 88.1 million. The subsidiaries in Argentina, Ecuador, Mexico, the United States, Portugal, and Spain employ over 100 people and show good growth prospects.

Gross revenue in the Solution & Automation area was R\$ 338.4 million, 14.6% higher than in 2003.

The Banking Automation segment shipped 5,800 ATMs. The highlight was the installation of the first bank branch to use Securityway, the system that centralizes the management of access authorizations to ATMs and restricted branch areas.

In 2004, the shipped volume of Commercial Automation equipment increased 42%, reaching 9,500 units. The company shipped 2,600 self-service machines, including approximately 1,000 InfoMusic machines shipped to Europe.

Itec S.A.'s gross revenue increased 47% to R\$ 69.4 million, causing a significant improvement in its results. We highlight the 73% increase in billings in Argentina and the startup of the Ecuador operation.

For the fourth year in a row, Itaotec was awarded the iF Design award, the most important international design award, at the Hannover Fair, this time for its "Mini PoS", a compact, versatile terminal for front cashier, and "Tira-Teima.Net", product aimed at expedite and simplify the consultation of product prices through barcode reading.

Gross revenue of the Information Technology area increased 7% to R\$ 407.0 million. In the PCs & Mobiles segment, this BU shipped 117,000 units and 3,700 servers.

Gross revenue of Philco reached R\$ 550.6 million, a 28.6% increase as compared to 2003, from the shipment of 1,136,000 units. Philco continued to prioritize a better production mix, increasing its focus on high-end, higher value added products, and posted an 183% increase in the volume of TVs sold and 108% in DVD players.

Gross revenue of the Services division reached R\$ 249.9 million, 20.8% higher than in 2003. This area is strengthening its operations in the security segment, in particular with the Closed Circuit TV (CCTV) and in the infrastructure segment, using structured cabling systems.

Gross revenue of the Components BU grew 55.2% to R\$ 214.5 million. Gross revenue of Semiconductors reached R\$ 125.7 million, with the shipment of 744,000 memory modules. In the Board BU, gross revenue increased 26.3% to R\$ 88.8 million. The consolidation of the Multilayer product, well accepted by the automotive industry, contributed to these results.

## **Elekeiroz**

Elekeiroz operated three industrial units, Camaçari (Bahia) and Várzea Paulista and Taubaté (São Paulo), that produce: alcohols (octanol, butanol, and isobutanol), plasticizers, phthalic anhydride, maleic anhydride, fumaric acid, unsaturated polyester resins, formaldehyde, urea formaldehyde concentrate, sulfuric acid and carbon disulphide. Total shipments decreased 4%, reaching 485,000 tones. Total shipments for the domestic market reached 440,000 tones, where organic product shipments increased 8% to 196,000 and the shipments of inorganic products decreased 12% to 244,000. Direct exports were 45,000 tones, a 6% decrease.

The Company initiated its modernization, rationalization and automation work in the Camaçari complex, with forecasted investments of R\$ 170 million over three years, funded by the BNDES (Brazilian Development Bank) and BNB – Banco do Nordeste do Brasil. This investment also includes implementing a new ethyl hexanoic acid 2 production line, using own technology, with initial capacity of 5,000 tones a year, which will start operating in the second quarter of 2005. This product, currently imported, is used in paint and varnish production, a segment where Elekeiroz holds an important position.

Investments made totaled R\$ 30 million in 2004, in particular for the automation of the sulfuric acid unit during the biannual programmed stoppage in Várzea Paulista.

In November, Elekeiroz entered into a technology cooperation agreement with DSM Composite Resins AG, a leading company in Europe in the unsaturated polyester resin production segment, which is filed with the Brazilian Industry Property Institute (INPI).

The Company reinstated the discussions with Petrobras related to the manufacturing complex for acrylic acid and super absorbing polymers, products that are currently imported.

The Extraordinary Shareholders' Meeting, held on December 30, approved a capital increase of R\$ 10.7 million, with the capitalization of reserves, without issuing any new securities.

The prices of petrochemical raw materials increased significantly, from 17% to 78%, which exerted a strong pressure on the entire production chain. At Elekeiroz, the average increase of 42% in the price per tone shipped, the increase in the share of organic products shipments, productivity gains resulting from investments made, and cost cutting actions all resulted in the improvement of margins and related indicators of the Company's results.

In the table below, we present the main indicators of the Elekeiroz.



	<i>R\$ million</i>		
	<b>2004</b>	<b>2003</b>	<b>Change %</b>
Gross revenue	886	652	36
Export revenue	111	97	14
Operating result	93	47	99
Net profit	71	37	91
EBITDA	126	84	49
Annualized return (%)	24.6%	15.8%	

### **Itaúsa Empreendimentos**

After three years of recession, civil construction started to grow again in 2004. In the city of São Paulo, the volume of sales of residential units increased 40% in the year, and the production of civil construction inputs increased 5.5%. Protection mechanisms increased the guarantees in the system thus increasing the funding available to the real estate market.

The office market confirmed the growth trend with the occupation of new office space. Prices are still depressed by a low occupancy rate.

Aggregate sales in the Raposo Shopping mall grew 7.6% in the year. In 2005, the investment program for expansion of the mall and restructuring of the store mix will continue.

### **HUMAN CAPITAL MANAGEMENT**

Human capital management is a constant point of attention of the Group companies, which in the aggregate employed 57,288. In the period, investments in education, training and development programs totaled R\$ 49 million, including subsidies for employees' technical and university education.

Personnel compensation, including charges and benefits, totaled R\$ 3,399 million. The social benefits given to the employees and their dependents totaled R\$ 566 million and encompass supplementary retirement, meals, health and dental care, social assistance services, scholarships, leisure, sports and cultural activities, loans at subsidized interest rates, insurance, transportation vouchers, donations and special grants, etc.

Additionally, the Group companies' Profit Sharing Programs distributed to their employees an aggregate of R\$ 444 million in 2004.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

The Itaúsa Group companies uphold values that sustain their operations: respect for people, business ethics, focus on technology-based development of management and production, and continuous and sustainable creation of shareholder value.

The commitment of group companies to sustainable development affects the way we do business, taking into consideration social, environmental and economic dimensions. For the second consecutive year, Itaúsa was picked to be part of the Dow Jones Sustainability Index (DJSWI). Banco Itaú Holding Financeira has been part of this index since its inception in 1999. Only a selected group of 318 companies from 24 countries are part of the index, and only three are from Brazil: Itaúsa, Itaú, and Cemig. This index confirms the excellence of its management and its capacity to generate shareholder value.

Social responsibility principles are materialized in the people management policy, the incentive to improving quality of life, volunteer work and citizenship, and the social and cultural projects for the Community.

Among the relationships with the communities, we highlight at Duratex: the Tide Setubal Cabinetmaking School, maintained in partnership with Senai and the City of Agudos (SP), which trains cabinetmakers and is focused in developing a furniture industry in the region.

As regards social and cultural investments, we highlight the contribution of the Fundação Itaú Social and Instituto Itaú Social. In 2004, Fundação Itaú Social invested R\$ 19 million in own projects and partnerships, and in the support of welfare institutions, aligned with its focus on improvement in the quality of public education and public health services.

In line with its purpose to increase access to culture, Itaú Cultural promoted several events. The events at its headquarters on Avenida Paulista were attended by over 400,000 people. It promoted the Emoção Art.ficial 2.0 exhibition. Together with the Imperial Palace of Rio de Janeiro, Itaú Cultural inaugurated the “Tudo é Brasil” (It’s ALL Brazil) exhibition. The interview program “Jogo de Idéias” (Idea Game), produced by Itaú Cultural, was launched on TVE of Rio de Janeiro. The “Rumos” (Ways) Program received applications from all over Brazil and countries such as Germany, the United States, and Japan. We should also highlight the “Crônica na Sala de Aula” (Chronicle in the Classroom) project. During the year, Itaú Cultural investments totaled R\$ 25 million.

Because of its projects and initiatives focusing on corporate social responsibility, Itaú was chosen as the model company in the Good Corporate Citizenship Guide of Exame Magazine in 2004. Itaú Cultural was also mentioned in the guide for its “Crônica na Sala de Aula” (Chronicle in the Classroom) project.

The environmental management of Itaúsa’s industrial companies ensures the use of technologies that are not aggressive to the environment and the rational use of natural resources; the management of industrial waste; and environmental education programs for employees, suppliers, and the community.

As regards Duratex, we highlight the certification and recertification of forest areas, the purchase of filters, the completion of the wastewater treatment station in Agudos, SP, and waste disposal spending, in addition to the Piatan Environmental Living Area in Agudos, aimed at preserving local plants and animals and promoting environmental education for the local population.

Elekeiroz initiated the operations of its own 4-kilometer sewer pipeline connecting its industrial complex in Várzea Paulista to the CSJ - Companhia de Saneamento de Jundiaí wastewater treatment station. Through this project, Elekeiroz is contributing to an improvement of water quality in the Jundiaí river basin. In recognition of this project, the company received the social responsibility award granted by the magazine “Tintas e Vernizes” in the category Social Responsibility.

Reiterating their concern for the environment, Banco Itaú and Banco Itaú-BBA acceded to the Ecuador Principles. By adopting these Principles, these Banks agreed to comply with the social and environmental policy of the International Finance Corporation (IFC) in financing transactions over US\$ 50 million.

## **INDEPENDENT AUDITORS –CVM INSTRUCTION 381**

The policy of Itaúsa – Investimentos Itaú S.A., its subsidiary companies and group companies for the engagement of non-audit services from our current independent auditors is based on internationally accepted principles to preserve the independence of the auditor. These principles consist of: (a) the auditor should not audit his own work, (b) the auditor should not perform managerial roles for his client, and (c) the auditor should not promote the interests of the client.

During the period, PricewaterhouseCoopers Auditores Independentes was engaged by Banco Itaú Holding Financeira S.A. to provide audit related services to enable compliance with the rules set forth by the Sarbanes Oxley Act, Section 404, in the amount of R\$ 1,730 thousand, which represents 13.9% of total fees paid by the Group.

During this period, PricewaterhouseCoopers Auditores Independentes did not provide to Itaúsa - Investimentos Itaú S.A. or its subsidiary companies any services unrelated to the external audit which had fees that exceeded 5% of total external audit costs.

## **ACKNOWLEDGEMENTS**

The results of 2004 reflect our continuous search for enhancement of our products and services, which can only be done with the support of our shareholders, the partnership of our vendors and suppliers, and the trust of our customers and end consumers. To our employees and associates, we also wish to express our appreciation for their dedication to the organization that has led us to reach increasingly higher results.

**(Approved at the Meeting of the Board of Directors on March 7, 2005)**

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

(In thousands of reais)

ASSETS	12/31/2004	12/31/2003
<b>Current assets</b>	<b>101,660,453</b>	<b>89,959,199</b>
Cash and cash equivalents	2,035,381	2,342,549
Interbank deposits	19,147,670	20,994,785
Securities and derivative financial instruments	21,207,032	17,983,676
Interbank accounts of subsidiaries	10,616,762	8,199,097
Loan, leasing operations and other credits	32,721,041	27,103,625
(-) Allowance for loan losses	(1,560,188)	(1,634,029)
Inventories		
Products	488,202	436,970
Real estate	18,901	12,051
Other credits	16,390,558	13,983,339
(-) Allowance for loan losses	(86,794)	(90,068)
Other assets	269,911	274,856
Prepaid expenses	411,977	352,348
<b>Long-term receivables</b>	<b>27,944,646</b>	<b>27,694,413</b>
Interbank deposits	640,027	262,617
Securities and derivative financial instruments	8,708,194	11,588,408
Interbank accounts of subsidiaries	261,497	267,251
Loan, leasing operations and other credits	14,686,025	11,551,550
(-) Allowance for loan losses	(1,493,367)	(1,528,938)
Other credits	4,629,925	5,022,883
Other assets	3,481	9,013
Prepaid expenses	508,864	521,629
<b>Permanent assets</b>	<b>4,627,885</b>	<b>4,676,623</b>
Investments		
Investments in affiliates	775,225	794,452
Other investments	153,226	137,861
Fixed assets		
Property for own use	7,494,336	6,762,821
Leased properties	138,082	139,834
Forest reserves	88,769	87,800
(Accumulated depreciation)	(4,321,845)	(3,579,799)
Deferred charges		
Costs with organization and expansion	770,805	840,851
(Accumulated amortization)	(470,713)	(507,197)
<b>TOTAL ASSETS</b>	<b>134,232,984</b>	<b>122,330,235</b>

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

(In thousands of reais)

<b>LIABILITIES</b>	<b>12/31/2004</b>	<b>12/31/2003</b>
<b>Current liabilities</b>	<b>83,459,327</b>	<b>78,433,861</b>
Funds raised by subsidiaries		
Foreign currency	5,352,777	7,849,682
Domestic currency	42,258,548	36,950,334
Open market	10,505,459	13,527,728
Subordinated debts	67,456	76,821
Financial instruments and derivatives	1,091,296	626,517
Borrowings		
Foreign currency	299,677	363,630
Domestic currency	173,479	121,980
Statutory and social contributions	1,363,604	1,085,074
Taxes and social security contributions	1,457,421	1,598,833
Provisions and accounts payable	17,344,531	12,662,804
Interbank accounts of subsidiaries	1,078,234	777,635
Technical provisions for insurance, pension plan and capitalization	2,466,845	2,792,823
<b>Long-term liabilities</b>	<b>33,483,401</b>	<b>28,976,874</b>
Funds raised by subsidiaries		
Foreign currency	3,911,784	3,312,663
Domestic currency	4,376,579	5,241,109
Open market	5,592,959	3,404,481
Subordinated debts	4,697,884	4,736,750
Financial instruments and derivatives	114,403	155,832
Borrowings		
Foreign currency	42,242	54,918
Domestic currency	174,337	294,858
Taxes and social security contributions	2,737,871	2,130,603
Provisions and accounts payable	3,279,114	4,749,366
Technical provisions for insurance, pension plan and capitalization	8,556,228	4,896,294
<b>Deferred income</b>	<b>91,379</b>	<b>159,916</b>
<b>Minority interest</b>	<b>8,319,458</b>	<b>7,123,403</b>
<b>Stockholders' equity from parent company</b>	<b>8,879,419</b>	<b>7,636,181</b>
Capital	3,800,000	3,500,000
Capital reserves	27,560	26,948
Revaluation reserves	50,673	51,917
Retained earnings	4,849,453	3,820,113
Adjustment to market value - securities and derivatives	244,820	287,546
(-) Treasury shares	(93,087)	(50,343)
<b>Stockholders' equity of the Itaúsa Conglomerate</b>	<b>17,198,877</b>	<b>14,759,584</b>
<b>TOTAL LIABILITIES</b>	<b>134,232,984</b>	<b>122,330,235</b>

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

	01/01 to 12/31/2004	01/01 to 12/31/2003
<b>OPERATING REVENUE</b>	<b>33,775,017</b>	<b>27,801,294</b>
Sales of products and services	9,405,211	7,808,082
Insurance, pension plan and capitalization	6,368,403	5,164,128
Financial	10,066,082	8,357,273
Financial revenues of insurance, pension plan and capitalization	1,293,016	1,156,477
Securities	6,222,412	4,998,633
Equity in the earnings of subsidiaries	109,341	24,508
Other operating revenues	310,552	292,193
<b>OPERATING EXPENSES</b>	<b>(25,898,239)</b>	<b>(21,879,663)</b>
Cost of products and services	(2,414,212)	(2,065,580)
Insurance, pension plan and capitalization	(5,587,954)	(4,417,151)
Equity	(1,495,272)	(2,212,800)
Administrative	(6,989,653)	(6,668,415)
Management fees	(142,332)	(119,249)
Financial	(5,311,129)	(2,959,552)
Financial expenses on technical provisions for pension plan and capitalization	(967,065)	(703,204)
Other operating expenses	(2,990,622)	(2,733,712)
<b>OPERATING INCOME</b>	<b>7,876,778</b>	<b>5,921,631</b>
<b>NON-OPERATING RESULT</b>	<b>20,958</b>	<b>(130,284)</b>
<b>INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING</b>	<b>7,897,736</b>	<b>5,791,347</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	<b>(2,175,910)</b>	<b>(1,631,482)</b>
Due on operations for the period	(1,558,785)	(1,667,358)
Deferred related to temporary differences	(617,125)	35,876
<b>EXTRAORDINARY RESULTS</b>	<b>(1,264,273)</b>	<b>(560,885)</b>
Parent company	(684,380)	(262,012)
Relating to minority interest in subsidiaries	(579,893)	(298,873)
<b>PROFIT SHARING</b>	<b>(388,164)</b>	<b>(321,696)</b>
Employees - Law 10,101 of 12/19/2000	(292,168)	(229,895)
Directors - Statutory - Law 6,404 of 12/15/1976	(95,996)	(91,801)
<b>NET INCOME RELATING TO MINORITY INTEREST OF SUBSIDIARIES</b>	<b>(2,106,997)</b>	<b>(1,716,021)</b>
<b>NET INCOME OF PARENT COMPANY</b>	<b>1,962,392</b>	<b>1,561,263</b>
Net income relating to minority interest of subsidiaries	2,106,997	1,716,021
<b>NET INCOME OF ITAÚSA CONGLOMERATE</b>	<b>4,069,389</b>	<b>3,277,284</b>
NUMBER OF OUTSTANDING SHARES - in thousands	3,224,559	3,208,087
NET INCOME OF PARENT COMPANY PER THOUSAND SHARES - R\$	608.58	486.66
BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES - R\$	2,753.68	2,380.29

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

(In thousands of reais)

	01/01 to 12/31/2004	01/01 to 12/31/2003
<b>A - FINANCIAL RESOURCES WERE PROVIDED BY</b>	<b>10,862,738</b>	<b>8,489,163</b>
NET INCOME FOR THE YEAR	1,962,392	1,561,263
Items not representing movement of net working capital		
Minority interest	2,106,997	1,716,021
Depreciation and amortization	718,927	716,247
Equity in the earnings of subsidiaries, net of received dividends	(51,586)	(24,508)
Extraordinary result in subsidiary and affiliated companies	1,442,394	791,443
Allowance for losses	(7,259)	33,247
Foreign exchange variation of permanent assets	13,106	10,989
ADJUSTED NET INCOME	6,184,971	4,804,702
<b>FINANCIAL RESOURCES FROM STOCKHOLDERS</b>	<b>159,112</b>	<b>117,481</b>
Capital increase	158,500	116,700
Premiums on share subscription	612	781
<b>FINANCIAL RESOURCES FROM THIRD PARTIES</b>	<b>4,518,655</b>	<b>3,566,980</b>
Increase in long-term liabilities	4,506,527	2,180,894
Cost of disposed permanent assets	44,255	36,377
Cost of investment disposals	30,786	50,449
Write-offs and transfers of deferred assets	5,624	7,564
Decrease in long-term receivables	-	669,393
Change in minority stockholders, net	-	573,838
Change in deferred income	(68,537)	47,371
Tax incentives	-	1,094
<b>B - FINANCIAL RESOURCES WERE USED FOR</b>	<b>4,186,950</b>	<b>2,495,290</b>
Adjustment on securities and derivatives - subsidiary companies	42,726	(230,554)
Purchased properties and other assets	627,483	634,561
Investments in the period	40,798	53,151
Increase in deferred assets	106,006	167,864
Goodwill on the acquisition of investments	1,398,917	591,953
Acquisition of shares to be held in treasury	138,763	50,343
Dividends paid to minority stockholders	777,832	614,689
Dividends proposed	696,775	613,283
Increase in long-term receivables	224,540	-
Change in minority stockholders, net	133,110	-
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)</b>	<b>6,675,788</b>	<b>5,993,873</b>
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL</b>	<b>6,675,788</b>	<b>5,993,873</b>
<b>At the beginning of the year</b>	<b>11,525,338</b>	<b>5,531,465</b>
Current assets	89,959,199	81,411,936
Current liabilities	78,433,861	75,880,471
<b>At the end of the year</b>	<b>18,201,126</b>	<b>11,525,338</b>
Current assets	101,660,453	89,959,199
Current liabilities	83,459,327	78,433,861

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

### **Notes to the Financial Statements**

#### **PERIODS ENDED DECEMBER 31, 2004 AND 2003**

*(In thousands of Reais)*

#### **NOTE 1 – OPERATIONS**

ITAÚSA – Investimentos Itaú S.A. (ITAÚSA) – main objective is to support 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 its subsidiaries (ITAÚSA CONSOLIDATED) have been prepared in accordance with accounting policies derived from Brazilian Corporate Law and the instructions issued by the Brazilian Securities and Exchange Commission (CVM), the Superintendence of Private Insurance (SUSEP) and the Brazilian Central Bank (BACEN), which include the use of estimates necessary to calculate accounting provisions.

In Loan, Leasing Operations and Other Credits are included the receivables, arising from purchases made by the credit card holders. The resources related to these amounts are contemplated in Provisions and Accounts Payable. The Leasing Operations are presented at present value in the Balance Sheet, and related income and expenses, which represent the financial result of these operations, are grouped in Financial Revenue in Statement of Income.

The exchange rate result is presented adjusted, with the reclassification of expenses and income, to represent exclusively the variation and differences of rates applied on the balance sheet accounts representing foreign currencies.



**NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS**

The significant balances of balance sheet accounts and results, as well as the amounts of transactions between consolidated companies, were eliminated. Similarly, eliminations were made of unrealized results arising from transactions between these companies, and the related taxes were deferred. The Exclusive Investments Funds of subsidiaries were included in consolidation. The securities and investments of these funds portfolios are classified by type of operation and were distributed by type of paper, in the same categories in which they had been originally allocated. Deferred taxes related to the adjustment to market value of trading securities, derivative financial instruments ( assets/liabilities) and securities available for sale, including on additional provision, are presented in the Balance Sheet by their related net amounts. The effects of foreign exchange variation on foreign investments are recorded in the Statement of Income, according to the nature of the corresponding balance sheet accounts.

The difference in net income and stockholders' equity between ITAÚSA and ITAÚSA CONSOLIDATED results from the elimination of unrealized profits arising from the transactions between consolidated companies, the corresponding taxes of which were deferred, and from the adoption of different criteria on the amortization of goodwill on the acquisition of investments and constitution of tax credits:

In ITAÚSA, the goodwill recorded by the subsidiaries, arising mainly from increase in the investments in Credicard and Orbitall due to the partnership for the creation of the Financeira Itaú CBD and the acquisition of part of BPI S.A. shares are amortized based on expected future profitability (ten years), or realization of investments, in order to:

- a) avoid unnecessary decrease in stockholders' equity for operating limits computation purposes;
- b) avoid unnecessary capital increase;
- c) obtain better compliance with market accounting practices.

In ITAÚSA CONSOLIDATED, this goodwill was fully amortized in the years when these acquisitions occurred in order to:

- a) permit a better comparability with previous periods consolidated financial statements;
- b) permit measuring net income and stockholders' equity based on conservative criteria.

In Banco Banestado S.A. tax credits are recorded at an amount considered sufficient justified by expected future profitability, reflected in ITAÚSA through equity in the results, taking into consideration a context with more extension and synergy, factors that are favorable to the maximization of results, and as such these tax credits were fully recognized.

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

		Holding (%)	
		12/31/2004	12/31/2003
<b>FINANCIAL AREA</b>			
Banco Itaú Holding Financeira S.A.	(1)	47.01	46.73
Banco Itaú S.A.		47.01	46.73
Banco Itaú-BBA S.A.		47.01	44.75
Banco Banestado S.A.		47.01	46.73
Banco Itaured Financiamentos S.A.		47.01	46.73
Banco Fiat S.A.		47.01	46.73
Banco Itaú Buen Ayre S.A.		47.01	46.73
Banco Itaú Europa Luxembourg S.A.		89.60	89.55
Banco Itaú Europa S.A.		89.65	89.59
Itaú Bank, Ltd		47.01	46.73
Cia. Itauleasing de Arrendamento Mercantil		47.01	46.73
Itaú Corretora de Valores S.A.		47.01	46.73
Itaucard Financeira S.A. – Crédito, Financiamento e Investimento		47.01	46.73
Credicard Banco S.A.	(2)	23.51	15.58
Orbitall Serviços e Processamento e Informatização Comercial Ltda. e controlada	(3)	47.01	15.58
Redecard S.A.	(2)	15.02	14.93
Miravalles Empreendimentos e Participações S.A.	(2)(4)	23.51	-
Fiat Administradora de Consórcios Ltda		47.01	46.73
Itaú Administradora de Consórcios Ltda		47.00	46.73
Akbar - Marketing e Serviços, LDA. e Controladas		45.01	44.75
Afinco Américas Madeira, SGPS, Sociedade Unipessoal, Limitada		47.01	46.73
Itaúsa Export S.A.		88.22	88.16
Serasa S.A.	(2)	15.16	14.82
<b>INSURANCE, PENSION PLAN AND CAPITALIZATION</b>			
Itaú Seguros S.A. e Controladas		47.01	46.73
Itaú Vida e Previdência S.A.		47.01	46.71
Cia. Itaú de Capitalização		47.01	46.67
Itauprev Vida e Previdência S.A.		47.01	46.71
<b>WOOD AND CONSTRUCTION MATERIALS</b>			
Duratex S.A.	(1)	47.61	47.64
<b>TECHNOLOGY AND ELECTRONICS</b>			
Itautec Philco S.A.	(1)	94.22	94.22
<b>CHEMICAL</b>			
Elekeiroz S.A.	(1)	96.41	96.41
<b>REAL ESTATE</b>			
Itaúsa Empreendimentos S.A.		100.00	100.00

(1) Listed company.

(2) Investment with control proportionally included in the consolidation.

(3) Increase in the holding for the period due to the acquisition in November/2004 by the subsidiary Itaucard Financeira.

(4) Investment made on 08/09/2004 to make possible the Itaú and CBD partnership.

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

**a) Interbank deposits, remunerated restricted credits – Brazilian Central Bank (BACEN), remunerated deposits, funds obtained in the open market, exchange acceptances and issue of securities, borrowings and onlendings 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 contracted index and interest.

**b) Securities and derivative financial instruments**

1. In ITAÚSA and non-financial affiliates (Industrial Area) are recorded at cost of acquisition restated and adjusted to reflect the market value, when this is lower.
2. In financial affiliates, insurance, pension plan security and capitalization companies, and its affiliates (Financial and Insurance Area) recorded at acquisition cost restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Resolution Circular 3068, of November 8, 2001 and SUSEP Resolution 226, of February 7, 2003.

2.1. Securities must be classified in the following categories:

- trading securities – securities acquired to be actively and frequently traded, are adjusted to market value, as a contra-entry for the results for the period;
- securities available for sale – securities that are not intended for negotiation and are maintained through their maturity. They are adjusted to their market value as a contra-entry to an account disclosed in stockholders' equity; and
- securities held to maturity – securities, except for non-redeemable shares, for which there is the intention and financial capacity of the institution to hold them in the portfolio up to their maturity, recorded only at restated cost of acquisition or market value upon the transfer of the other category, not being adjusted to market value.

Gains and losses on securities available for sale, when realized, are recognized through specific identification at the date of negotiation in the statement of income, as contra-entry to a specific stockholders' equity accounts.

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

- 2.2. Derivative Financial Instruments are classified, at the date of acquisition, in accordance with management intention of utilizing these derivative financial instruments as a hedge or not.

Transactions involving financial instruments, carried out at customers request, at one's own account, or which do not comply with hedging criteria (mainly derivatives used to manage the exposure to global risks), are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statement of income.

3. The effects of the procedures described in the item 2 above, in the affiliates of the Financial and Insurance Area of ITAÚSA, recorded under stockholders' equity or in the income statement, were equally recorded directly in stockholders' equity or in the equity of earnings of affiliates in proportion to the participation percentage.

- c) Credit and lease operations and other credits (operations characterized as credit assignment) –** These are recorded at current value, calculated "pro rata die" based on the variation of the contracted index, being restated up to the 60th day of overdue in the case of financial companies, taking into consideration in the case of property financing the present value of the falling due contract installments.
- d) Allowance for loan losses -** The balance of the allowance for loan losses was recorded based on an analysis of the credit risk in the loan portfolio, in amounts considered sufficient to cover loan losses according to the rules determined by BACEN Resolution 2682 of December 21, 1999, for the financial affiliates, among which are:
- Provisions necessary are recorded from the date of the loan disbursements, based on periodic analysis of the quality of the client and the industry and not just in the event of default;
  - Based exclusively on delinquency, write-offs can be made 360 days after the due date of the credit or 540 days for transactions that mature after a period of 36 months. Other factors related to analysis of the quality of the client/loan may generate write-offs before these periods.
- e) Other assets –** Mainly composed of assets not in use corresponding to own properties, for sale and received as payment in kind, being adjusted at market value through provisions set up based on current rules.
- f) Prepaid expenses -** These refer to the investments that will result in earnings in future years.
- g) Investments -** In subsidiary and affiliated companies, investments are accounted for under the equity method. The financial statements of foreign branches and affiliates, are adapted to comply with Brazilian accounting policies and converted into Reais. Other investments are recorded at cost, restated up to December 31, 1995, being adjusted to market value through provisions set up based on current rules.
- h) Fixed assets -** These are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995. For insurance, private pension and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. Depreciation is calculated using the straight-line method, based on monetarily corrected cost at the following annual rates:

Buildings in use			4 %
Installations, furnishings, equipment and security, transportation and communication systems	10 %	To	25 %
EDP Systems	20 %	To	50 %

- i) Deferred charges -** Deferred organization and expansion expenses mainly represent leasehold improvements, which are amortized on the straight-line basis over the respective rental periods, and acquisition and development of software, which are amortized on a straight-line basis over five years.

**j) Technical provisions for insurance, pension plans and capitalization** - Technical provisions are set up according to the technical notes approved by SUSEP and criteria established by CNSP Resolution 89 of August 19, 2002.

**I - Insurance:**

Provision for unsettled claims - set up to determine unearned premiums relating to the risk coverage period; Provision for insufficient premiums – set up 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 – set up based on notices of loss, in an amount sufficient to cover future commitments; Provision for claims incurred but not reported (IBNR)- set up in relation to the estimated amount of claims occurred in 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 - Supplementary pension plan and individual life insurance:**

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

Provision for Benefits to Regulate and Redemptions or Other amounts to Regulate (Other Provisions) – refer to amounts still not regulated up to the balance sheet date; Provision for events incurred but not reported (IBNR) – set up in relation to 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 receipt has not started and those receiving the benefits; Provision for insufficient contribution – set up in case of insufficient mathematical provisions.

**III - Capitalization:**

Mathematical provision for redemptions – represents capitalization securities received to be redeemed; Provision for raffles – calculated according to definition in technical note; Raffles payable – set up by raffles of securities carried out; Provision for contingencies (Other provisions) – set up by the application of contingency quota on the collected amount.

**k) Provision and Contingent Liabilities** – Provisions and contingent liabilities, in connection with conservative practices adopted, normally are recorded based on the opinion of legal advisors and additionally, through the use of models and criteria which allow that most adequate measurement, in spite of the uncertainty of their term and amount.

I - Labor contingencies:

These are set up upon judicial notice and adjusted monthly by the moving average amount of payment of lawsuits ended in the last 12 months, for lawsuits based on claims considered similar and usual and adjusted to the execution deposit amount when required or the definitive execution amount (indisputable amount) when it is in the stage of being a final judgment and unappealable;

II - Civil contingencies:

These are set up upon judicial notice and adjusted monthly:

- at 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 whose amount is not considered relevant; or
- at the claimed indemnity amount, on the evidence presented based on the evaluation of legal advisors – which considers jurisprudence, legal opinions raised, evidence produced in the records and the judicial decisions to be issued – relating to the risk level of loss of lawsuits related to claims considered unusual or whose amount is considered significant;

Provisions for Civil Contingencies are adjusted up to the amounts deposited as guarantees for their execution or to the definitive execution amount when the claim is finally judged and has become unappealable.

III - Tax and social security contingencies:

The provisions originated in tax and social security contingencies basically refer to liabilities related to tax liabilities, the legality or constitutionality of which are subject to administrative or judicial defense, and set up at the full amount under discussion. They are restated, net of the corresponding deposits in guarantee, in accordance with current legislation.

Interest or restatement of judicial escrow deposits is not recognised, except when a release order has been issued in respect of claims judged in favour of the companies, due to the lawsuits considered favorable.

**l) Taxes** – Taxes are calculated at the rates shown below, considering, for the effects of the respective calculation bases, the current legislation of each tax.

Income tax	15.00%
Additional income tax	10.00%
Social contribution	9.00%
PIS (1)	1.65%
COFINS (1) (2)	7.60%
ISS	up to 5.00%
CPMF	0.38%

(1) For Itaúsa and its non-financial subsidiaries that comply with non-cumulative calculation basis, PIS rate has been 1.65% since December 2002 and COFINS increased from 3% to 7.6% as from February 2004. PIS/Cofins rate levied on the financial income of these companies (except for the financial income arising from interest on own capital and hedge transactions) was reduced to zero as from August 2004. For financial and similar companies the PIS rate is 0.65%.

(2) As from September 2003 included, the rate increased from 3% to 4% for financial and similar companies.

**NOTE 5 - INTERBANK INVESTMENTS**

We present below the composition of the interbank deposits of the subsidiaries of the Financial Area:

	<b>Book value</b>	
	<b>12/31/2004</b>	<b>12/31/2003</b>
Investment in the open market	10,860,376	10,265,847
Funded position (*)	4,557,417	2,830,937
Financed position	6,302,959	5,007,637
With free movement	207,846	2,423,531
Without free movement	6,095,113	2,584,106
Rights linked to unrestricted trading securities	-	2,427,273
Investment in the open market - technical provision guarantees - SUSEP	202,646	329,512
Interbank deposits (*)	8,724,675	10,662,043
<b>TOTAL</b>	<b>19,787,697</b>	<b>21,257,402</b>

(\*) Includes R\$ 812,215 relating to the investment in the open market in which securities are restricted to guarantee transactions at the Commodities Futures Exchange (BM&F).

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

We present the composition of the account Securities and Derivatives, classified in the subsidiaries of the Financial and Insurance areas, they are in accordance with the standards of BACEN and SUSEP, stated at cost and market values, and the effects are directly recorded in stockholders' equity and results of subsidiaries and of ITAÚSA.

### a) Summary

Description	Cost	to market value impacted on		Market value	
		Result	Stockholders' equity	12/31/2004	12/31/2003
<b>Itaúsa and Industrial Area</b>					
Marketable securities	681,824	-		681,824	633,326
Derivative financial instruments (assets)	57,817	-		57,817	-
<b>Subtotal</b>	<b>739,641</b>	-	-	<b>739,641</b>	<b>633,326</b>
<b>Financial Area</b>					
Securities for negotiation (*)	13,622,493	48,212		13,670,705	12,114,121
Securities available for sale	9,691,982		733,314	10,425,296	12,290,974
Securities held to maturity	3,518,041	-		3,518,041	3,638,029
Derivative financial instruments (assets)	2,000,451	(38,908)		1,961,543	1,440,634
<b>Subtotal</b>	<b>28,832,967</b>	<b>9,304</b>	<b>733,314</b>	<b>29,575,585</b>	<b>29,483,758</b>
Deferred taxes			(241,647)		
Adjustment of securities reclassified to securities held to maturity			9,219		
<b>Total adjustment to market value</b>			<b>500,886</b>		
<b>Additional provision (exceeding minimum required)</b>				(400,000)	(545,000)
<b>Total marketable securities and derivative financial instruments (assets)</b>	<b>29,572,608</b>	<b>9,304</b>		<b>29,915,226</b>	<b>29,572,084</b>
Derivative financial instruments - Itaúsa and Industrial Area	32,463	-		32,463	27,648
Derivative financial instruments - Financial Area	1,186,856	(13,620)		1,173,236	754,701
<b>Total derivative financial instruments (Liabilities)</b>	<b>1,219,319</b>	<b>(13,620)</b>		<b>1,205,699</b>	<b>782,349</b>
<b>Minority interest</b>			(256,066)		
<b>Amount separately disclosed in Stockholders' equity of ITAÚSA</b>			<b>244,820</b>		

(\*) Includes portfolios of PGBL and VGBL pension plans, in the amount of R\$ 6,917,731, owned by customers responsible for the risks, and recorded as marketable securities in compliance with SUSEP requirements, in contra entry against liabilities, in Technical Provision for Pension Plans.



**b) Derivative Financial Instruments** - The globalization of markets in the last years has resulted in a high level of sophistication in the financial products used. As a result of this process, there was an increasing demand for derivative financial instruments to manage market risks mainly arising from fluctuations in interest and exchange rates and assets prices. Accordingly, the subsidiaries of ITAÚSA are fully involved in the operation of derivative markets, either in complying with the growing needs of clients, or in the performance of 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 traded by the Bank are purchased for two basic purposes:

- Hedge - to perform hedge of structural portfolio;
- Trading - to serve as instruments for the Bank to assume proprietary and risk management positions of the derivatives traded with large clients.

Most derivative contracts traded with clients in Brazil are swap and future contracts, which are registered at the Commodities and 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 fix the financing rates offered to customers with maturities or in currency which are mismatched with the resources used to fund these operations. ITAÚSA carries out transactions overseas with futures contracts, forwards, options and swaps, with registration mainly in the stock exchanges of Chicago, New York and London.

The main risk factors of the derivatives assumed by ITAÚSA at December 31, 2004 were related to the foreign exchange rate, interest rate, U.S. dollar and reference rate 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 relation risk and return, even under high volatility situations.

Under regular conditions, the stock 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 current value estimates and other valuation techniques. To obtain these market values, the following criteria were adopted:

- Futures and Forward Contracts: quotes on the stock exchanges;
- Swaps: the cash flow of each part is discounted to current value, according to the corresponding interest curves, obtained based on the BM&F prices and/or market prices of the public securities for Brazilian transactions, and on the international stock exchanges prices for transactions carried out abroad;
- Options: statistical models that take over the volatility behavior of the asset objective, the interest rates, the exercise price and the spot price of the good, such as the Black & Scholes model.

The positions of these financial instruments have their notional values recorded in memorandum accounts and the adjustments/premiums 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	
	12/31/2004	12/31/2003	12/31/2004	12/31/2004	12/31/2004	12/31/2003
<b>Futures contracts</b>	<b>63,249,300</b>	<b>36,279,125</b>	<b>36,241</b>	<b>-</b>	<b>36,241</b>	<b>(72,794)</b>
Purchase commitments	24,863,342	19,053,554	(3,915)	-	(3,915)	43,802
Commitments to sell	38,385,958	17,225,571	40,156	-	40,156	(116,596)
<b>Swaps contracts</b>			<b>684,913</b>	<b>20,372</b>	<b>705,285</b>	<b>501,069</b>
Asset position	31,431,775	30,841,968	1,245,133	(17,235)	1,227,898	985,488
Liability position	30,746,862	30,461,961	(560,220)	37,607	(522,613)	(484,419)
<b>Options contracts</b>	<b>33,312,226</b>	<b>16,186,008</b>	<b>(69,411)</b>	<b>(35,801)</b>	<b>(105,212)</b>	<b>(713)</b>
Purchase commitments - purchased position	11,527,193	7,259,055	126,322	(79,186)	47,136	55,538
Commitments to sell - purchased position	3,045,946	1,196,752	39,904	67,993	107,897	7,115
Purchase position - sold position	14,133,167	5,855,933	(114,802)	69,400	(45,402)	(45,729)
Commitments to sell - sold position	4,605,920	1,874,268	(120,835)	(94,008)	(214,843)	(17,637)
<b>Term</b>						
<b>Purchase receivable</b>	-	-	<b>11,479</b>	<b>-</b>	<b>11,479</b>	
<b>Sales receivable</b>	-		<b>154,951</b>	<b>(26)</b>	<b>154,925</b>	<b>131,908</b>
<b>Other derivative financial instruments</b>	<b>4,878,098</b>	<b>4,659,360</b>	<b>57,017</b>	<b>(9,833)</b>	<b>47,184</b>	<b>26,021</b>
Asset position	2,693,136	1,740,756	480,479	(10,454)	470,025	260,585
Liability position	2,184,962	2,918,604	(423,462)	621	(422,841)	(234,564)
			<b>ASSETS</b>	<b>(38,908)</b>	<b>2,019,360</b>	<b>1,440,634</b>
			<b>LIABILITIES</b>	<b>13,620</b>	<b>(1,205,699)</b>	<b>(782,349)</b>
			<b>TOTAL</b>	<b>(25,288)</b>	<b>813,661</b>	<b>658,285</b>
<b>Clearing</b>	<b>0 - 30</b>	<b>31 - 180</b>	<b>181 - 365</b>	<b>Over 365</b>	<b>12/31/2004</b>	<b>12/31/2003</b>
<b>Futures</b>	33,703,880	18,869,789	2,340,870	8,334,761	63,249,300	36,279,125
<b>Swaps</b>	6,030,751	8,996,714	8,294,227	6,864,950	30,186,642	29,951,286
<b>Options</b>	23,474,412	7,357,006	1,854,565	626,243	33,312,226	16,186,008
<b>Others</b>	805,856	1,163,124	756,774	2,152,344	4,878,098	4,659,360

**NOTE 7 - LOAN, LEASING OPERATIONS AND OTHER CREDITS - FINANCIAL AREA****a) Summary**

	12/31/2004	12/31/2003
Loan operations	36,329,840	32,414,941
Leasing operations	3,931,372	1,294,487
Credit card operations	5,161,848	3,170,817
Advances on exchange contracts (1)	1,841,961	1,621,982
Other credits (2)	142,045	152,948
<b>Total</b>	<b>47,407,066</b>	<b>38,655,175</b>
Endorsements and sureties (3)	5,868,306	5,922,520
<b>Total with endorsements and sureties</b>	<b>53,275,372</b>	<b>44,577,695</b>

(1) Includes advances on exchange contracts and income receivable from advances. Recorded in Provisions and Accounts Payable/Other Credits/Exchange Portfolio.

(2) Includes securities and credits receivable, debtors from purchase of other assets and honored endorsements and

(3) Recorded in memorandum accounts.

**b) Allowance for Loan Losses**

	01/01 to 12/31/2004	01/01 to 12/31/2003
<b>Opening balance</b>	<b>(3,162,967)</b>	<b>(3,172,145)</b>
Balance from institutions acquired	(59,395)	(87,832)
Extraordinary result (1)	-	(101,252)
Net increase for the period	(1,581,638)	(2,207,022)
Write-Offs (2)	1,750,445	2,405,284
<b>Closing balance</b>	<b>(3,053,555)</b>	<b>(3,162,967)</b>
Minimum required allowance (3)	(2,053,555)	(2,256,967)
Additional allowance (4)	(1,000,000)	(906,000)

(1) At December 31, 2003, considers the additional provision of the Acquired Institutions.

(2) Includes additional write-offs on Allowance for Loan Losses for operations that management considers as having expectation of recovery in the long-term.

(3) Set up according to BACEN rules due to the classification of the client or operation, as well as for operations with past due installments for over 14 days or owed by companies which are under composition with creditors or under a bankruptcy process.

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

**NOTE 8 – FUNDING AND BORROWINGS AND ONLENDINGS - FINANCIAL AREA**

	12/31/2004	12/31/2003
<b>Foreign currency</b>	<b>9,264,561</b>	<b>11,162,345</b>
Funds from acceptance and issuance of securities	3,429,508	3,024,463
Borrowings and onlendings	5,835,053	8,137,882
<b>Local currency</b>	<b>46,635,127</b>	<b>42,191,443</b>
Deposits	41,950,759	36,626,995
Funds from acceptance and issuance of securities	1,455	734,164
Borrowings and onlendings	4,682,913	4,830,284
<b>Securitization of payment orders abroad (*)</b>	<b>1,903,027</b>	<b>1,974,940</b>
<b>Funds obtained in the open market</b>	<b>16,098,418</b>	<b>16,932,209</b>
<b>Subordinated debts</b>	<b>4,765,340</b>	<b>4,813,571</b>
<b>Total</b>	<b>78,666,473</b>	<b>77,074,508</b>

(\*) Recorded in Provisions and Accounts Payable.

**NOTE 9 - INSURANCE, PENSION AND CAPITALIZATION OPERATIONS****a) Composition of Technical Provisions**

	<b>12/31/2004</b>	<b>12/31/2003</b>
<b>Insurance</b>	<b>1,124,416</b>	<b>984,916</b>
Unearned premiums	615,986	520,453
Claims to settle	334,100	319,766
IBNR	142,999	121,157
Risks incurred	18,209	8,179
Insurance mathematics	13,122	15,361
<b>Life and Pension</b>	<b>8,853,863</b>	<b>5,727,130</b>
Unearned premiums	217,123	191,290
Claims to settle	31,792	32,592
IBNR	40,078	27,376
Mathematical of benefits to grant	8,172,714	5,213,348
Mathematical of benefits granted	71,017	44,783
Financial surplus	172,013	127,799
Financial variation	85,026	65,073
Risk variation	11,225	3,525
Insufficient contribution (*)	43,707	10,638
Redemptions and other amounts to regularize	7,490	8,739
Unexpired risks	1,236	1,154
Unsettled benefits	442	813
<b>Capitalization</b>	<b>1,044,794</b>	<b>977,071</b>
Mathematics for redemptions	949,617	871,434
Contingencies	80,910	90,213
Raffle	14,267	15,424
<b>TOTAL</b>	<b>11,023,073</b>	<b>7,689,117</b>

(\*) Set up based on the actuarial evaluation to supply future liabilities of the plans.

## b) Funds that Guarantee Technical Provisions - SUSEP

	INSURANCE		LIFE AND PENSION		CAPITALIZATION		TOTAL	
	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003
Interbank deposits - money market	30,176	185,036	69,232	-	103,238	144,476	202,646	329,512
Securities and derivative financial instruments	814,521	596,360	8,618,325	5,681,113	956,495	859,323	10,389,341	7,136,796
PGBL/VGBL Funds Quotas (1)	-	-	6,917,731	4,110,931	-	-	6,917,731	4,110,931
Other	814,521	596,360	1,700,594	1,570,182	956,495	859,323	3,471,610	3,025,865
Public	200,469	146,593	950,857	187,218	124,112	102,772	1,275,438	436,583
Private	614,052	449,767	749,737	1,382,964	832,383	756,551	2,196,172	2,589,282
Credit Rights (2)	250,519	223,367	180,720	148,744	-	-	431,239	372,111
Real estate	40,488	45,877	-	-	-	-	40,488	45,877
<b>TOTAL</b>	<b>1,135,704</b>	<b>1,050,640</b>	<b>8,868,277</b>	<b>5,829,857</b>	<b>1,059,733</b>	<b>1,003,799</b>	<b>11,063,714</b>	<b>7,884,296</b>

(1) Securities portfolio of the PGBL and VGBL pension plans owned by the clients and recorded as securities, in accordance with SUSEP chart of accounts, which contra-entry in the past was the account Technical Provisions of Pension Plans. (2) Recorded in Other Receivables - Insurance Premiums Receivable.

**NOTE 10 – PROVISIONS AND CONTINGENT LIABILITIES**

ITAÚSA and its subsidiaries are involved, in the ordinary course of business, in legal actions involving labor, civil, and tax and social security contingencies, filed to challenge escalation indices, labor claims, property damage and pain and suffering, and tax questioning actions. Labor contingencies result from labor claims filed by former employees and trade unions to claim alleged labor rights grounded on labor legislation specific to the related profession. Civil contingencies are basically derived from civil actions filed by third parties demanding compensation for property damage and pain and suffering based on a number of reasons, such as wrongful protest of notes, return of checks, and inclusion of information in credit protection registry, and most of these actions are filed in the Small Claims Court and are therefore limited to 40 minimum wages.

The table below shows the changes in and the related provisions for contingencies:

	01/01 to 12/31/2004			
	Labor	Civil	Other	Total
<b>Opening balance</b>	<b>1,103,252</b>	<b>491,572</b>	<b>251,071</b>	<b>1,845,895</b>
Balance resulting from the acquisition of investments	11,848	27,824	-	39,672
Foreign exchange differences	-	-	(6,973)	(6,973)
Net provision	223,455	338,550	59,649	621,654
Payments	(270,173)	(121,226)	(44,263)	(435,662)
<b>Closing balance (1)</b>	<b>1,068,382</b>	<b>736,720</b>	<b>259,483</b>	<b>2,064,586</b>
<b>Escrow deposits at 12/31/2004 (2)</b>	<b>519,125</b>	<b>150,654</b>	<b>388</b>	<b>670,167</b>

(1) Note 11c; (2) Note 11a.

The Provisions for Tax and Social Security Contingencies and the related escrow deposits are shown in Note 13c III and IV.

ITAÚSA and its subsidiaries are not involved in any other administrative proceedings or lawsuits which might significantly affect their operations in case of an unfavorable sentence.

**NOTE 11 - DETAIL OF ACCOUNTS****a) Other Credits**

	12/31/2004	12/31/2003
Exchange portfolio	9,159,294	7,525,531
Tax credits	3,370,427	3,840,755
Escrow deposits in guarantee for provisions for contingent liabilities		
Tax and social security appeals	1,450,465	1,285,653
Labor appeals	519,125	429,250
Civil appeals	150,654	144,433
Other	388	-
Deposits in guarantee for foreign fund raising program	497,854	313,072
Taxes and contributions to be offset	1,296,596	1,536,279
Social contribution to be offset – Provisional Measure 2158, of August 24, 2001	1,277,434	1,341,278
Income receivable	584,930	667,073
Insurance premium receivable	646,989	569,926
Trade notes receivable	680,583	535,668
Negotiation and intermediation of securities	341,782	128,593
Accounts receivable with guarantees	236,951	113,045
Sundry debtors		
Domestic	248,000	258,868
Foreign	183,639	58,846
Sundry	375,372	257,952
<b>Total</b>	<b>21,020,483</b>	<b>19,006,222</b>

**b) Other Assets**

	12/31/2004	12/31/2003
Non-operating assets	384,532	411,884
(-) Provision for devaluations	(111,274)	(128,482)
Others	134	467
<b>Total</b>	<b>273,392</b>	<b>283,869</b>

**c) Provisions and Accounts Payable**

	12/31/2004	12/31/2003
Exchange portfolio	9,405,346	7,785,305
Operations with credit card	3,675,329	2,523,612
Securitization of foreign payment orders	1,903,027	1,974,940
Provisions for Contingencies		
Labor	1,068,382	1,103,252
Civil	736,720	491,572
Other contingent liabilities	259,483	251,071
Negotiation and intermediation of securities	545,223	339,764
Personnel	398,385	377,420
Suppliers	134,503	230,275
Sundry creditors		
Domestic	911,872	982,179
Foreign	239,513	73,134
Liabilities related to insurance companies	220,586	126,173
Provisions and sundry credits	1,125,276	1,153,473
<b>Total</b>	<b>20,623,645</b>	<b>17,412,170</b>



**d) Other Operating Revenues**

	12/31/2004	12/31/2003
Recovery of charges and expenses	67,008	52,074
Reversal of operating provisions	53,541	104,660
Exchange variation	35,579	1,628
Equity result in subsidiaries, not derived from net income	27,531	41,291
Rents	9,509	5,759
Property appraisal	5,799	1,269
Monetary gains	4,081	7,986
Other	107,504	77,526
<b>Total</b>	<b>310,552</b>	<b>292,193</b>

**e) Other operating expenses**

	12/31/2004	12/31/2003
Tax expenses	1,504,720	1,167,612
Civil actions	343,118	205,667
Operating expenses from industrial companies	317,067	281,643
Expense of credit card transactions	181,819	163,796
Provisions for contingencies	108,775	199,735
Securitized rural credit	42,225	37,322
Tax charges	36,631	43,860
Tax lawsuits	30,860	12,913
Other financial expenses	12,978	18,407
Net exchange variation on assets and liabilities of overseas companies	-	66,656
Other	412,429	536,101
<b>Total</b>	<b>2,990,622</b>	<b>2,733,712</b>

**f) Non-operating Result**

	12/31/2004	12/31/2003
(Provision) / reversal of non-operating provisions	31,310	(35,944)
Capital gains/ (losses)	(467)	(12,698)
Non-operating equity in the earnings	(16,942)	(23,228)
Result in the sale of assets	(7,539)	(36,902)
Exchange variation	221	(14,764)
Other	14,375	(6,748)
<b>Total</b>	<b>20,958</b>	<b>(130,284)</b>

**NOTE 12 – EXTRAORDINARY RESULTS**

For a better analysis of the financial statements for the year, non-recurring income and expenses were segregated to the extraordinary result account, net of taxes, as follows:

	Parent company	Minority	Conglomerate
Amortization of goodwill	(616,462)	(660,537)	(1,276,999)
Related to agreements and partnerships of the subsidiary Banco Itaú Holding Financeira S.A.	(657,655)	(741,262)	(1,398,917)
Banco BPI S.A.	(36,561)	(6,916)	(43,477)
Tax effects	77,754	87,641	165,395
Non-operating loss - Banco Itaú Holding - treasury shares	(64,474)	-	(64,474)
Set up of provision for devaluation of investments (1)	(75,000)	-	(75,000)
Other (2)	71,556	80,644	152,200
<b>TOTAL</b>	<b>(684,380)</b>	<b>(579,893)</b>	<b>(1,264,273)</b>

(1) To cover risks of oscillations of the Real quotations in comparison to US dollar and the Euro, considering the high volatility scenarios as those observed along the last year in local and foreign financial markets.

(2) Originating from Banco Itaú Holding Financeira S.A. and Represented basically by Favorable Decisions in Administrative/Judicial Lawsuits and Realization of Taxes on Interest in the Funding of Long-term External Resources and guarantees of participations acquired.

## NOTE 13 - TAXES

## a) Composition of expenses with taxes and contributions

Charges with income tax and Social contribution on operations for the period, and to offset related to temporary additions and exclusions are as follows:

Due on Operations for the Year	01/01 to 12/31/2004	01/01 to 12/31/2003
<b>Income before income tax and Social contribution</b>	<b>7,897,736</b>	<b>5,791,347</b>
<b>Charges (Income tax and Social contribution) at the rates of 25% and 9% (*) respectively</b>	<b>(2,685,230)</b>	<b>(1,969,058)</b>
<b>Increase/decrease in income tax and Social contribution charges arising from:</b>		
<b>Permanent (Inclusions) Exclusions</b>	<b>657,669</b>	<b>270,391</b>
Investments in affiliates	37,176	8,333
Foreign exchange variation of overseas investments	30,408	(158,272)
Interest on own capital	498,328	385,714
Non-deductible provisions and other	91,757	34,616
<b>Temporary (Inclusions) Exclusions</b>	<b>341,950</b>	<b>(88,380)</b>
Allowance for loan losses	268,058	(154,629)
Excess (Insufficiency) of Depreciation	124,186	(12,990)
Adjustment to market value of securities for negotiation and derivative financial instruments	77,641	215,318
Labor provisions, civil and tax contingencies and other	(127,935)	(136,079)
<b>(Increase) Offset on tax losses/Negative social contribution basis</b>	<b>126,826</b>	<b>119,689</b>
<b>Expenses with Income Tax and Social Contribution</b>	<b>(1,558,785)</b>	<b>(1,667,358)</b>
<b>Related to Temporary Differences</b>		
Increase (reversal) for the period	(455,221)	(33,161)
Prior periods increase (reversal)	(161,904)	69,037
<b>Income (expenses) of deferred taxes</b>	<b>(617,125)</b>	<b>35,876</b>
<b>Total income tax and social contribution</b>	<b>(2,175,910)</b>	<b>(1,631,482)</b>

(\*) According to Note 4 I.

**b) Tax Credits**

l) The tax credit balance segregated based on its origin (income tax and social contribution) is represented as follows:

	12/31/2003	Net changes	12/31/2004
<b>Reflected in results</b>	<b>3,840,228</b>	<b>(469,801)</b>	<b>3,370,427</b>
<b>Related to tax losses and negative social contribution</b>	<b>830,251</b>	<b>(184,744)</b>	<b>645,507</b>
<b>Temporary differences:</b>	<b>3,009,977</b>	<b>(285,057)</b>	<b>2,724,920</b>
Allowance for loan losses	1,427,797	(309,409)	1,118,388
Adjustment to market value of trading securities and derivative financial instruments (assets and liabilities) (1)	231,634	(231,634)	-
Provision for interest on own capital	5,167	128,984	134,151
Provision for tax and social security contingencies	274,053	52,372	326,425
Labor contingencies	307,463	(24,072)	283,391
Civil Lawsuits	155,925	61,820	217,745
Allowance for real estate	48,695	(7,545)	41,150
Other	559,243	44,427	603,670
<b>Tax credits - Reflected in stockholders' equity - Adjustment to market value of trading securities (1)</b>	<b>527</b>	<b>(527)</b>	<b>-</b>
<b>Total</b>	<b>3,840,755</b>	<b>(470,328)</b>	<b>3,370,427</b>
<b>Social Contribution to Offset arising from Option foreseen in article 8<sup>a</sup> of Provisional Measure 2158-35, of August 24, 2001.</b>	<b>1,341,278</b>	<b>(63,844)</b>	<b>1,277,434</b>

(1) Note 3.

II) The estimate of realization and present value of tax credits and social contribution to offset, arising from Provisional Measure 2158-35/01, existing at December 31, 2004, in accordance with the expectation to generate future taxable income, based on the history of profitability and technical studies of feasibility are:

Realization year	Tax credits			Social contribution to offset
	Temporary differences	Tax loss and negative basis	TOTAL	
2005	1,319,314	391,742	1,711,056	160,846
2006	489,107	253,765	742,872	210,506
2007	354,714	-	354,714	230,953
2008	213,091	-	213,091	258,352
2009	59,482	-	59,482	283,153
after 2009	289,212	-	289,212	133,624
<b>Total</b>	<b>2,724,920</b>	<b>645,507</b>	<b>3,370,427</b>	<b>1,277,434</b>
Present value (*)	2,398,948	593,939	2,992,887	1,061,114

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

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

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 development of the realization of tax credits arising from temporary differences, tax losses and negative basis are not used as indications of future net income.

III) There are unrecorded tax credits in the amount of R\$ 571,926 (R\$ 495,533 at 12/31/2003).

## c) Taxes and Social Security Contributions and Deposits for Interposition of Tax and Social Security Resources

I) The balance of Taxes and Social Security Contributions is represented as follows:

	12/31/2004	12/31/2003
Taxes and contributions on income payable	404,625	380,879
Taxes and contributions payable	465,788	615,405
Provision for deferred income tax and social contribution	620,273	661,932
Provision for tax and social security contingencies	2,704,606	2,071,220
<b>Total</b>	<b>4,195,292</b>	<b>3,729,436</b>

II) Change in Deferred Income Tax and Social Contribution

	12/31/2003	Net changes	12/31/2004
<b>Reflected in income and expense accounts</b>	<b>365,914</b>	<b>107,379</b>	<b>473,293</b>
Depreciation in excess - Leasing	224,336	126,000	350,336
Taxation on results abroad - Capital Gains	67,614	(575)	67,039
Revaluation reserve	10,613	(744)	9,869
Adjustment to market value of trading securities and derivative financial instruments (assets and liabilities)	59,584	(59,584)	-
Other	3,767	42,282	46,049
<b>Reflected in stockholders' equity accounts - Adjustment to market value of securities available for sale (1)</b>	<b>296,018</b>	<b>(149,038)</b>	<b>146,980</b>
<b>Total</b>	<b>661,932</b>	<b>(41,659)</b>	<b>620,273</b>

(1) Note 3.

III) Change in Tax and Social Security Contingencies

	12/31/2004	12/31/2003
<b>Opening balance</b>	<b>2,071,220</b>	<b>1,557,912</b>
Balance from the acquisition of investment/transfer	301,993	108,158
Change in the period reflected in results (*)	400,396	437,771
Charges on taxes	120,283	163,098
Net recognition	315,097	315,720
Write-offs through reversal	(34,984)	(41,047)
Write-offs through reversal	(69,003)	(32,621)
<b>Closing balance</b>	<b>2,704,606</b>	<b>2,071,220</b>

(\*) Income and expenses which comprise the changes are allocated in the statement of income, income tax and social contribution, tax expenses and other operating income/expenses, in accordance with its nature. The reversal of the provision in 2003 was allocated in Extraordinary Result.

## IV) Change in Deposits for Interposition of Tax and Social Security Resources

	01/01 to 12/31/2004
<b>Opening balance</b>	<b>1,285,653</b>
Balance from the acquisition of investment/transfer	74,724
Apropriation of income (1)	47,846
Change in the period	42,242
Deposited	411,862
Calculations	(337,928)
Conversion into income	(31,692)
<b>Closing balance</b>	<b>1,450,465</b>

(1) Classified in extraordinary result.

## 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 the financial intermediation:

	01/01 a 31/12/2004	01/01 a 31/12/2003
Taxes paid or provided for	5,037,116	4,198,028
Taxes withheld and collected from clients	5,349,271	5,290,939
<b>Total</b>	<b>10,386,387</b>	<b>9,488,967</b>

## NOTE 14 - INVESTMENTS

## a) Interest in subsidiaries - ITAÚSA

Companies	Balances at 12/31/2003 (a)	Dividends received and interest on own capital	Interest in subsidiary company	Adjustment to marketable securities of subsidiary company	Amortization of goodwill	Other	Balances at 12/31/2004 (a)	Interest in subsidiary companies in 2003
Banco Itaú Holding Financeira S.A.	5,437,580	(644,979)	2,243,856 (b)	(39,087)		(39,871) (d)	6,957,499	1,789,894
Itaúsa Export S.A.	628,413	(361)	37,918	(3,090)	(599)	(58,858) (g)	603,423	8,988
Itaucorp S.A.	368,747	(761)	80,608			3,438 (e)	452,032	37,919
Duratex S.A.	298,176	(18,905)	33,979 (b)		154	3,194 (f)	316,598	20,656
Itautec Philco S.A.	163,116	(7,771)	38,336				193,681	15,231
Itaúsa Europa - Investimentos, SGPS, LDA.	115,850		10,824 (c)	(549)		(10,609) (g)	115,516	4,274 (c)
Elekpart Participações e Administração S.A.	64,975	(12)	1,217				66,180	562
Ith Zux Cayman Company Ltd.	51,936		(3,970) (c)			(5,532) (g)	42,434	(12,066) (c)
Elekeiroz S.A.	5,626	(772)	2,754				7,608	1,440
Other subsidiaries	8,174	(7)	657			(2,909) (e)	5,915	1,352
<b>TOTAL GERAL</b>	<b>7,142,593</b>	<b>(673,568)</b>	<b>2,446,179</b>	<b>(42,726)</b>		<b>(111,147)</b>	<b>8,760,886</b>	<b>1,868,250</b>

a) Includes total goodwill/negative goodwill, being: R\$ 7,655 in 2004 and R\$ 8,100 in 2003; (b) Includes non-operating equity losses in the amount of R\$ 13,667; (c) Includes foreign exchange difference expense in the amount of R\$ 5,710 in 2004 and R\$ 14,287 in 2003; (d) Non-recurring income/expenses segregated to Extraordinary Results; (e) It includes incorporation of split-off portions of equity from other subsidiaries by Itaucorp, on April 30, 2004; (f) Acquisition made during the third quarter of 2004; (g) Set up of a provision for investment devaluation, which aims to cover oscillations of the real quotations in comparison to U.S. dollar and Euro, considering the high volatility scenarios as those observed along the last year in domestic and foreign financial markets;

Companies	Capital	Adjusted net equity	Adjusted net income for the period	Number of shares owned by ITAÚSA		Holding in voting capital (%)	Holding in Capital (%)
				Common	Preferred		
Banco Itaú Holding Financeira S.A.	8,101,000	14,759,757	4,834,945	53,246,417	2,803	87.83	47.01
Itaúsa Export S.A.	437,550	923,049	48,754	13,496,788,170	136,168,384	80.00	77.77
Itaucorp S.A.	191,682	467,097	80,324	23,819,714	7,871,959	99.99	99.99
Duratex S.A.	325,000	990,436	125,293	2,836,632,366	982,311,585	64.36	32.43
Itautec Philco S.A.	226,468	326,593	22,527	155,411,287	-	89.17	89.17
Itaúsa Europa - Investimentos, SGPS, LDA.	885,935	1,126,553	96,284	29,708,318	-	12.14	12.14
Elekpart Participações e Administração S.A.	71,000	203,036	61,782	10,126,925	-	1.97	1.97
Ith Zux Cayman Company Ltd.	92,904	53,499	701	35,000,000	-	100.00	100.00
Elekeiroz S.A.	175,000	287,436	70,839	11,183,657	12,628,787	3.85	3.78



**b) Composition of investments - ITAÚSA CONSOLIDATED**

	12/31/2004	12/31/2003
<b>Share of equity in affiliates</b>	<b>775,225</b>	<b>794,452</b>
Banco BPI S.A.	659,127	677,177
AGF Brasil Seguros S.A.	112,029	112,381
Other	4,069	4,894
<b>Other investments</b>	<b>153,226</b>	<b>137,861</b>
Investments by tax incentives	112,354	113,648
Equity securities	39,061	36,677
Shares and quotas	25,830	27,776
Other	81,573	73,437
Provision for losses	(105,592)	(113,677)
<b>TOTAL</b>	<b>928,451</b>	<b>932,313</b>

**c) Composition of equity in Income of Affiliates - ITAÚSA CONSOLIDATED**

	01/01 to 12/31/2004	01/01 to 12/31/2003
Share of equity in affiliates	114,047	33,161
Foreign exchange variation on investments	(4,706)	(8,653)
<b>TOTAL</b>	<b>109,341</b>	<b>24,508</b>

**NOTE 15 – STOCKHOLDERS' EQUITY – ITAÚSA****a) Capital**

The capital of ITAÚSA is R\$ 3,800,000 and is represented by 3,253,335,486 entry shares with no par value, of which 1,206,398,844 are common shares and 2,046,936,642 are preferred shares, with no voting rights, but with the following advantages:

- Priority in the receipt of the minimum annual dividend of R\$ 10.00 per thousand shares, non-cumulative;
- Right of, in an eventual sale of control, to be included in the public offer for the acquisition of shares, in order to ensure a price equal to 80% of the amount paid per share with voting rights and part of the control block, as well as dividend at least equal to that of the common shares.

We present below the movement of the shares representative of capital and treasury shares in the period:

	NUMBER		
	Common	Preferred	Total
<b>Shares representative of share capital</b>			
<b>Number of shares at 12/31/2003</b>	<b>1,184,643,391</b>	<b>2,041,959,391</b>	<b>3,226,602,782</b>
Cancellation of shares	(13,000)	(31,958,000)	(31,971,000)
Capital increase with subscription of shares	21,768,453	36,935,251	58,703,704
<b>Number of shares at 12/31/2004</b>	<b>1,206,398,844</b>	<b>2,046,936,642</b>	<b>3,253,335,486</b>
<b>Treasury shares</b>			
<b>Number of shares at 12/31/2003</b>	-	<b>18,516,000</b>	<b>18,516,000</b>
Purchase of shares (*)	13,000	42,218,000	42,231,000
Cancellation of shares	(13,000)	(31,958,000)	(31,971,000)
<b>Number of shares at 12/31/2004 (*)</b>	-	<b>28,776,000</b>	<b>28,776,000</b>
<b>Outstanding shares at 12/31/2004</b>	<b>1,206,398,844</b>	<b>2,018,160,642</b>	<b>3,224,559,486</b>

(\*) Based on authorization of the Board of Directors, in the period own shares were purchased to be held in treasury, later cancellation or replacement in the market. The cost of shares purchased in the period are shown below, as well as the average cost of treasury shares and their market value at 12/31/2004:

	Preferred	
	12/31/2004	12/31/2003
<b>Cost/market value (R\$ 1/per thousand shares)</b>		
<b>Purchases in the period</b>		
Minimum	2.85	2.27
Weighted average	3.31	2.66
Maximum	3.55	3.32
<b>Balance of treasury shares</b>		
Average cost	3.23	2.72
Market value at 12/31/2004	4.60	3.41

**b) Dividends**

Stockholders are entitled to a minimum compulsory dividend of 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 on preferred shares.

The advance of the compulsory minimum dividend, paid as interest on own capital, according to the Administrative Council's decision, at the meeting held on 05/10/2004, was increased from R\$ 5.60 to R\$ 7.32 per thousand shares, as from those paid on 07/01/2004.

**I. Calculation**

Net income	2,488,614	
Adjustments		
(-) Legal reserve	(124,431)	
Calculation basis of dividend	2,364,183	
Interest on own capital	592,259	25.05%

**II. Payment/provision for interest on own capital**

	Gross	WHT	Net
<b>Paid/Prepaid</b>			
Quarterly - 1 installment of R\$ 7.32 per thousand shares, paid in 07/01/2004	23,616	3,543	20,073
Supplementary - 1 installment of R\$ 24.60 per thousand shares, paid on 08/23/2004	79,324	11,898	67,426
Quarterly - 1 installment of R\$ 7.32 per thousand shares, paid in 10/01/2004	23,604	3,541	20,063
<b>Provisioned</b>			
Quarterly - 1 installment of R\$ 7.32 per thousand shares, paid in 01/03/2005	23,604	3,541	20,063
Quarterly - 1 installment of R\$ 7.32 per thousand shares, to be paid in 04/01/2005	23,604	3,541	20,063
Supplementary - 1 installment of R\$ 111.50 per thousand shares, to be paid in 03/14/2005	359,538	53,930	305,608
Supplementary - 1 installment of R\$ 26.20 per thousand shares, to be paid in 06/08/2005	84,484	12,673	71,811
Supplementary - 1 installment of R\$ 13.30 per thousand shares, to be paid in 03/14/2006	42,887	6,433	36,454
Supplementary - 1 installment of R\$ 11.20 per thousand shares, to be paid in 06/08/2006	36,114	5,416	30,698
<b>Total in 2004 - R\$ 216.08 (per thousand shares)</b>	<b>696,775</b>	<b>104,516</b>	<b>592,259</b>
<b>Total in 2003 - R\$ 191.00 (per thousand shares)</b>	<b>613,242</b>	<b>91,986</b>	<b>521,256</b>

## c) Retained earnings

	12/31/2004	12/31/2004
<b>Retained earnings</b>	<b>5,264,756</b>	<b>3,709,192</b>
Legal Reserve	470,730	346,299
Statutory Reserve	4,794,026	3,362,893
Dividends Equalization (1)	2,100,056	1,406,608
Working capital increase (2)	1,197,408	959,946
Increase in capital of investees (3)	1,496,562	996,339

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

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

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

**CONSOLIDATED**

The difference in net income and stockholders' equity between ITAÚSA and ITAÚSA CONSOLIDATED arises from the effect of the adoption of distinct criteria for the amortization of goodwill, derived from the purchase of investments and for the establishment of tax credits as well as the elimination of unrealized profits, arising from transactions between consolidated companies, which corresponding taxes have been

	Net income		Stockholders' equity	
	01/01 to 12/31/2004	01/01 to 12/31/2003	12/31/2004	12/31/2003
<b>ITAÚSA</b>	<b>2,488,614</b>	<b>1,050,439</b>	<b>9,294,722</b>	<b>7,525,260</b>
Goodwill amortization	(519,498)	733,753	(784,544)	(265,044)
Tax credit	(8,110)	(222,929)	369,361	377,471
Unrealized results	1,386	-	(120)	(1,506)
<b>ITAÚSA CONSOLIDATED</b>	<b>1,962,392</b>	<b>1,561,263</b>	<b>8,879,419</b>	<b>7,636,181</b>

**NOTE 16 - RELATED PARTIES**

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

Transactions involving ITAÚSA and its subsidiaries were eliminated and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- The controlling companies of ITAÚSA;
- Fundação Itaúbanco, Fundação Duratex, Fundação Itaúsa Industrial, FUNBEP – Multi-Sponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG), closed private pension entities that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 18a; and
- Fundação Itaú Social and Instituto Itaú Cultural - IIC, entities sponsored by Banco Itaú Holding Financeira S.A. and its subsidiaries to act in their respective areas of interest. During the period, the consolidated companies made donations to Fundação Itaú Social of R\$ 2.3 million and to IIC of R\$ 23,600 (R\$ 17,333 from 01/01 to 12/31/2003).

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

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

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

	12/31/2004	12/31/2003
Duratex	172,217	219,349
Elekeiroz	29,751	32,743
Itautec Philco	56,134	79,301
<b>Total</b>	<b>258,102</b>	<b>331,393</b>

**NOTE 17 - FINANCIAL INSTRUMENTS - MARKET VALUE**

The financial statements are prepared in conformity with the accounting principles, which presupposes the normal continuity of the operations of ITAÚSA and its

The book value 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 such markets, using the net present value of future cash flows, adjusted based on the current market interest rate, approximates its corresponding market value, or the market value is not available, except for those included in:

	Book value		Market value		Unrealized income (loss) <sup>(1) (2)</sup>			
					In result		In stockholders' equity	
	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003	12/31/2004	12/31/2003
Interbank deposits	19,787,697	21,257,402	19,801,644	21,267,806	13,947	10,404	13,947	10,404
Securities and derivative financial instruments	29,915,226	29,572,084	29,915,226	29,572,084				
Securities unrealized result					1,362,818	1,556,027	620,285	687,793
Additional provision (exceeding the minimum required)					400,000	545,000	400,000	545,000
Adjustment of securities available for sale					733,314	758,434	-	-
Adjustment of securities held up to maturity					229,504	252,593	220,285	142,793
Loan and leasing operations	44,353,511	35,492,208	44,601,292	35,811,152	247,781	318,944	247,781	318,944
Investment in BPI	659,127	677,177	1,319,396	1,303,940	660,269	626,763	660,269	626,763
Funds raised by subsidiaries	71,998,106	70,285,997	72,039,165	70,253,082	(41,059)	32,915	(41,059)	32,915
Provisions and accounts payable	20,623,645	17,412,170	20,530,904	17,338,143	92,741	74,027	92,741	74,027
Subordinated debts	4,765,340	4,813,571	4,730,392	4,755,897	34,948	57,674	34,948	57,674
Treasury shares	568,821	449,115	1,031,117	702,680	-	-	462,296	253,565
<b>Total unrealized</b>					<b>2,371,444</b>	<b>2,676,754</b>	<b>2,091,207</b>	<b>2,062,085</b>

(1) Does not include the related tax effects.

(2) Includes unrealized gains from minority interest amounting to R\$ 1,113,040 (R\$ 1,288,824 at 12/31/2003) on income and R\$ 955,408 (R\$ 953,870 at 12/31/2003) on stockholders' equity.

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

- Interbank deposits, bank deposit certificates and mortgage notes, the last two included in Securities, were determined on the basis of their nominal values, monetarily restated to maturity dates and discounted to present value using futures market interest rates and swap market rates for fixed-rate securities and using rates published in the Gazeta Mercantil in January 1, 2005, for floating-rate securities.
- Government securities, in Securities, were determined based on their market value, approved by the comparison with information provided by the National Association of Open Market Institutions (ANDIMA). For the companies of the Financial and Insurance Areas, were determined based on their market value, according to the rules established by BACEN Letters 3068 of November 8, 2001 and 3082 of January 30, 2002 and SUSEP Letter 226, of February 7, 2003, except when classified as held to maturity.
- Shares of listed companies, when included in Securities, by the average rate available in the last trading session of the month, or, if not, the most recent rate quotation in prior trading sessions, published in the Daily Report of each Stock Exchange.
- Loan operations with maturity over 90 days, when available, based on net present value of future cash flows discounted at the interest rate used by the market at the balance sheet date, also considering the effects of the hedge operations (swap contracts).
- Interest in overseas subsidiary (BPI), by the share value at the stock exchanges, by equity value of the share and auction quotation.
- Time and interbank deposits and funds from acceptances and issuance of securities, when available, were calculated based on their present value determined by means of future cash flows discounted using future market interest rates, swap market rates for fixed-rate securities, and market rates for floating-rate securities published in the Gazeta Mercantil on January 1, 2005. The effects of hedges (swap contracts) are also taken into account.
- Securitization of the Payment Orders Abroad, based on the net present value of the future cash flows estimated as from the interest curves of the indexation marketplaces, 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 post-fixed 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 post-fixed cash flows are estimated as from the interest curves of the indexation marketplaces.
- Derivatives, related to swap operations contracted to hedge the remaining assets/liabilities, based on reference values of each of the contracts parameters (part and counterpart), restated up to the maturity dates and discounted at present value at the future 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 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.



**NOTE 18 – RECLASSIFICATION FOR COMPARISON PURPOSES**

In order to keep a comparison standard for the December 31, 2004 financial statements of ITAÚSA CONSOLIDATED, reclassifications were made in the December 31, 2003 balances, mainly to make the Finance Area's transactions clearer.

	Prior disclosure	Reclassifications	Reclassified balances
<b>ASSETS</b>			
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b>	<b>89,376,243</b>	<b>582,956</b>	<b>89,959,199</b>
Interbank deposits	20,780,118	477,284	21,257,402
Securities and derivative financial instruments	30,049,368	(477,284)	29,572,084
<b>LONG-TERM RECEIVABLES</b>	<b>28,277,369</b>	<b>(582,956)</b>	<b>27,694,413</b>
<b>PERMANENT ASSETS</b>	<b>4,676,623</b>	<b>-</b>	<b>4,676,623</b>
Property, plant and equipment			
Property for own use	3,245,039	3,517,782	6,762,821
Leased properties	77,817	62,017	139,834
(Accumulated depreciation)	-	(3,579,799)	(3,579,799)
Deferred charges	333,654	(333,654)	-
Costs with organization and expansion	-	840,851	840,851
(Accumulated amortization)	-	(507,197)	(507,197)
<b>TOTAL ASSETS</b>	<b>122,330,235</b>	<b>-</b>	<b>122,330,235</b>
<b>LIABILITIES</b>			
<b>CURRENT AND LONG-TERM LIABILITIES</b>	<b>81,237,758</b>	<b>(2,803,897)</b>	<b>78,433,861</b>
Funds raised by subsidiaries			
Foreign currency	11,132,886	29,459	11,162,345
Domestic currency	42,220,902	(29,459)	42,191,443
Statutory and social obligations	846,532	238,542	1,085,074
Provisions and accounts payable	17,650,712	(238,542)	17,412,170
<b>TOTAL LIABILITIES</b>	<b>122,330,235</b>	<b>-</b>	<b>122,330,235</b>
<b>STATEMENT OF INCOME</b>			
<b>OPERATING REVENUE</b>	<b>27,938,214</b>	<b>(136,920)</b>	<b>27,801,294</b>
Financial	8,248,479	108,794	8,357,273
Rental and lease	245,714	(245,714)	-
<b>OPERATING EXPENSES</b>	<b>(21,911,067)</b>	<b>31,404</b>	<b>(21,879,663)</b>
Equity	(2,203,307)	(9,493)	(2,212,800)
Administrative	(7,184,291)	515,876	(6,668,415)
Other operating expenses	(2,258,733)	(474,979)	(2,733,712)
<b>OPERATING INCOME</b>	<b>6,027,147</b>	<b>(105,516)</b>	<b>5,921,631</b>
<b>NON-OPERATING RESULT</b>	<b>(235,800)</b>	<b>105,516</b>	<b>(130,284)</b>
<b>NET INCOME OF CONGLOMERATE</b>	<b>3,277,284</b>	<b>-</b>	<b>3,277,284</b>

**NOTE 19 – BENEFITS TO EMPLOYEES**

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

**a) Supplementary retirement benefits:**

ITAÚSA and its subsidiaries sponsor supplementary retirement plans managed by Fundação Itaúbanko, Fundação Itaúsa Industrial, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG) and Fundação Duratex the latter one merged by Fundação Itaúsa Industrial at 06/01/2004 (closed and supplementary private pension funds), which are intended to grant benefits that, as a life annuity (in the case of FUNBEP, PREBEG and the plan of Fundação Bemge de Seguridade Social – FASBEMGE, also grants death benefits), will supplement the retirement paid by the Social Security.

All of these plans are closed to new participants.

As regards new employees, the Bank offers a defined-contribution plan through PGBL, managed by Itaú Previdência e Seguros, in case of Financial and Insurance companies, or by Fundação Itaúsa Industrial, in case of industrial companies.

During the period, the contributions paid totaled R\$ 27,072 (R\$ 32,813 from January 1 to December 31, 2003). The contribution rate increases based on the participant's income.

**b) Post-employment benefits:**

ITAÚSA and/or its subsidiaries do not sponsor other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by controlling ITAÚ, 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\$ 16,766 (R\$ 9,678 from January 1 to December 31, 2003). The contribution rate increases based on the beneficiary's age.

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

The assets and actuarial liabilities calculated in conformity with the criteria established by CVM Deliberation 371/2000 are summarized below.

	12/31/2004	12/31/2003
Net assets of the plans	8,685,202	7,272,962
Actuarial liabilities	(7,235,424)	(5,967,582)
Surplus (1)	1,449,778	1,305,380

(1) According to paragraph 49.g of the attachment to the CVM Resolution 371/00, the net surplus was not recognized.

In addition to the reserves kept by the plans, the sponsors have provisions in the amount of R\$ 27,089 (R\$ 27,094 at 12/31/2003) to cover insufficient actuarial reserves.

## d) Performance of Net assets and Actuarial liabilities, and Excess of assets over liabilities

	01/01 to 12/31/2004			01/01 to 12/31/2003		
	Assets	Actuarial liabilities	Excess of assets over liabilities	Assets	Actuarial liabilities	Excess of assets over liabilities
Present value – beginning of the period	7,272,962	(5,967,582)	1,305,380	5,808,450	(5,187,777)	620,673
Adjustments in the period (1)	-	(19,885)	(19,885)	-	2,302	2,302
Expected return from assets/Cost of current service						
+ Interest	886,464	(786,192)	100,272	707,349	(692,095)	15,254
Benefits paid	(344,937)	344,937	-	(285,549)	285,549	-
Contributions employer/Participants	69,042	-	69,042	48,228	-	48,228
Gains/(Losses) in the period (2)/(3)	801,671	(806,702)	(5,031)	994,484	(375,561)	618,923
Present value-end of period	8,685,202	(7,235,424)	1,449,778	7,272,962	(5,967,582)	1,305,380

(1) Adjustments arising from the review of the scope of assumed commitments and related effects on actuarial calculations.

(2) The gains from assets correspond to earnings above the return rate expected for the assets.

(3) The losses/gains on actuarial liabilities resulted from the differences between the actuarial assumptions and what effectively happened, highlighting in 2003 the adoption of the GAM-83 mortality table and in 2004 the introduction of the Deferred Proportional Benefit and Portability Facilities, except for FUNBEP and PREBEG which already had these facilities.

## e) Main assumptions used in actuarial evaluation

	12/31/2004		12/31/2003	
	Financial area (1)	Industrial area (2)	Financial area (1)	Industrial area (2)
Discount rate	10.24% <sup>pa</sup>	11.30% (3)	10.24% <sup>pa</sup>	10.25% (3)
Return rate expected for the assets	12.32% <sup>pa</sup>	13.40% <sup>pa</sup>	12.32% <sup>pa</sup>	13.40% <sup>pa</sup>
Table of mortality	GAM-83	GAM-83	GAM-83	UP-94
Turnover	Exp. Itaú 99/01	Exp. Towers	(4)	(4)
Future salary growth	7.12% <sup>pa</sup>	9.20% (5)	7.12% <sup>pa</sup>	9.20% (5)
Growth of the pension fund and social security benefits	4.00% <sup>pa</sup>	5.00% <sup>pa</sup>	4.00% <sup>pa</sup>	5.00% <sup>pa</sup>
Inflation	4.00% <sup>pa</sup>	5.00% <sup>pa</sup>	4.00% <sup>pa</sup>	5.00% <sup>pa</sup>
Actuarial method	Projected Unit Credit (6)	Projected Unit Credit (6)	Projected Unit Credit (6)	Projected Unit Credit (6)

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

(2) Corresponds to the assumptions adopted by the plan managed by Fundação Itaúsa Industrial.

(3) The BD-Itautec plan uses a discount rate of 9.20% a year.

(4) The turnover assumption is based on the effective participants of Banco Itaú S.A., resulting in an average of 2.0% a year based on experience 99/01. The BD-Duratex plan is based on the experience of Duratex and the BD-Itautec uses zero turnover rate.

(5) The BD-Itautec plan uses a future salary growth rate of 11.30% a year.

(6) Under the actuarial method Projected Unit Credit, the mathematical reserve is determined by the current projected benefit amount multiplied by the ratio between the time of service in the company at the assessment date and the time 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 along the years each participant is employed.

**NOTE 20 - ADDITIONAL INFORMATION****a) Insurance policy**

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

**b) Foreign currencies**

The balances in reais linked to foreign currency were:

	12/31/2004	12/31/2003
<b>Permanent foreign investments</b>	<b>7,170,751</b>	<b>6,828,033</b>
Net amount of assets and liabilities indexed to foreign currency, including derivatives	(9,828,650)	(8,615,044)
<b>Net foreign exchange position</b>	<b>(2,657,899)</b>	<b>(1,787,011)</b>

Net foreign exchange position, if considered the tax effects on net balance of the other assets and liabilities linked to foreign currency, reflects the low exposure to exchange variations.

## NOTE 21 - STATEMENT OF CASH FLOWS

We present below the Statement of Cash Flows prepared by the Indirect Method

## a) Itaúsa Consolidated

	01/01 to 12/31/2004	01/01 to 12/31/2003
<b>Adjusted net income</b>	<b>11,657,576</b>	<b>8,518,988</b>
Net income	1,962,392	1,561,263
Adjustment to net income:	9,695,184	6,957,725
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	62,178	(726,202)
Allowance for loan losses	1,583,595	2,208,402
Results from operations with subordinated debt	302,519	(349,051)
Change in technical provision for insurance, pension plan and capitalization	2,957,405	2,577,518
Deferred income tax assets	617,125	(35,876)
(Gain) loss on sale of assets	7,538	39,495
Extraordinary result in subsidiaries	1,442,394	791,443
Equity in the results of affiliates	(109,341)	(24,508)
Permanent asset foreign exchange	13,106	10,989
(Reversal) Provision for losses	(7,259)	33,247
Depreciation and amortization	718,927	716,247
Minority interest results	2,106,997	1,716,021
<b>Changes in assets and liabilities</b>	<b>(9,617,309)</b>	<b>(6,167,543)</b>
(Increase) Decrease in short-term interbank investments	1,469,705	(4,285,863)
(Increase) Decrease in securities and derivative financial instruments (assets/liabilities)	(21,013)	(3,897,759)
(Increase) Decrease in interbank accounts of subsidiaries	(2,111,312)	1,767,796
(Increase) Decrease in loan and leasing operations	(10,448,172)	(2,461,031)
(Increase) Decrease in inventories	(58,082)	25,111
(Increase) Decrease in other credits and other assets	(2,606,437)	(982,029)
(Increase) Decrease in prepaid expenses	(46,864)	(138,937)
(Decrease) Increases in technical provisions for insurance, pension plan and capitalization	376,551	708,733
(Decrease) Increase in provisions and accounts payable and other liabilities	3,896,852	3,049,065
(Decrease) Increase in deferred income	(68,537)	47,371
<b>OPERATING ACTIVITIES - Net cash provided by / (invested)</b>	<b>2,040,267</b>	<b>2,351,445</b>
Dividends received from affiliates	57,755	-
Sale of investments	30,786	50,449
Sale of fixed assets in use	44,255	36,377
Decrease in deferred charges	5,624	7,564
Purchase of investments	(40,798)	(53,151)
Goodwill on purchase of investments	(1,398,917)	(591,953)
Purchase of fixed assets and forest reserves	(627,483)	(634,561)
Investment in deferred charges	(106,006)	(167,864)
Change in participation of minority interest	(254,716)	465,975
<b>INVESTMENT ACTIVITIES - Net cash provided by / (invested)</b>	<b>(2,289,500)</b>	<b>(887,164)</b>
Increase (decrease) in funds obtained by subsidiaries- foreign currency	(1,897,784)	(2,615,238)
Increase (decrease) in funds obtained by subsidiaries - domestic currency	4,443,684	(2,077,855)
Increase (decrease) in funds obtained by subsidiaries - open market	(833,791)	5,056,458
Increase (decrease) in borrowings - foreign currency	(76,629)	(92,822)
Increase (decrease) in borrowings - domestic currency	(69,022)	17,292
Increase (decrease) in liabilities by subordinated debt	(350,750)	(522,220)
Dividends paid to minority stockholders	(656,226)	(506,826)
Capital increase	158,500	116,700
Goodwill on subscription of shares	612	781
Purchase of treasury shares	(138,763)	(50,343)
Reserves from tax incentives	-	1,094
Interest on own capital paid	(637,766)	(431,469)
<b>FINANCING ACTIVITIES - Net cash provided by (invested)</b>	<b>(57,935)</b>	<b>(1,104,448)</b>
<b>INCREASE/(DECREASE) IN CASH AND EQUIVALENTS, NET</b>	<b>(307,168)</b>	<b>359,833</b>
At the beginning of the year	2,342,549	1,982,716
At the end of the year	2,035,381	2,342,549
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>(307,168)</b>	<b>359,833</b>

## b) Itaúsa

	01/01 to 12/31/2004	01/01 to 12/31/2003
<b>Adjusted net income</b>	<b>158,277</b>	<b>51,788</b>
Net income	2,488,614	1,050,439
Adjustment to net income:	(2,330,337)	(998,651)
Amortization of goodwill	599	599
Equity in the results of subsidiary and affiliated companies	(2,446,179)	(1,846,773)
Extraordinary result in affiliates	114,871	848,732
(Reversal) Provision for losses	(570)	(2,119)
Depreciation and amortization	942	910
<b>Changes in assets and liabilities</b>	<b>(117,549)</b>	<b>(186,528)</b>
(Increase) Decrease in securities and derivative financial instruments	(135,371)	(151,989)
(Increase) Decrease in other credits and other assets	5,310	(46,469)
(Decrease) Increase in provisions and accounts payable and other liabilities	12,512	11,930
<b>OPERATING ACTIVITIES - Net cash provided by / (invested)</b>	<b>40,728</b>	<b>(134,740)</b>
Sale of investments	11	62,843
Sale of property, plant and equipment	16	-
Purchase of investments	(3,347)	(60,181)
Purchase of property for own use	(105)	(848)
Interest on own capital/dividends received	580,305	496,163
<b>INVESTMENT ACTIVITIES - Net cash provided by / (invested)</b>	<b>576,880</b>	<b>497,977</b>
Goodwill on subscription of shares	612	781
Capital increase	158,500	116,700
Purchase of treasury stock	(138,763)	(50,343)
Interest on own capital paid	(637,766)	(431,469)
Reserves from tax incentives	-	1,094
<b>FINANCING ACTIVITIES - Net cash provided by / (invested)</b>	<b>(617,417)</b>	<b>(363,237)</b>
<b>INCREASE/(DECREASE) IN CASH AND EQUIVALENTS, NET</b>	<b>191</b>	<b>-</b>
At the beginning of the year	2	2
At the end of the year	193	2
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>191</b>	<b>-</b>

## 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 Itaúsa - Investimentos Itaú S.A. and its subsidiaries as of December 31, 2004 and 2003. 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 its 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 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 of Itaúsa - Investimentos Itaú S.A. and its subsidiaries at December 31, 2004 and 2003, and the results of operations, the changes in stockholders' equity and the changes in financial position, as well as the consolidated results of operations and of changes in financial position, for the years then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, March 7, 2005

PricewaterhouseCoopers  
Independent Accountants  
CRC 2SP000160/O-5

Ricardo Baldin  
Accountants CRC 1SP110374/O-0

Emerson Laerte da Silva  
Accountants CRC 1SP171089/O-3

# ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15

Listed Company

## OPINION OF THE FISCAL COUNCIL

The members of ITAÚSA - INVESTIMENTOS ITAÚ S.A.'s Fiscal Council, after examining the management report and the financial statements for the year ended December 31, 2004, have verified the correctness of all elements presented and understand that they fairly reflect the Company's accounts, financial position and the activities during the year, recommending that they be approved by the Company's Administrative Council.

São Paulo-SP, March 7, 2005

JOSÉ MARCOS KONDER COMPARATO

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA