



ITAÚSA

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

Financial Statements
December 31, 2003

ITAÚSA INVESTIMENTOS ITAÚ S.A.

MANAGEMENT REPORT 2003

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 2003, which have been prepared in accordance with Corporate Legislation and the regulations of the Brazilian Securities Commission (CVM). They also have the favorable opinion of the Audit Committee.

THE ECONOMY

The year of 2003 was marked by the recovery of economic stability and the discussion of the social security reforms that will affect the workers that will enter the system.

Monetary and tax austerity of the new Administration brought the inflation rate to a level compatible with the inflation target system. Inflation decreased to 1.15% in the fourth quarter, equal to an annual rate of 4.6%. The foreign exchange rate remained stable at R\$ 2.90 per US dollar.

The decrease in inflation and the foreign exchange stability gave way to a steeper decrease in interest rates as from the end of July. The primary surplus exceeded the target negotiated with the International Monetary Fund (IMF). The trade balance posted an exceptional performance, with a surplus 89 percent higher than in 2002.

The recovery of foreign investors' faith reflected in the return of direct investment flows and the increase in the foreign loan renewal rate. Brazil's sovereign risk decrease to 475 base points at the end of 2003 from 2,400 base points in September 2002, and rating agencies such as Fitch Atlantic Ratings and Standard & Poor's raised their Brazil ratings.

The Government's emphasis on inflation control restrained market demand. GDP growth was close to zero in the year because of the poor performance in the first three quarters of the year. Only export-focused manufacturing, farming, and cattle raising escaped this downturn. There was a slight recovery in the last quarter, creating the expectation that the country may harvest the positive fruits of the policies adopted still in 2004.

Industrial production posted a growth of only 0.3 percent (2.5 percent in 2002), not presenting a negative result due to the 2.4 percent increase in the mining industry. The electric products and electronics industry shrunk 1.8 percent, with a steeper drop of 3.8 percent in TV sets, radio and stereos production. Furniture production shrunk 3.7 percent, which had an adverse impact on the domestic sales of woodpanels. The production of chemicals posted a slightly positive result (0.9%), bolstered by a 12.1 percent growth in the year of the fertilizers industry, fostered by the significant expansion of the farming industry.

Civil construction posted a negative result for the third year in a row, plummeting 8.7 percent in the production of inputs for this industry. The recovery of this industry depends on recovering income and employment. The expected loan policies to stimulate mortgage financing in the coming year allow us to foresee a reversal of this scenario.

Excessive taxation on economic agents, insufficient investment in infrastructure and an undefined regulatory framework do not provide the required grounds for sustainable growth. It is essential to tackle these issues to increase the efficiency of the Brazilian economy.

ITAÚSA OPERATIONS

Itaúsa, a publicly traded holding company, centralizes financial and strategic decision-making of its subsidiaries, even though it sustains the operational independence of each one of the companies. Investments are diversified but each company has its own strategic business focus.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R\$ thousand

	Parent company		Minority stockholders		Conglomerate	
	12/31/2003	12/31/2002	12/31/2003	12/31/2002	12/31/2003	12/31/2002
Total net income	1,561,263	1,537,264	1,716,021	1,362,973	3,277,284	2,900,237
Recurring net income	1,823,275	1,955,940	2,014,894	1,730,460	3,838,169	3,686,400
Extraordinary results	(262,012)	(418,676)	(298,873)	(367,487)	(560,885)	(786,163)
Stockholders' equity	7,636,181	6,389,415	7,123,403	5,448,233	14,759,584	11,837,648
Annualized return (net income/stockholders'	20.45	24.06	24.09	25.02	22.20	24.50
Dividends/Interest on own capital	613,242	414,561	614,689	446,457	1,227,931	861,018

MAIN FINANCIAL INDICATORS

	12/31/2003	12/31/2002	Change %
Net income per thousand shares – R\$			
Net income	486.66	488.21	(0.32)
Book value	2,380.29	2,029.16	17.30
Price of Common Share (ON) (1)	3,303.85	3,304.55	(0.02)
Price of Registered Preferred Share (PN) (1)	3,214.50	1,815.26	77.08
Market capitalization (2) - R\$ thousand	10,418,238	7,437,634	40.07

(1) Based on the average quotation for December.

(2) Calculated based on the average quotation of shares in December.

MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

R\$ thousand

	Year	FINANCIAL AND INSURANCE AREA		INDUSTRIAL AREA			CONSOLIDATED/ CONGLOMERATE (2)
		Banco Itaú Holding Consolidated	Banco Itaú Holding Consolidated	Duratex	Itautec Philco	Elekeiroz	
Total assets	2003	118,737,862	11,228,307	1,668,115	982,973	440,961	122,330,235
	2002	111,141,435	6,753,322	1,686,979	945,012	414,255	114,648,726
Operating revenue (3)	2003	24,928,226	5,883,143	989,602	1,275,581	554,860	27,938,214
	2002	33,185,313	4,621,948	866,884	1,334,044	355,307	36,295,657
Net income	2003	3,151,820	664,553	64,017	10,403	37,187	3,277,284
	2002	2,376,723	332,573	71,658	53,342	37,033	2,900,237
Stockholders' equity	2003	11,879,208	2,427,419	936,591	313,178	235,020	14,759,584
	2002	9,036,410	1,650,564	905,061	308,828	181,700	11,837,648
Annualized profitability (Net income/ Sto	2003	26.53%	27.38%	6.84%	3.32%	15.82%	22.20%
	2002	26.30%	20.15%	7.92%	17.27%	20.38%	24.50%
Permanent assets	2003	3,208,592	1,368,116	1,104,146	197,089	216,516	4,676,623
	2002	3,469,254	1,016,224	1,005,965	235,319	227,850	4,872,984
Investments in the period	2003	1,261,935	455,085	172,850	29,183	10,448	1,447,529
	2002	2,373,866	54,246	303,461	73,679	73,052	2,791,885
Internal fund raising (4)	2003	8,192,124	2,529,777	138,884	78,531	56,201	8,370,910
	2002	7,393,523	901,834	171,121	115,782	58,707	8,000,015
Dividends paid	2003	1,107,949	194,009	25,700	8,715	11,020	1,227,931
	2002	828,579	138,013	24,580	15,861	10,457	861,018
Personnel expenses	2003	3,376,103	122,047	215,011	213,253	40,230	3,862,780
	2002	3,161,470	140,376	189,143	199,897	33,261	3,595,527
Voluntary benefits	2003	191,344	9,910	14,343	5,963	3,164	214,662
	2002	190,680	10,532	12,720	5,567	4,304	213,299
Number of employees	2003	42,450	1,871	5,829	5,046	770	54,095
	2002	43,215	1,738	5,765	4,936	732	54,648
Taxes paid and provisioned	2003	2,606,985	244,131	223,237	155,752	35,949	3,070,980
	2002	1,396,694	182,226	187,894	157,412	36,135	1,829,932

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

(2)

Data related to consolidated/conglomerate present net amounts of eliminations of consolidation 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 e Elekeiroz: taking into consideration Net income 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 mathematics provisions for capitalization and pension plan and considering the changes in unsettled claims, credits and debts from operations with insurance and deferred trade expenses from insurance, pension plan and capitalization.

CORPORATE GOVERNANCE

Itaúsa, together with Banco Itaú Holding Financeira (Itaú), reasserting its commitment to transparency, governance good practices and strengthening of the capital market, is among the 15 first companies that, on June 26, 2001, adhered voluntarily to the Level I of Bovespa Corporate Governance.

Itaúsa was chosen to compose the Dow Jones Sustainability World Index (DJSI World), making part of the selective group of the 315 worldwide companies that form this index. The DJSI World includes the companies recognized all over the world in terms of corporate sustainability, capacity for adding value to the stockholder in the future, management quality and social, cultural and environmental responsibility.

The British magazine Euromoney (September 2003) elected Itaú as the company with the best Corporate Governance in emerging markets. Itaúsa holding received the same recognition, ranking in third position. Had the emerging and developed markets published by the magazine been considered, Itaú would have been the third best Corporate Governance in the world, and Itaúsa would have been the sixth, considering the same criteria.

In February, the National Association of Capital Market Investors (Animec) granted to Itaúsa the “Animec Listed Companies 2002” award.

FINANCIAL AND INSURANCE AREAS

Banco Itaú Holding Financeira

In 2003, the corporate restructuring to form Banco Itaú Holding Financeira S.A. (Itaú), an organization responsible for controlling all activities of the Itaúsa conglomerate related to the financial and insurance areas was completed. Its main subsidiaries are Banco Itaú S.A., operating in all main financial market segments, and Banco Itaú-BBA S.A., specialized in rendering services to large companies.

Itaú diversified and expanded its operation portfolio by acquiring banks with a segmented market position and expertise in sophisticated financial operations, in the local and foreign markets. However, Itaú emphasized the financial, capital and insurance markets. It has a leading position in the segments of large corporations, private banking and resource management, in addition to its traditional retail operation.

At the end of 2003, Itaú Holding had a balance sheet characterized by strong capitalization, income diversification, solid cost management and conservative policy of risk management.

The consolidated result for the year of R\$ 3,152 million represents a profitability of 26.5%. The stockholders' equity of the Bank reached R\$ 11,879 million, an increase of 31.5% in the year. The reference stockholders' equity amounted to R\$ 17,185 million. Itaú collected or accrued taxes and provisions for the year in the amount of R\$ 2,891 million. Moreover, R\$ 100,971 million was withheld, collected from and paid on behalf of customers.

Assets have reached the amount of R\$ 118,738 million, a growth of 6.8% as compared to prior year. The loan portfolio posted an aggregate of R\$ 44,581. We highlight the 24.5% increase in the loan portfolio to small business and the middle market and 67.5% in the vehicle financing portfolio.

Total funds increased 18.3%, totaling R\$ 182,622 million. Managed funds and portfolios reached R\$ 80,097 million, a 35.4% increase.

The shares of Itaú increased by 67.3% for preferred shares and 61.9% for common shares. The volume of interest on own capital distributed to preferred stockholders was R\$ 1,108 million, at the rate of R\$ 9.72 per thousand shares. The market value of Itaú Holding was, at the end of 2003, R\$ 30,453 million (US\$ 10,540 million), an increase of 71.6% in the year, which was responsible for maintaining Itaú as the financial institution with the largest market value in Latin America.

The efficiency of Itaú customer care and the continuous improvement of products and services are based on solid technological investments. Only in 2003, R\$ 1,331 million was invested. The efforts made by the technological staff is also justified by the 2.6 million man hours directed for the improvement of own systems and to the development of new products and services.

For the second consecutive time, Interbrand, worldwide leader in brand consulting, appointed Itaú as the brand with the largest value in Brazil at US\$ 1,093 million.

Banco Itaú was elected by Euromoney Magazine as the Best Brazilian Bank for the sixth consecutive time. Latin Finance Magazine elected Banco Itaú as the Best Domestic Bank of Latin America in the last 15 years. In addition, Latin Finance Magazine appointed Itaú as the best Latin American bank, for the second consecutive time.

Banco Itaú and Itaú Seguros have once again ranked first in 2003 among the most admired companies in their industries, according to a survey published by Carta Capital Magazine.

Insurance, pension plans and capitalization

The table below shows the performance in 2003 of the insurance, pension plan and capitalization companies. The transfer of the life insurance portfolio from Itaú Seguros (Itauseg) to Itaú Previdência e Seguros (Itauprev) was completed in December 2002, except for the group's life insurance portfolio, which explains the drop in premiums and technical provisions at Itauseg and the material increases at Itauprev.

2003 - R\$ million	Itauseg (1)		Itauprev (1)		Itaucap (1)		Consolidated (1)		Change (%)
	2003	2002	2003	2002	2003	2002	2003	2002	
Net income	220	183	169	33	174	50	567	280	102.5
Stockholders' equity	936	675	211	84	212	125	1,347	884	52.4
Annualized return (%)	23.5	27.1	80.5	38.8	82.0	40.3	42.1	31.7	-
Premiums earned and revenues from pension plans and capitalization	1,327	1,347	338	83	199	183	1,864	1,613	15.5
Technical provisions	984	816	5,728	2,664	977	923	7,689	4,403	74.6

(1) Shareholdings in other businesses were eliminated.

The combined index related to the consolidated insurance operations was 97.2% in 2003 against 95.4% in 2002.

In the line of vehicle insurance, according to Susep, Itaú Seguros had a growth of 20.5% against 9.0% of the market.

Itauprev reached the second ranking position in technical provisions for social security and VGBL, totaling 5,476 million, including the reserves of AGF Vida e Previdência, acquired by Itaú in 2003.

Itaú Group, in the life insurance sector, except for the VGBL, recorded a production in the amount of R\$ 496 million, representing a market share of 8.1%.

ITAÚSA PORTUGAL

The holding company Itaúsa Portugal, SGPS, S.A concentrates the conglomerate's financial activities in the European Union. At the end of 2003, its consolidated assets totaled €2.3 billion, an increase of 1.6% as compared to the same period in 2002. Consolidated net income reached €36.2 million, with a return of 12.2% on consolidated stockholders' equity of €307.3 million.

Banco Itaú Europa (BIE) recorded a net income of €23.7 million, a 15.9% increase over the same period in 2002. In addition to a strong financial margin, this net income reflects the positive performance of the capital market, treasury and international private banking activities. The institution operates tuned with the new market segmentation dynamic of Banco Itaú Holding Financeira, by offering structured foreign trade and capital market products.

BIE consolidated assets totaled €2,295 million, an 18.8% increase over the year. Several loan portfolios contributed to this increase, especially foreign trade transactions – mostly involving financing to Brazilian exports – which reached US\$ 508 million. Managed third-party funds reached US\$ 1.4 billion, for over 1,000 active clients.

The investment grade status, which at the beginning of 2004, was raised to BBB+/F2 from BBB+/F3 by Fitch Ratings and to Baa1/P-2 from Baa2/P-2 by Moody's, places the Bank in a competitive position to support its clients' business flows and has allowed to diversify liabilities by issuing medium- and long-term Eurobonds in the international capital market.

In June, the operations of Itaú Europa were reinforced by the opening of a branch in London. This branch allowed to expand the corporate and middle market client base, in addition to supporting the investments of European companies in Brazil. The branch supplements, in an integrated way, the activities of the São Paulo, Lisbon and New York (Itaú Securities) trading desks. Global activities were also boosted by the synergies gathered by the merger of Banco Itaú Europa Luxemburgo, in 2003.

At the end of the year, Itaú Europa increased its capital by €137.9 million, thus increasing consolidated stockholders' equity to €316.7 million. In addition, it merged the 51% stake in the holding IPI - Itaúsa Portugal Investimentos S/A, holder of 16.1% of Banco BPI, one of the main financial conglomerates in Portugal.

Associated company BPI, S.A., the holding company of one of the most important Portuguese banking groups, in which the Itaú Conglomerate has a 16.1% stake, recorded consolidated assets of €26.2 billion at the end of 2003 (€25.7 billion in 2002) and net income of €163.8 million, a 17% increase in the year, and return of 14% on consolidated stockholders' equity of €1,227.3 million. Itaú Conglomerate's stake in Banco BPI is held by IPI – Itaúsa Portugal Investimentos, Lda., in which Itaúsa Portugal holds a stake of 51%, through Banco Itaú Europa, and Banco Itaú Holding Financeira holds the remaining 49%.

INDUSTRIAL AND REAL ESTATE AREA

Duratex

Despite the economic downturn, Duratex recorded R\$ 1.3 billion in revenues in 2003, a 14.8% increase as compared to the previous year. Exports reached US\$ 46.5 million, 12% higher than the amount recorded in 2002.

Consolidated operating results of Duratex reached R\$ 165.9 million and EBITDA R\$ 224.7 million, an annual increase of 8.5% and 6.8%, respectively.

The company recorded a financial loss of R\$ 51.6 million, R\$ 32.9 million higher than in 2002. This loss was basically caused by the increase in the interest levied on financing and also the decrease in cash deriving from the disbursements made to complete the investments made in the last three years.

Net income reached R\$ 64.0 million, corresponding to an operating cash generation, before financial results of R\$ 115.7 million.

In 2003, Duratex preferred shares increased 59.6%. These shares were traded on all trading days, totaling 4.3 billion traded shares, amounting to R\$ 274 million, or an increase of 89.7% and 172.1%, respectively, as compared to the performance in 2002.

Under the proposal of the Board of Directors, the company decided to distribute R\$ 14.1 million as interest on own capital to replace the payment of the second half dividends. This amount corresponds to R\$ 1.20 per thousand shares, totaling a gross amount of R\$ 25.7 million in the year, which represent 40% of net income for the period.

Despite the unfavorable environment, the Wood Division sales increased 2.8%. This performance is basically due to a higher participation of MDF sales as from the startup of the new plant in Botucatu (SP) in the second half.

Deca Division sales decreased 8.3%, basically due to a decrease in budget-price line shipments, since these lines are more affected by the reduction in the consumers' purchasing power. The division developed actions to maintain the operating margins and strengthen product positioning, which resulted in a recovery of the average prices charged.

Itautec Philco

Gross sales and services revenues of Itautec Philco reached R\$ 1,448.8 million in 2003, 4% lower than in 2002. Gross profits reached R\$ 277.0 million, 11% lower than in 2002, due to the economic downturn and the consequent decrease in consumers' income. Net income for the year was R\$ 10.4 million. The division maintained the policy to hedge all foreign-currency-denominated payables. Accumulated operating cash generation was R\$ 86.1 million and EBITDA R\$ 97.2 million.

In 2003, Itautec focused on its exports. It increased its businesses in Portugal, Argentina, and Uruguay. It started its sales in Mexico, France, the Netherlands, and Switzerland. In addition, it acquired the company Riva Informática in Spain to enter the Commercial Automation market.

Itautec Philco invested R\$ 50.6 million in technology development, of which we highlight two Research Centers, one in Recife and another in Brasilia, together with these two cities' universities.

As regards the Bank Automation Business Unit, the company launched a new ATM line for foreign exchange transactions, which permits to exchange currencies, and started to sell credit cooperative solutions (hardware and software). We also highlight the export of foreign exchange transaction ATMs to Germany and the continuity of ATM exports to Mercosul (Uruguay and Argentina).

The Commercial Automation segment conquered 37% market share in Brazil due to the sales of the new MiniPos and the Tax Thermal Printer.

In 2003, two new software products were launched by the e-Business Solutions business unit. Webway Legal allows controlling expenses and hours spent in each action or consulting service by legal departments or law firms, and Webway SelfPay allows making on-line payments in ATMs.

In the last quarter of 2003, the Services area started to operate in the Closed Circuit Television (CCTV), offering security systems project, installation, and maintenance activities and operation monitoring and control. Operations started with services provided to the State Government of São Paulo and one of the largest retail chains in Brazil.

In the Servers and Networks area, we highlight the supercomputer InfoCluster, purchased by the State University of Rio de Janeiro (UERJ), which will be used in an international project that will link UERJ to the Conseil Européen pour la Recherche Nucléaire (CERN), in Switzerland, and the Fermi National Accelerator Laboratory (FermiLab), in the United State.

The Micros & Mobiles business units launched integrated solutions to differentiate Itaútec from products sold in the gray market, such as the InfoWay Business ThinClient, the InfoWay 2U and the InfoWay Educação.

As regards consumer products, Philco privileged the sale of high-end products with a higher value added. In the DVD segment, we highlight the launching, in July, of the model DV-P3000, with a modern design (slim), advanced features (MP3, karaoke function), and competitive price.

Elekeiroz

The production of the Brazilian chemical industry increased 4.4% thanks to the 20% increase in exports, since domestic market sales decreased 2%.

The acquisition of Ciquine by Elekeiroz (May 2002) and the downstream merger of the latter into the former (July 2003) resulted in an average increase of 50% in Itaúsa's operations in the chemical area as compared to 2001 and 2003.

The stockholders of the former Ciquine Companhia Petroquímica and Elekeiroz S.A. approved at the general meeting of July 31, 2003, the respective corporate restructurings. Accordingly, the former four classes of preferred shares of Ciquine (A, B, C, and D) were grouped in a single new class (PN), Elekeiroz was merged into Ciquine, the merged company changed its name to Elekeiroz S.A., and the by-laws of the merging company were adapted to the new corporate reality. The stockholders of both former companies were assured the right to withdraw.

We present next, the three industrial complexes of Elekeiroz S.A. and their respective products: Camaçari-BA - oxoalcohols, phthalic anhydride, plasticizers and fumeric acid, Várzea Paulista-SP - phthalic anhydride and maleic anhydride, plasticizers, fumeric acid, polyester resins, formaldehyde, urea formaldehyde concentrate, sulfuric acid and carbon disulphide, and Taubaté-SP - plasticizers.

In 2003, total shipments of the three industrial complexes increased 3% as compared to 2002, due to the increased shipments of inorganic products (sulfuric acid and carbon disulphide) and the significant 20% increase in exports, which include only organic products. Organic product shipments to the domestic market, used in industrial segments to manufacture end consumer products was 2% lower; in aggregate, however, these shipments increased 1%, including exports.

Return on equity was 15.8%, calculated based on the 2003 pro-forma schedules and was satisfactory for the aggregate of the consolidated companies' businesses. It is worth noting that the lower margins obtained in exports and the fact that the equity of combined companies, after the corporate restructuring, was considered.

The Board of Directors, ad referendum of the General Meeting held on December 24, decided to distribute R\$ 11.02 million in dividends on net income for the year as interest on own capital (JCP). Gross JCP paid amount to R\$ 17.50 per thousand shares or net interest of R\$ 14.875, after withholding income tax.

Itaúsa Empreendimentos

The Secovi 2003 results showed the worst property sales performance for the last ten years. Ahead of the new master zoning plan “Plano Diretor” for São Paulo, there were a great number of offers in the market, which, together with slow demand, led to a significant number of unsold units. The market is awaiting resumption in sales as of the second half of 2004.

Itaúsa Empreendimentos launched Condomínio Ville Belle Epoque in partnership with Construtora Líder, and has already sold 61% of the units. This is a high-standard residential venture formed by three towers with 110 units located in the neighborhood of Alto de Pinheiros.

Place Saint Germain, developed together with AK Realty, is a closed condominium consisting of 15 high-standard villas in the neighborhood of Alto da Boa Vista. Sales have already begun for this venture.

Jardins do Portal, the new residential development with 76 apartments, in the Morumbi district will be launched in the second half of 2004. This venture is in association with Construtora Liderança, and 35% of its units have already been sold.

Panamérica Park, a commercial complex comprised of nine towers, with floor space totaling 44,760 square meters, is fully leased. The Santander Banespa group leased 76.7% of the property for its administrative and back offices.

The sales volume of the Raposo Shopping mall grew 7.6% in the year, despite the average downturn on the retail segment.

HUMAN RESOURCES

Itaúsa's subsidiaries ended 2003 with 54,095 employees. Personnel compensation, added by charges and benefit, totaled R\$ 3,005 million. The social benefits given to the employees and their dependents totaled R\$ 522.9 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 voucher, donations special grants, and others.

The Group companies have been prioritizing the development of employees' working conditions in all aspects, in addition to their alignment with the group's business strategies, values and policies.

Investments in education, training and development programs totaled R\$ 45.6 million, including contributions for employees' university education.

The Profit Sharing Program, which aims at recognizing the contribution of the employee towards the Bank's performance, reached R\$ 229.9 million in 2003.

One of the highlights of Banco Itaú and subsidiaries, which have more than 42 thousand employees, is the Engagement of People with Special Needs, which aims at stimulating their admission into the market. By establishing a policy with career targets and campaigns for appointing employees, the Bank increased the number of these professionals by 36%, totaling 747 people.

The Young Citizen Program, on its turn, was the result of a partnership entered into in 2003 with the São Paulo State Government and coordinated by the Labor Relations Department, and aims at offering a hands-on training and scholarships to youngsters between 16 and 21, who go to public high school, adding up to their study and making them able to get a perspective on the labor market.

Another highlight is the work environment research "Fale Francamente" (Speak Frankly), carried out by Itaú. In its third edition, the research revealed an overall satisfaction rate of 78% and continues indicating issues to improve the people management processes.

Itautec Philco was rated among the "Best Companies to Work – Company of the Future 2003" in Campinas, State of São Paulo, according to the ranking of the São Paulo Association of Human Resources (APARH), among the large companies which believe in the human talent as a differential for the competition and which invest in the services and granting benefits to their employees.

As a result of Elekeiroz's ongoing investment policy related to the security of operations, as well as to the training and awareness of its employees, the industrial complex of Várzea Paulista reached on December 31, 2003 the historical record of 1,200 days without work-related accidents with leave, beating the previous record of 588 days.

SOCIAL RESPONSIBILITY

Group companies are committed to the development of society, both in the social and in the cultural areas. The Group's industrial companies are aligned with environmental management best practices and have taken actions to build awareness on the importance of preserving the environment. We present below some highlights for 2003.

Social and Cultural Activities

In the social and cultural areas, the highlights are the performance of the Itaú Social Foundation and of the Instituto Itaú Cultural, which invested R\$ 32 million in several projects in 2003.

Created in 1993, the Itaú Social Program was the first tool to consolidate Itaú's socially-aware policy, which decided to focus its efforts on projects towards the education and public health areas. The Itaú Social Foundation, created in 2000, is grounded on the conviction that the social changes in a country the size of Brazil are only possible through partnerships among the public and private sectors and the society, and through investments in consistent and sustainable social projects.

The resources invested by the Itaú Social Foundation in the social projects arise from the financial surplus recorded from its net assets which at the end of 2003, was increased to R\$ 302 million, due to an additional contribution of R\$ 50 million at the end of 2003.

Among the 2003 programs are: the Education and Participation Program which included the 5th edition of the Itaú-Unicef Award, with the regionalization of the selection process and the record number of 1,834 projects; Training Managers Project which took place in the municipality of São Paulo and was implemented in Curitiba; the Writing the Future Award that aims to improve the quality of education through the teacher training and development of skills for 4th and 5th grades in public schools; and the Municipality Education Improvement Program, through which specific study material was provided to the dry regions of Northeast and facilitators were spread in the State of Paraíba.

The Itaú Cultural Institute, founded 15 years ago, is a benchmark for Brazilian culture. It operates as a strategic complex in an effort to form the country's identity and citizenship. It offers to the public free activities, makes research and promotes mapping, fostering and incentive to art in several aspects. With the adoption of policies together with those implemented by the State, the Itaú Cultural Institute prioritizes the diversity of cultural experiences contributing to increase freedom of speech and art creation.

In 2003, it operated in five aspects:

- Art Media, represented by Itaulab, the investigation and development center for projects involving art and technology and through the website www.itaucultural.org.br, the main center for ideas, products and programs;
- Itaú Cultural Routes, a program to foster, spread and educate Brazilian Artists;
- Cultural Activities, with a program focusing on entertainment on culture;
- Actions not requiring the presence of individuals, through an electronic broadcasting (radio, TV and internet) to expand the community's access to Brazilian culture;
- Education, through actions involving all of the institute's projects, with workshops, courses, seminars, products and research.

Among the social responsibility projects kept by Duratex are, in the Agudos region, state of São Paulo, Carpenter School Tide Setúbal and the Piatan Environmental Area. The school, a partnership with Senai and the city hall, focuses on training carpenters to the area's complex.

At Itaotec Philco the highlight is the support to the Digital Multimedia Library of Instituto Embratel, in 27 states.

To expedite the use of technology in the classroom, Itaotec joined Microsoft and MS Tech for the Training Interactive Solution developed by Intel: the classroom with Information Technology resources. The new concept uses several systems and is being tested in a pilot project in the new laboratory of Escola Estadual Professora Ruth Cabral Troncarelli, in Itaquera, the East side of the city of São Paulo, with 70 teachers and 2,700 students of elementary and high school. The project is also under testing in Bauru, São Paulo state and could include the 5,900 schools in the state of São Paulo, and 6 million students and 240 thousand teachers. The initial project comprises 21 workstations "Infoway Escola" developed by Itaotec.

Environmental Activities

Consolidated investments in environmental management by the industrial companies of Itaúsa amounted to R\$ 11.1 million.

Each year, Duratex invests in new systems to prevent and minimize pollution. In the forest area, one of the highlights was the start of the replacement of harvesting machinery by gas emission controlled vehicles. The programs to distribute seedlings were intensified in Itapetininga, reaching 1,000 hectares of forest implemented in third-party locations. In 2003, the resources destined to the preservation of forests, acquisition of equipment, treatment of effluent and destination of industrial residues totaled R\$ 7.3 million.

Another highlight at Duratex is the Piatan Environmental Area, destined to environmental education activities focusing on the company's concern over the sustainability of its operations and nature preservation. The Area received over 5,600 visitors, among students and members of social institutions. The project "Planeta Água, Mata Atlântica e Paisagens", sponsored by Duratex and focusing on the environmental awareness and to the rational use of water reached over 25 thousand children from the ages of 8 to 12, in 18 São Paulo cities close to the company.

At Itaotec Philco, the highlights are the renovations to the Piqueri Park in São Paulo.

The Tatuapé and the Manaus units of Itaotec Philco started the process to obtain the ISO 14001 certification related to the Environmental Management System. Instructors were trained to spread the program to all unit

employees, so that, according to their activity, they could contribute to meeting the targets required. In November, an external audit was carried out by the Vanzolini Foundation, which certified the Company in the Environmental Management System – ISO14001.

Elekeiroz started in 2003 the construction of an own 4-kilometer sewer pipe connecting its industrial complex in Várzea Paulista to Companhia de Saneamento de Jundiaí (CSJ), where its liquid effluents, pre-cleaned in the industrial complex, would be fully treated. Accordingly, the company will bring forward the agreement signed with the Comitê de Estudos e Recuperação do Rio Jundiaí (CERJU), whose aim is the fully restore the waters of this important river to the communities around it. In the industrial complex of Taubaté, arising from the acquisition of Ciquine in 2002, a partial contamination of soil was detected and Elekeiroz started a technical process for its recovery, after approval by Companhia de Saneamento Ambiental do Estado de São Paulo (Cetesb).

STATEMENT OF ADDED-VALUE

The chart below presents a statement of added-value for 2003 for the companies comprising the Itaúsa Conglomerate.

Itaúsa and its subsidiaries paid or provisioned for taxes and contributions totaling R\$ 3,702 million, of which the highlight are taxes on income (R\$ 953 million), revenues (R\$ 1,735 million) and payroll (R\$ 869 million). In addition, it withheld from customers, and later paid, R\$ 5,163 million, falling on financial mediation.

	Amount		Share (%)	
	2003	2002	2003	2002
Product and service sales, net of material costs, third-party services and other (A)	6,399,308	5,445,519		
Financial intermediation income (B)	9,435,872	7,355,647		
Insurance operation income (C)	746,976	588,136		
Other income/Operating expenses (D)	(5,954,502)	(4,617,352)		
Added value (E = A + B + C + D)	10,627,654	8,771,950		
Remuneration of work (F) (*)	3,649,636	3,345,056	34.3	38.1
Remuneration of Government (G)	3,498,786	2,293,702	32.9	26.1
Stockholders' dividends (H)	1,227,931	861,018	11.6	9.8
Parent company	613,242	414,561	5.8	4.7
Minority stockholders	614,689	446,457	5.8	5.1
Industrial financing remuneration (I)	201,948	232,955	1.9	2.7
Reinvestments of profits (J)	2,049,353	2,039,219	19.3	23.3
Parent company	948,020	1,122,703	8.9	12.8
Minority stockholders	1,101,333	916,516	10.4	10.5
Added value distribution (k = F + G + H + I+J)	10,627,654	8,771,950	100.0	100.0

(*) Social security charges not included.

TRIBUTE

In December 2003, Itaúsa lost one of its most dedicated associates, Dr. Luiz de Moraes Barros. Executive and member of the Administrative Boards of the conglomerate's companies. Throughout the course of a career lasting 60 years, he showed unconditional dedication, dignity and overwhelming contribution, and became a role model to young executives, in addition to setting an important landmark in the construction of the Itaúsa group. For that, we present our most heart-felt tribute.

INDEPENDENT AUDITORS – CVM INSTRUCTION 381

The policy of Itaúsa – Investimentos Itaú S.A., its subsidiary companies, parent company or companies belonging to the same group for the engagement of non-audit services from our current independent auditors is based on the principles internationally accepted 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 its client.

During this period, PricewaterhouseCoopers Auditores Independentes and related parties 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

We wish to thank our stockholders for their support and trust towards us. We are also grateful to our clients for their loyalty and their welcome to the innovations made to their products and services. To our employees and associates, we also wish to express our appreciation for their endeavor and skilled fulfillment of their activities.

(Approved at the Meeting of the Board of Directors of March 8, 2004)

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
CONSOLIDATED BALANCE SHEET

(In thousands of reais)

ASSETS	31/12/2003	31/12/2002
Current assets	89,376,243	81,411,936
Cash and cash equivalents	2,342,549	1,982,716
Interbank deposits	20,517,501	16,832,810
Securities and Derivative Financial Instruments	18,460,960	14,534,584
Interbank accounts of affiliates	8,199,097	9,999,346
Loan and leasing operations	25,294,212	24,541,699
(-) Allowance for loan losses	(2,026,234)	(1,899,401)
Inventories		
Products	436,970	427,975
Real estate	12,051	46,157
Other credits	15,602,001	14,334,079
(-) Allowance for loan losses	(90,068)	(93,447)
Other assets	274,856	385,552
Prepaid expenses	352,348	319,866
Long-term receivables	28,277,369	28,363,806
Interbank deposits	262,617	138,729
Securities and Derivative Financial Instruments	11,588,408	11,238,201
Interbank accounts of affiliates	267,251	260,222
Loan and leasing operations	13,360,963	13,873,404
(-) Allowance for loan losses	(1,136,733)	(1,272,744)
Other credits	3,404,221	3,699,231
Other assets	9,013	11,589
Prepaid expenses	521,629	415,174
Permanent assets	4,676,623	4,872,984
Investments		
Investments in subsidiaries	794,452	791,694
Other investments	137,861	195,237
Fixed assets		
Property for own use	3,245,039	3,417,522
Leased properties	77,817	67,747
Forest reserves	87,800	77,207
Deferred charges	333,654	323,577
TOTAL ASSETS	122,330,235	114,648,726

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
CONSOLIDATED BALANCE SHEET

(In thousands of reais)

LIABILITIES	31/12/2003	31/12/2002
Current liabilities	81,237,758	75,880,471
Funds raised by affiliates		
Foreign currency	7,820,223	9,455,378
Domestic currency	36,979,793	38,623,361
Open market	13,527,728	7,671,354
Subordinated debts	76,821	84,170
Financial instruments and derivatives	626,517	1,690,832
Borrowings		
Foreign currency	363,630	387,307
Domestic currency	121,980	120,019
Dividends payable	846,532	803,176
Taxes and social security contributions	3,044,565	2,227,076
Provisions and accounts payable	14,259,511	13,512,437
Interbank accounts of affiliates	777,635	803,059
Technical provisions for insurance, pension plan and capitalization	2,792,823	502,302
Long-term liabilities	26,172,977	26,818,062
Funds raised by affiliates		
Foreign currency	3,312,663	4,322,205
Domestic currency	5,241,109	5,645,937
Open market	3,404,481	4,204,397
Subordinated debts	4,736,750	5,622,754
Financial instruments and derivatives	155,832	265,503
Borrowings		
Foreign currency	54,918	124,063
Domestic currency	294,858	279,527
Taxes and social security contributions	684,871	524,629
Provisions and accounts payable	3,391,201	1,928,483
Technical provisions for insurance, pension plan and capitalization	4,896,294	3,900,564
Deferred income	159,916	112,545
Minority interest in subsidiaries	7,123,403	5,448,233
Stockholders' equity from parent company	7,636,181	6,389,415
Capital	3,500,000	3,000,000
Capital reserves	26,948	25,073
Revaluation reserves	51,917	52,986
Retained earnings	3,820,113	3,254,364
Adjustment to market value - securities and derivatives	287,546	56,992
(-) Treasury shares	(50,343)	-
Stockholders' equity of the Itaúsa Conglomerate	14,759,584	11,837,648
TOTAL LIABILITIES	122,330,235	114,648,726

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

	01/01 to 12/31/2003	01/01 to 12/31/2002
OPERATING REVENUE	27,938,214	36,295,657
Sales of products and services	7,808,082	6,905,859
Insurance, pension plan and capitalization	5,164,128	3,514,104
Financial	8,248,479	13,356,261
Financial revenues of insurance, pension plan and capitalization	1,156,477	578,063
Securities	4,998,633	10,574,040
Rentals and leasing	245,714	337,547
Equity in the earnings of subsidiaries	24,508	470,759
Other operating revenues	292,193	559,024
OPERATING EXPENSES	(21,911,067)	(31,714,770)
Cost of products and services	(2,065,580)	(1,839,822)
Insurance, pension plan and capitalization	(4,417,151)	(2,865,259)
Property expenses	(2,203,307)	(2,830,705)
Administrative	(7,184,291)	(6,646,309)
Directors' fees	(119,249)	(87,343)
Financial	(2,959,552)	(14,948,028)
Financial expenses on technical provisions for pension plan and capitalization	(703,204)	(337,368)
Other operating expenses	(2,258,733)	(2,159,936)
OPERATING INCOME	6,027,147	4,580,887
NON-OPERATING INCOME	(235,800)	(58,535)
INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING	5,791,347	4,522,352
INCOME TAX AND SOCIAL CONTRIBUTION	(1,631,482)	(634,614)
Due on operations for the period	(1,667,358)	(1,255,307)
Deferred related to temporary differences	35,876	620,693
EXTRAORDINARY RESULTS	(560,885)	(786,163)
Parent company	(262,012)	(418,676)
Relating to minority interest in subsidiaries	(298,873)	(367,487)
PROFIT SHARING	(321,696)	(201,338)
Employees - Law 10,101 of 12/19/2000	(229,895)	(152,436)
Directors - Statutory - Law 6,404 of 12/15/1976	(91,801)	(48,902)
NET INCOME RELATING TO MINORITY INTEREST OF SUBSIDIARIES	(1,716,021)	(1,362,973)
NET INCOME OF PARENT COMPANY	1,561,263	1,537,264
Net income relating to minority interest of subsidiaries	1,716,021	1,362,973
NET INCOME OF ITAÚSA CONGLOMERATE	3,277,284	2,900,237
NUMBER OF OUTSTANDING SHARES - in thousands	3,208,087	3,148,803
NET INCOME OF PARENT COMPANY PER THOUSAND SHARES - R\$	486.66	488.21
BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES - R\$	2,380.29	2,029.16

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

(In thousands of reais)

	ITAÚSA CONSOLIDADO	
	01/01 a 31/12/2003	01/01 a 31/12/2002
A - FINANCIAL RESOURCES WERE PROVIDED BY	5,725,313	20,514,293
NET INCOME FOR THE YEAR	1,561,263	1,537,264
Items not representing movement of net working capital:		
Minority interest	1,716,021	1,362,973
Depreciation and amortization	703,077	650,994
Equity in the earnings of subsidiaries, net of received dividends	(24,508)	(470,759)
Extraordinary result in subsidiary companies	165,120	-
Allowance for losses	33,247	268,114
Foreign exchange variation of permanent assets	10,989	96,074
Goodwill amortization	626,323	1,398,026
ADJUSTED NET INCOME	4,791,532	4,842,686
FINANCIAL RESOURCES FROM STOCKHOLDERS	117,481	148,825
Capital increase	116,700	148,765
Premiums on share subscription	781	60
FINANCIAL RESOURCES FROM THIRD PARTIES	816,300	15,522,782
Increase in long-term liabilities	-	15,224,483
Cost of disposed permanent assets	49,547	225,046
Cost of investment disposals	50,449	21,517
Write-offs and transfers of deferred assets	7,564	20,963
Decrease in long-term receivables	86,437	-
Change in minority stockholders, net	573,838	-
Change in deferred income	47,371	30,773
Tax incentives	1,094	-
B - FINANCIAL RESOURCES WERE USED FOR	3,118,293	9,897,591
Increase in long-term receivables	-	6,235,484
Adjustment on securities and derivatives - subsidiary companies	(230,554)	(74,867)
Purchased properties and other assets	634,561	997,266
Investments in the period	53,151	214,054
Increase in deferred assets	167,864	158,150
Goodwill on the acquisition of investments	591,953	1,422,415
Acquisition of shares to be held in treasury	50,343	-
Dividends paid to minority stockholders	614,689	446,457
Dividends proposed	613,283	414,561
Decrease in long-term liabilities	623,003	-
Change in minority stockholders, net	-	84,071
INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)	2,607,020	10,616,702
INCREASE (DECREASE) IN NET WORKING CAPITAL	2,607,020	10,616,702
At the beginning of the year	5,531,465	(5,085,237)
Current assets	81,411,936	57,839,136
Current liabilities	75,880,471	62,924,373
At the end of the year	8,138,485	5,531,465
Current assets	89,376,243	81,411,936
Current liabilities	81,237,758	75,880,471

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

BALANCE SHEET

(In thousands of reais)

(A free translation of the original in Portuguese)

ASSETS	12/31/2003	12/31/2002
Current assets	811,283	596,837
Cash and cash equivalents	2	2
Securities	355,820	203,833
Interest on own capital	322,003	303,693
Taxes to offset	131,923	86,872
Créditos Diversos	1,535	2,437
Long-term receivables	80,994	62,525
Securities	31	29
Loans	71,726	58,765
Other credits	9,237	3,731
Permanent assets	7,158,112	6,461,341
Investments		
Investments in affiliates	7,142,593	6,448,421
Other investments	4,196	1,535
Fixed assets	11,323	11,385
TOTAL ASSETS	8,050,389	7,120,703
LIABILITIES		
Current liabilities	517,965	326,688
Interest on own capital	456,638	311,752
Taxes and social security contributions	56,848	10,048
Provisions and accounts payable	4,479	4,888
Long-term liabilities	7,164	4,697
Taxes contributions	7,164	4,697
Stockholders' equity from parent company	7,525,260	6,789,318
Capital Social	3,500,000	3,000,000
Capital reserves	26,948	25,073
Revaluation reserves	51,917	52,986
Retained earnings	3,709,192	3,654,267
Adjustment to market value - securities and derivatives	287,546	56,992
(-) Treasury shares	(50,343)	-
TOTAL LIABILITIES	8,050,389	7,120,703

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
STATEMENT OF INCOME FOR THE YEAR

(In thousands of reais)

	01/01 to 12/31/2003	01/01 to 12/31/2002
OPERATING REVENUE	1,970,601	1,966,579
Financial	11,982	12,707
Securities	86,278	93,103
Rentals and leasing	982	725
Equity in the earnings of affiliates	1,868,250	1,858,108
Other operating revenues	3,109	1,936
OPERATING EXPENSES	(64,932)	(75,510)
Property expenses	(896)	(694)
Administrative	(15,480)	(15,004)
Directors' fees	(4,920)	(4,585)
Financial	(798)	(22,236)
Other operating expenses	(42,838)	(32,991)
OPERATING INCOME	1,905,669	1,891,069
NON-OPERATING INCOME	(21,548)	(16,514)
INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING	1,884,121	1,874,555
INCOME TAX AND SOCIAL CONTRIBUTION	-	(16,709)
Due on operations for the period	-	(16,709)
EXTRAORDINARY RESULTS	(829,298)	(370,167)
PROFIT SHARING	(4,384)	(3,986)
Directors - Statutory - Law 6,404 of 12/15/1976	(4,384)	(3,986)
NET INCOME	1,050,439	1,483,693
NUMBER OF OUTSTANDING SHARES - in thousands	3,208,087	3,148,803
NET INCOME PER THOUSAND SHARES - R\$	327.43	471.19
BOOK VALUE PER THOUSAND SHARES - R\$	2,345.72	2,156.16

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands of reais)

	Capital	Capital reserves			Revaluation reserves	Revenue reserves		Adjustment to market value - securities and derivatives	Treasury shares	Retained earnings	Total
		Monetary correction - Law 8200	Premium on subscription of shares	Options for tax incentives		Legal	Statutory				
At December 31, 2001	2,316,939	25,013	378		54,495	219,593	2,880,076	-	-	-	5,496,494
Capital increase by subscription of shares - O/EGM on 04/29/2002	148,765	-	60	-	-	-	-	-	-	-	148,825
Capitalization of reserves - O/EGM on 04/29/2002	534,296	-	(378)	-	-	-	(533,918)	-	-	-	-
Prior-year adjustments of securities and derivatives - affiliated companies	-	-	-	-	-	-	-	(17,875)	-	17,875	-
Change of adjustment to market value - affiliated companies	-	-	-	-	-	-	-	74,867	-	-	74,867
Reversal/realization of reserves	-	-	-	-	(1,509)	-	-	-	-	1,509	-
Net income for the year	-	-	-	-	-	-	-	-	-	1,483,693	1,483,693
Appropriations:											
Legal reserve	-	-	-	-	-	74,184	-	-	-	(74,184)	-
Statutory reserve	-	-	-	-	-	-	1,014,332	-	-	(1,014,332)	-
Interest on own capital	-	-	-	-	-	-	-	-	-	(414,561)	(414,561)
At December 31, 2002	3,000,000	25,013	60		52,986	293,777	3,360,490	56,992	-	-	6,789,318
Capital increase by subscription of shares - O/EGM on April 10, 2003	116,700	-	781	-	-	-	-	-	-	-	117,481
Capitalization of reserves - O/EGM on April 10, 2003	383,300	-	-	-	-	-	(383,300)	-	-	-	-
Options for tax incentives	-	-	-	1,094	-	-	-	-	-	-	1,094
Acquisition of shares to be held in treasury	-	-	-	-	-	-	-	-	(50,343)	-	(50,343)
Movement for the year of adjustment to market value - affiliated companies	-	-	-	-	-	-	-	230,554	-	-	230,554
Reversal/realization of reserves	-	-	-	-	(1,069)	-	-	-	-	1,069	-
Net income for the year	-	-	-	-	-	-	-	-	-	1,050,439	1,050,439
Appropriations:											
Legal reserve	-	-	-	-	-	52,522	-	-	-	(52,522)	-
Statutory reserve	-	-	-	-	-	-	385,703	-	-	(385,703)	-
Interest on own capital	-	-	-	-	-	-	-	-	-	(613,283)	(613,283)
At December 31, 2003	3,500,000	25,013	841	1,094	51,917	346,299	3,362,893	287,546	(50,343)	-	7,525,260

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

(In thousands of reais)

	01/01 to 31/12/2003	01/01 to 31/12/2002
A - FINANCIAL RESOURCES WERE PROVIDED BY	766,293	627,365
NET INCOME FOR THE YEAR	1,050,439	1,483,693
Items not representing movement of net working capital		
Depreciation and amortization	910	694
Equity in the earnings of affiliates, net of received dividends	(1,316,153)	(1,387,791)
Extraordinary result in affiliated companies	848,732	370,167
Allowance for losses	(2,119)	-
Goodwill amortization	599	4,756
ADJUSTED NET INCOME	582,408	471,519
FINANCIAL RESOURCES FROM STOCKHOLDERS	117,481	148,825
Capital increase ¹	116,700	148,765
Premiums on share subscription	781	60
FINANCIAL RESOURCES FROM THIRD PARTIES	66,404	7,021
Increase in long-term liabilities	2,467	-
Cost of investment disposals	62,843	7,021
Tax incentives	1,094	-
B - FINANCIAL RESOURCES WERE USED FOR	743,124	595,084
Increase in long-term receivables	18,469	52,861
Purchased properties and other assets	848	3,059
Investments in the period	60,181	66,244
Acquisition of shares to be held in treasury	50,343	
Dividends proposed	613,283	414,561
Decrease in long-term liabilities	-	58,359
INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)	23,169	32,281
INCREASE (DECREASE) IN NET WORKING CAPITAL	23,169	32,281
At the beginning of the year	270,149	237,868
Current assets	596,837	707,140
Current liabilities	326,688	469,272
At the end of the year	293,318	270,149
Current assets	811,283	596,837
Current liabilities	517,965	326,688

ITAÚSA - INVESTIMENTOS ITAÚ S.A.**FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2003 AND 2002***(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 ITAÚSA, the goodwill recorded by the subsidiary Banco Itaú S.A. (ITAÚ), arising mainly from the purchases of Itaú-BBA S.A. (BBA), and AGF Vida e Previdência, and by the subsidiary IPI-Itaúsa Portugal, Investimentos, SGPS Ltda of part of BPI, S.A., (BPI) shares, as well as own and other subsidiaries goodwill, 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 periods when these acquisitions occurred in order to:

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

In BANESTADO, tax credits are recorded at an amount considered sufficient justified by expected future profitability, reflected in ITAÚSA through equity in the results in the subsidiary ITAÚ, 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.

NOTE 3 – CONSOLIDATED 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 operations between these companies, and the related taxes were deferred. 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 consolidated financial statements comprise ITAÚSA and its direct and indirect subsidiaries among which we highlight:

		Participation (%)	
		12/31/2003	12/31/2002
FINANCIAL AREA			
Banco Itaú Holding Financeira S.A	(1) (2)	46.73	-
Banco Itaú S.A		46.73	47.87
Banco Itaú-BBA S.A		44.75	45.84
Banco Banerj S.A		46.73	47.87
Banco Banestado S.A		46.73	46.62
Banco Bemge S.A		46.73	47.79
Banco BEG S.A		46.73	42.81
Banco Fiat S.A	(3)	46.73	-
Banco Itaú Buen Ayre S.A		46.73	47.87
Banco Itaú Europa Luxembourg S.A		89.55	89.78
Banco Itaú Europa S.A		89.59	89.92
Cia Itauleasing de Arrendamento Mercantil		46.73	47.87
Itaú Bank Ltd		46.73	47.87
Itaú Corretora de Valores S.A		46.73	47.87
Itaucard Financeira S.A – Crédito, Financiamento e Investimento		46.73	47.87
Credicard S.A – Administradora de Cartões de Crédito e Controladas	(4)	15.58	15.96
Redecard S.A	(4)	14.93	15.29
Fiat Administradora de Consórcios Ltda	(3)	46.73	-
Itaú Administradora de Consórcios Ltda		46.73	47.87
Akbar - Marketing e Serviços Ltda e Controladas		44.75	45.84
Afinco Américas Madeira, SGPS, Sociedade Unipessoal Limitada		46.73	47.87
Itaúsa Export S.A		88.16	88.41
Serasa S.A		14.82	15.18
INSURANCE, PENSION PLAN AND CAPITALIZATION			
Itaú Seguros S.A		46.73	47.87
Itaú Previdência e Seguros S.A		46.71	47.87
Itaú Capitalização S.A		46.73	47.87
AGF Vida e Previdência	(5)	46.71	-
WOOD AND CONSTRUCTION MATERIALS			
Duratex S.A	(1)	47.64	47.84
Duraflora S.A		47.90	49.89
TECHNOLOGY AND ELECTRONICS			
Itautec Philco S.A	(1)	94.22	94.22
CHEMICAL			
Elekeiroz S.A	(1) (6)	96.41	97.93
REAL ESTATE			
Itaúsa Empreendimentos S.A		100.00	100.00
PRT Investimentos S.A.		100.00	100.00

(1) Listed company.

(2) Company arising from corporate restructuring approved by BACEN on 2/27/2003, in which it merged all Banco Itaú S.A.' shares.

(3) Investment purchased by the subsidiary ITAÚ on March 31, 2003.

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

(5) Investment purchased by Itaú Previdência e Seguros S.A. on December 30, 2003.

(6) At July 31, 2003, Elekeiroz was merged into Ciquine Cia. Petroquímica, changing its name to Elekeiroz S.A.

NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

a) Interbank deposits, remunerated restricted credits – Brazilian Central Bank (BACEN), loans and leasing operations, 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.

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), in accordance with BACEN Circulars 3068 of November 08, 2001, 3082 of January 30, 2002 and SUSEP Circular 226 of February 7, 2003:

2.1. According to the Circulars, 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, 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 account, net of related tax effects.

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 present 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 operations 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 a straight-line over the respective rental periods, and acquisition and development of logical systems, which are amortized on a straight-line basis over five years.

j) Technical provisions for insurance, pension plans and capitalization

Technical Provisions of Insurance, Capitalization and Pension Plans - 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 occurred but not reported (IBNR) –

set up in relation to the estimated amount of events occurred but not reported; Mathematical provisions for benefits granted and benefits to be granted – correspond to commitments assumed with participants, but not 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) Income Tax, Social Contribution, PIS and COFINS - The provisions were calculated according to the current legislation at the rates shown below.

Income tax	15.00%
Additional income tax	10.00%
Social contribution	9.00%
PIS (*)	1.65%
COFINS (**)	3.00%

(*) As from December 2002 included, for ITAÚSA and its non-financial subsidiaries, the rate is 1.65%. For financial and similar companies the rate is 0.65%.

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

Amounts subject to litigation have been fully provisioned.

NOTE 5 - INTERBANK INVESTMENTS

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

	Book value	
	12/31/2003	12/31/2002
Investments in the open market	10,118,075	10,008,602
Funded position	2,683,165	7,215,785
Financed position	5,007,637	2,792,817
Open Account	2,427,273	-
Interbank deposits (*)	10,662,043	6,962,937
TOTAL	20,780,118	16,971,539

(*) Includes allowance for losses.

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

See below the composition of Marketable Securities and Derivative Financial Instruments. In the Financial and Insurance Areas affiliates, classified in accordance with BACEN and SUSEP rules and regulations, stated at cost and market value, as well as the effects directly recorded in stockholders' equity and result of the subsidiaries and ITAÚSA.

a) Summary

DESCRIPTION	Cost	Market value	Provision for adjustment to market value reflected on	
			Result	Stockholders' equity
Itaúsa and Industrial Area				
Marketable securities	633,326	633,326	-	
Subtotal	633,326	633,326	-	-
Financial Area				
Trading securities	12,538,083	12,591,405	53,322	
Securities available for sale	11,532,540	12,290,974		758,434
Securities held to maturity (1)	3,638,029	3,638,029	-	
Derivative Financial Instruments (Assets)	1,386,219	1,440,634	54,415	
Subtotal	29,094,871	29,961,042	107,737	758,434
Deferred taxes				(288,649)
Itaú BBA and FIAT adjustments not reflected on ITAÚ HOLDING				27,437
Adjustment of securities reclassified to securities held to maturity				109,800
Total Adjustment to Market Value				607,022
Additional provision (exceeding minimum required)		(545,000)		
Total Marketable Securities and Derivative Financial Instruments (Assets)	29,728,197	30,049,368		607,022
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	864,659	782,349	82,310	
Minority Interest				(319,476)
Amount highlighted in ITAÚSA Stockholders' Equity				287,546

(1) In the year, considering management intention as well as the company's financial capacity, securities evaluated as low credit risk, with remuneration and maturity compatible with their liabilities, originally classified in "securities available for sale" and "trading securities" were reclassified to "securities held to maturity". The securities classified in this category, if evaluated at market value, would present a positive adjustment in the amount of R\$ 142,793 (negative adjustment R\$ 49,394 at 12/31/2002).

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 CONSOLIDATED are fully involved in the operation of derivative markets, either in complying with the growing clients' needs, 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, 2003 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 referential values recorded in memorandum accounts and the adjustments/premiums in balance sheet accounts.

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

	MEMORANDUM ACCOUNT VALUE	NOTIONAL	BALANCE SHEET	ADJUSTMENT TO MARKET VALUE	MARKET VALUE	
			ACCOUNT RECEIVABLES/ (RECEIVED) (PAYABLE) / PAID		12/31/2003	12/31/2002
Future contracts	36,279,125	25,666,019	(72,794)	-	(72,794)	(22,799)
Purchase commitments	19,053,554	12,721,869	43,802	-	43,802	40,521
Commitments to sell	17,225,571	12,944,150	(116,596)	-	(116,596)	(63,320)
Swaps contracts			380,007	121,062	501,069	435,860
Asset position	30,841,968	31,052,151	890,682	94,806	985,488	1,823,773
Liability position	30,461,961	30,378,298	(510,675)	26,256	(484,419)	(1,387,913)
Options contracts	16,186,008	8,917,665	(18,289)	17,576	(713)	179,624
Purchase commitments - purchased p	7,259,055	2,396,088	91,089	(35,551)	55,538	(350,064)
Commitments to sell - purchased posi	1,196,752	2,377,031	12,249	(5,134)	7,115	(19,812)
Purchase position - sold position	5,855,933	3,002,442	(73,435)	27,706	(45,729)	418,691
Commitments to sell - sold position	1,874,268	1,142,104	(48,192)	30,555	(17,637)	130,809
Term						
Sales receivable		-	131,866	42	131,908	129,154
Other derivative financial instruments	4,659,360	867,392	27,976	(1,955)	26,021	(15,143)
Asset position	1,740,756	426,941	260,333	252	260,585	3,779
Liability position	2,918,604	440,451	(232,357)	(2,207)	(234,564)	(18,922)
		ASSETS	1,386,219	54,415	1,440,634	2,326,582
		LIABILITIES	(864,659)	82,310	(782,349)	(1,956,335)
		TOTAL	521,560	136,725	658,285	370,247
Derivative contracts mature in days as follows:						
Clearing	0 - 30	31 - 180	181 - 365	Above 365	12/31/2003	12/31/2002
Futures	5,321,604	12,720,139	8,019,675	10,217,707	36,279,125	25,666,019
Swaps	4,935,371	10,888,082	7,233,586	6,894,247	29,951,286	28,422,015
Options	5,802,568	6,412,745	3,688,042	282,653	16,186,008	8,917,665
Others	1,538,250	1,817,511	222,414	1,081,185	4,659,360	381,097

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

	12/31/2003	12/31/2002
Loan operations	32,414,941	32,269,549
Lease operations	1,294,487	1,014,377
Credit card operations	3,170,817	2,773,621
Advances on exchange contracts (1)	1,621,982	2,185,731
Other credits (2)	152,948	171,825
Total	38,655,175	38,415,103
Endorsements and sureties (3)	5,922,520	6,994,892
Total with endorsements and sureties	44,577,695	45,409,995

(1) Includes advances on exchange contracts and income receivable from advances. Recorded in Other credits/liabilities foreign exchange portfolio.

(2) Includes securities and credits receivable, debtors from purchase of other assets and honored endorsements and sureties, classified in Other credits.

(3) Recorded in memorandum accounts.

b) Allowance for loan losses

	01/01 to 12/31/2003	01/01 to 12/31/2002
Opening balance	(3,172,145)	(2,568,182)
Balance from institutions acquired	(87,832)	(308,904)
Extraordinary result (1)	(101,252)	(12,753)
Net increase for the period	(2,207,022)	(2,565,830)
Write-Offs (2)	2,405,284	2,283,524
Closing balance	(3,162,967)	(3,172,145)
Minimum required allowance (3)	(2,256,967)	(2,331,546)
Additional allowance (4)	(906,000)	(840,599)

(1) At December 31, 2003, considers the additional provision of the Acquired Institutions. At December 31, 2002, considers the additional provision of Banco Itaú Buen Ayre, net of the foreign exchange variation effects.

(2) Includes additional write-offs on Allowance for loan losses for operations that management considers as having a low realization expectation in the short-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 loan portfolio in cases of economic crisis.

NOTE 8 – FUNDING AND BORROWINGS AND ONLENDINGS - FINANCIAL AREA

	12/31/2003	12/31/2002
Foreign currency	11,132,886	13,777,583
Funds from acceptance and issuance of securities	3,024,463	4,322,205
Borrowings and onlendings	8,108,423	9,455,378
Local currency	42,220,902	44,269,298
Deposits	36,656,455	38,891,032
Funds from acceptance and issuance of securities	734,163	232,698
Borrowings and onlendings	4,830,284	5,145,568
Funds obtained in the open market	16,932,209	11,875,751
Subordinated debts	4,813,571	5,706,924
Total	75,099,568	75,629,556

NOTE 9 - OTHER ACCOUNTS

a) Other credits

	12/31/2003	12/31/2002
Exchange portfolio	7,525,531	6,429,565
Tax credits	3,840,755	3,863,704
Deposits in guarantee	2,003,113	2,219,997
Taxes and contributions to offset	1,536,279	1,310,460
Social contribution to be offset – Provisional Measure (MP) 2158 of August 24, 2001	1,341,278	1,385,766
Income receivable	667,073	927,032
Insurance premium receivable	569,926	468,575
Trade notes receivable	535,668	463,754
Negotiation and intermediation of securities	128,593	294,670
Sundry debtors		
Local	258,868	255,959
Foreign	228,143	208,116
Sundry	370,995	205,712
Total	19,006,222	18,033,310

b) Other assets

	12/31/2003	12/31/2002
Non-operating assets	411,884	446,926
Amounts in foreign currency	-	66,282
Others	467	16,870
(-) Provision for devaluation	(128,482)	(132,937)
Total	283,869	397,141

c) Provisions and accounts payable

	12/31/2003	12/31/2002
Exchange portfolio	7,785,305	6,708,693
Operations with credit cards	2,536,961	2,033,221
Securitization of foreign payment orders	1,974,940	1,423,374
Provision for labor liabilities	1,158,032	958,842
Provision for contingent liabilities	524,315	400,347
Negotiation and Intermediation of securities	339,764	278,511
Personnel	377,420	256,954
Suppliers	230,275	165,423
Liabilities for official agreements and payment services rendered	226,083	161,768
Sundry creditors		
Local	982,179	882,787
Foreign	73,134	357,064
Liabilities for purchase of assets and rights	89,057	121,339
Liabilities related to insurance companies	126,173	110,817
Provisions and sundry credits	1,227,074	1,581,780
Total	17,650,712	15,440,920

d) Other Operating Revenues

	12/31/2003	12/31/2002
Reversal of operating provisions	104,660	228,750
Recovery of charges and expenses	52,074	41,131
Income from equity in the results of subsidiaries not arising from profit	41,291	31,329
Others	94,168	257,814
Total	292,193	559,024

e) Other Operating expenses

	12/31/2003	12/31/2002
Tax expenses	1,167,612	880,239
Operating expenses from industrial companies	281,643	337,085
Provisions for contingencies	256,329	26,728
Net exchange variation between assets and liabilities of companies abroad	66,656	275,375
Charges on taxes	203,383	179,816
Other financial expenses	18,407	6,694
Other	264,703	453,999
Total	2,258,733	2,159,936

f) Non-Operating Income

	12/31/2003	12/31/2002
(Provision) / Reversal of non-operating provisions	26,965	(7,932)
Capital gains / (losses)	(115,564)	(2,861)
Equity in non-operating results	(23,228)	(2,806)
Result from sale of assets	(35,691)	12,367
Other	(88,282)	(57,303)
Total	(235,800)	(58,535)

NOTE 10 – EXTRAORDINARY RESULT

For a better analysis of the financial statements for the period, non-recurring income and expenses were segregated to the extraordinary result account, net of taxes (Income tax and Social contribution), basically relating, in the subsidiary Banco Itaú, to the amortization of goodwill referring to the acquisition of the investment in FIAT and AGF Vida e Previdência S.A., and acquisition of shares of BEG, BANESTADO and BEMGE, adjustment to the risk rating standards of the credit portfolios of BBA and FIAT, supplementary provision for credits with Salary Variation Compensation Fund (FCVS), América Online Latin América Inc (AOLA) provision, additional depreciation of assets with little residual value and reversal of the provision for legal contingency for which there is already a favorable final court decision, as well as in ITAÚSA, arising from capital gain on the sale of investment in Union Carbide do Brasil S.A (UCB), non-operating gain for variation of investment in the subsidiary Banco Itaú Holding Financeira and the constitution of a Provision for Devaluation of Investments indexed to foreign currency.

	Parent company	Minority	Conglomerate
Amortization of goodwill	(12,782)	(9,873)	(22,655)
Allowance for loan losses	(31,184)	(35,641)	(66,825)
America Online Latin America Inc. (AOLA) provision	(99,730)	(113,674)	(213,404)
Provision for credits with FCVS	(30,048)	(34,250)	(64,298)
Additional depreciation	(77,165)	(87,952)	(165,117)
Capital gain in the sale of UCB	51,300	-	51,300
Non-operating gain in capital increase and treasury stock – Banco Itaú Holding	27,905	-	27,905
Set up of provision for devaluation of investments (1)	(75,000)	-	(75,000)
Other	(15,308)	(17,483)	(32,791)
TOTAL	(262,012)	(298,873)	(560,885)

(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.

NOTE 11 - TAXES

a) Composition of expenses with taxes and contributions

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

Due on Operations for the Period	01/01 to 12/31/2003	01/01 to 12/31/2002
Income before income tax and Social contribution	5,791,347	4,522,352
Charges (Income tax and Social contribution) at the rates of 25% and 9% (*) respectively	(1,969,058)	(1,537,600)
Increase/decrease in income tax and Social contribution payables as a result of:		
Permanent (Inclusions) Exclusions	331,337	929,009
Equity in income fo subsidiaries and affiliates	8,333	160,058
Interest on own capital	385,714	301,986
Non-deductible provisions and other	(62,710)	466,965
Temporary (Inclusions) Exclusions	(89,010)	(651,000)
Allowance for loan losses	(154,629)	(317,941)
Excess (Insufficiency) of Depreciation	(12,990)	49,828
Adjustment to Market value of trading securities and derivative financial instruments	215,318	(277,731)
Labor provisions, tax risks and other	(136,709)	(105,156)
Offset of tax losses/ negative social contribution basis	59,373	4,284
Expense with Income Tax and Social Contribution	(1,667,358)	(1,255,307)
Related to temporary differences		
Increase (Reversal) for the period	54,847	638,017
Increase (Reversal) of prior periods	(18,971)	(17,324)
Total Tax Credits	35,876	620,693

(*) According to Note 4 k.

b) Tax Credits

l) The tax credit balance , segregated due to its origin and disbursements incurred (income tax and social contribution), is represented as follows:

	12/31/2002	Net movement (*)	12/31/2003
Related to tax losses and negative basis of social contribution	865,215	(34,964)	830,251
Temporary differences:	2,987,798	22,179	3,009,977
Allowance for loan losses	1,230,929	196,868	1,427,797
Adjustment to market value of trading securities and derivative financial instruments (Assets and liabilities)	439,407	(207,773)	231,634
Provision for interest on own capital	93,882	(88,715)	5,167
Provision for tax risks	200,491	73,562	274,053
Labor contingencies	265,566	41,897	307,463
Provision for civil contingencies	118,326	37,599	155,925
Provision for real estate	39,786	8,909	48,695
Other	599,411	(40,168)	559,243
Tax credits - Reflected in stockholders' equity	10,691	(10,164)	527
Adjustment to market value of securities and derivative financial instruments	10,691	(10,164)	527
Total tax credits	3,863,704	(22,949)	3,840,755
Social contribution to offset from option foreseen in article 8 of Provisional Measure 2158-35, of 08.24.2001.	1,385,766	(44,488)	1,341,278

(*) Also considers the tax credits of companies acquired in the period.

II) The estimate of realization and present value of tax credits and social contribution to offset, arising from Provisional Measure 2158-35 of 08/24/2001, existing at December 31, 2003, in accordance with the expectation to generate future taxable income, based on 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	
2004	1,544,784	142,633	1,687,417	64,875
2005	549,102	266,258	815,360	114,961
2006	293,156	328,766	621,922	126,120
2007	276,009	92,594	368,603	133,842
2008	72,709	-	72,709	148,253
after 2008	274,744	-	274,744	753,227
Total	3,010,504	830,251	3,840,755	1,341,278
Present value (*)	2,715,010	746,925	3,461,935	1,077,111

(*) The average funding rate was used to determine 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 book value is not directly related to taxable 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 an indication of future net profits.

III) Unrecorded tax credits amount to R\$ 495,533 (R\$ 415,151 at 12/31/2002).

c) Tax and Social Securities Liabilities

I) The balance of Tax and Social Security Liabilities is represented as follows:

	12/31/2003	12/31/2002
Taxes and contributions on net income payable	438,528	285,843
Taxes and contributions payable	615,405	511,376
Provision for deferred income tax and social contribution	661,932	398,297
Provision for tax contingencies	2,013,571	1,556,189
Total	3,729,436	2,751,705

II) Change in Deferred Income Tax and Social Contribution

	12/31/2002	Activity (*)	12/31/2003
Excess depreciation - Leasing	234,971	(10,635)	224,336
Taxation on overseas results - capital gains	71,073	(3,459)	67,614
Revaluation reserve	18,390	(7,777)	10,613
Adjustment to market value of securities available for sale	16,122	279,896	296,018
Adjustment to market value of securities and derivative financial instruments (assets and liabilities)	57,358	2,226	59,584
Other	383	3,384	3,767
Total	398,297	263,635	661,932

(*) Also includes deferred taxes from companies acquired in the period

d) Taxes Paid or Provisioned and Retained from Customers

The table below shows the amount of taxes paid or provided for, basically levied on income, revenues and payroll, and the amount withheld from and paid for clients, directly levied on financial intermediation:

	12/31/2003	12/31/2002
Taxes paid or provided for	3,702,461	3,003,558
Taxes withheld and paid from clients	5,162,739	4,438,589
Total	8,865,200	7,442,147

NOTE 12 - INVESTMENTS

a) Interest in subsidiaries - ITAÚSA

Companies	Capital	Adjusted stockholders' equity	Book value of investment		Number of shares/quotas of Itaúsa		Interest in voting capital (%)	Interest in capital (%)	Adjusted net income for the year	Balance of operations between Itaúsa and subsidiaries/affiliates		Adjustments from evaluation	
			12/31/2003	12/31/2002	Common	Preferred				Assets	Revenues	01/01 to 12/31/2003	01/01 to 12/ 31/2002
			Banco Itaú Holding Financeira S.A.	4,780,000	11,608,556	5,437,580				4,707,347	53,246,417,172	2,803,020	87.58
Itaúsa Export S.A.	437,550	878,731	628,413	658,327	13,496,788,170	136,168,384	80.00	77.77	11,556	57,708 (d2)	11,961 (e)	8,988	310,099
Itaucorp S.A.	190,673	383,987	368,747	328,090	23,614,056	7,803,993	99.99	99.99	37,733	-	-	37,919	44,525
Duratex S.A.	271,709	936,591	298,176	289,161	2,798,043,336	982,311,061	63.49	32.34	64,017	3,856 (d1)	-	20,656	22,781
Itautec Philco S.A.	222,360	312,780	163,116	155,655	155,411,287	-	89.17	89.17	10,402	398 (d3)	-	15,231	28,533
Itaúsa Europa - Investimentos, SGPS, LDA.	(a) 893,547	1,041,898	115,850	124,459	29,708,318	-	12.14	12.14	48,574	-	-	4,274 (g)	55,500 (g)
Eleupart Participações e Administração S.A.	62,383	141,725	64,975	41,763	10,126,925	-	1.97	1.97	28,564	75,401 (d4)	-	562	496
Ith Zux Cayman Company Ltda.	101,122	57,469	51,936	69,535	35,000,000	-	100.00	100.00	609	-	-	(12,066) (g)	24,625 (g)
Elekeiroz S.A.	164,306	235,020	5,230	3,719	11,183,657	12,628,787	3.85	3.78	37,188	354 (d1)	-	1,440	1,429
Guarara Adm. e Participações S.A.	(b) -	-	-	32,018	-	-	-	-	-	-	-	-	(6,017)
Other subsidiaries	-	-	8,570	38,347	-	-	-	-	-	-	-	1,352	(71)
TOTAL	-	-	7,142,593	6,448,421	-	-	-	-	-	-	-	1,868,250	1,858,108

(a) New company name of Itaúsa Madeira Investimentos, SGPS,Lda; (b) Investment sold in 09/2003; (c) Includes total goodwill of R\$ 49,929 and negative goodwill of R\$ 41,829 in 2003 and goodwill of R\$ 82,396 and negative goodwill of R\$ 50,986 in 2002; (d1) Dividends receivable; (d2) Loans; (d3) Sundry debtors; (d4) Sundry debtors and loans; (e) Operating revenues; (f) The difference related to the participation in net income for the year basically arises from goodwill amortizations carried out by the subsidiary and segregated to Extraordinary Result, which impacted on Itaúsa at an amount of R\$ 833,503; (g) Includes the totality of exchange variation of which, expense of R\$ 14,287 in 2003 and income of R\$ 72,911 in 2002.

b) Composition of Investments - ITAÚSA CONSOLIDATED

	12/31/2003	12/31/2002
Share of equity in affiliates	794,452	791,694
BPI S.A.	677,177	644,769
AGF Brasil Seguros S.A.	112,381	108,522
Union Carbide do Brasil S.A	-	30,784
Other	4,894	7,619
Other investments	137,861	195,237
Investments by tax incentives	113,648	66,808
Equity securities	36,677	31,932
Shares and quotas	27,776	27,863
Other	73,437	130,252
Provision for losses	(113,677)	(61,618)
TOTAL	932,313	986,931

c) Composition of Equity in Income of Affiliates - ITAÚSA CONSOLIDATED

	01/01 to 12/31/2003	01/01 to 12/31/2002
Share of equity in affiliates	33,161	58,712
Foreign exchange variation on investments	(8,653)	222,808
Adjustment of provision - Argentina	-	189,239
Equity in income of affiliates	24,508	470,759

NOTE 13 - Insurance, Pension and Capitalization Operations**a) Composition of Technical Provisions**

	12/31/2003	12/31/2002
Insurance	984,916	815,619
Unearned premiums	520,453	438,464
Claims to settle	319,766	304,845
IBNR	121,157	69,992
Other	23,540	2,318
Life and Pension	5,727,130	2,664,297
Unearned premiums	191,290	151,317
Claims to settle	32,592	21,158
IBNR	27,376	32,786
Mathematics of benefits to grant	5,213,348	2,326,138
Mathematics of benefits granted	44,783	23,404
Financial surplus	127,799	40,163
Financial variation	65,073	53,523
Other	24,869	15,808
Capitalization	977,071	922,950
Mathematics for redemptions	871,434	821,536
Contingencies	90,213	87,631
Raffle	15,424	13,783
TOTAL	7,689,117	4,402,866

b) Funds that guarantee technical provisions

	INSURANCE		LIFE AND PENSION		CAPITALIZATION		TOTAL	
	12/31/2003	12/31/2002	12/31/2003	12/31/2002	12/31/2003	12/31/2002	12/31/2003	12/31/2002
Securities and derivative financial instruments	781,396	630,163	5,681,113	2,576,157	1,003,799	928,708	7,466,308	4,135,028
Credit rights	223,367	183,875	148,744	145,265	-	-	372,111	329,140
Real estate	45,877	45,583	-	-	-	-	45,877	45,583
TOTAL	1,050,640	859,621	5,829,857	2,721,422	1,003,799	928,708	7,884,296	4,509,751

NOTE 14 – STOCKHOLDERS' EQUITY - ITAÚsa**a) Capital**

The capital of ITAÚSA is R\$ 3,500,000 and is represented by 3,208,086,782 entry shares with no par value, of which 1,184,643,391 are common shares and 2,023,443,391 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.

The Extraordinary General Meeting (EGM) held on April 28, 2003 increased the capital to R\$ 3,500,000, being R\$ 383,300 through capitalization of revenue reserves, without issuing shares, and R\$ 116,700 through private subscription, with the issue of 77,800,000 new entry shares, with no nominal value (28,564,178 common and 49,235,822 preferred) at R\$ 1.50 each, which were fully paid-up and subscribed in cash or through the settlement of credits arising from interest on own capital declared by Itaúsa, as approved in the EGM of 6/26/2003.

b) Shares

The activity in capital shares and treasury stock in the period:

	NUMBER		
	Common	Preferred	Total
Capital shares			
Number of shares at 12/31/2002	1,156,079,213	1,992,723,569	3,148,802,782
Capital increase with subscription of shares	28,564,178	49,235,822	77,800,000
Number of shares at 12/31/2003	1,184,643,391	2,041,959,391	3,226,602,782
Treasury stock			
Number of shares at 12/31/2002	-	-	-
Purchase of shares (*)	-	18,516,000	18,516,000
Treasury shares at 12/31/2003 (*)	-	18,516,000	18,516,000
Outstanding shares at 12/31/2003	1,184,643,391	2,023,443,391	3,208,086,782

(*) Based on the authorizations of the Administrative Council, own shares were purchased in the period, to be held in treasury, for their subsequent cancellation or disposal in the market. We detail below the costs of the shares bought back in the period and the average cost of treasury shares and their market price at 12/31/2003.

Market Cost/ Value (R\$ 1/per thousand shares)	Preferred
Purchases in the period	
Minimum	2.27
Weighted average	2.66
Maximum	3.32
Balance of treasury stock	
Average cost	2.72
Market value at 12/31/2003	3.41

c) Profits reserves

	12/31/2003	12/31/2002
Profits reserves	3,709,192	3,654,267
Legal	346,299	293,777
Statutory	3,362,893	3,360,490
Harmonization of Dividends (1)	1,099,967	1,347,446
Working capital reinforcement (2)	1,082,602	883,019
Capital increase of investees (3)	1,180,324	1,130,025

(1)

Reserve for harmonization of dividends to guarantee funds for the payment of dividends, including interest on own capital, or prepayments, to maintain the remuneration flow to stockholders.

(2)

Reserve for working capital reinforcement to guarantee financial funds for the Company's operation.

(3)

Reserve for capital increase of investees to guarantee priority right of subscription in capital increases of investees.

d) 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 3/17/2003, was increased from R\$ 4.00 to R\$ 5.60 per thousand shares, as from those paid on 7/1/2003.

I. Calculation

Net income	1,050,439	
Adjustments		
(-) Legal reserve	(52,522)	
Calculation basis of dividend	997,917	
Interest on own capital	521,256	52.23%

II. Payment/provision for interest on own capital

	Gross	IRF	Net
Paid/Prepaid			
Quarterly - 1 installment of R\$ 5.60 per thousand shares, paid in July/2003.	18,047	2,707	15,340
Quarterly - 1 installment of R\$ 5.60 per thousand shares, paid in October/2003.	18,002	2,700	15,302
Supplementary - 1 installment of R\$ 20.50 per thousand shares, paid on 8/25/2003.	65,971	9,896	56,075
Provisioned			
Quarterly - 1 installment of R\$ 5.60 per thousand shares, paid in January/2004.	17,972	2,696	15,276
Quarterly - 1 installment of R\$ 5.60 per thousand shares, to be paid in April/2004.	17,965	2,694	15,271
Supplementary - 1 installment of R\$ 75.00 per thousand shares paid on 3/5/2004	240,700	36,105	204,595
Supplementary - 1 installment of R\$ 58.50 per thousand shares to be paid until 6/30/04	187,747	28,162	159,585
Supplementary - 1 installment of R\$ 14.60 per thousand shares paid on 3/5/2004	46,838	7,026	39,812
Total	613,242	91,986	521,256

e) Reconciliation of net income and stockholders' equity between ITAÚSA and ITAÚSA 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 deferred.

	Net income		Stockholders' equity	
	01/01 to 12/31/2003	01/01 to 12/31/2002	12/31/2003	12/31/2002
ITAÚSA	1,050,439	1,483,693	7,525,260	6,789,318
Goodwill amortization	733,753	(3,452)	(265,044)	(998,797)
Tax credit	(222,929)	57,023	377,471	600,400
Unrealized results	-	-	(1,506)	(1,506)
ITAÚSA CONSOLIDATED	1,561,263	1,537,264	7,636,181	6,389,415

NOTE 15 – 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 the subsidiary Itaú to act in their respective areas of interest. During the period, the consolidated companies made donations to IIC in the amount of R\$ 50,000 and R\$ 17,333, respectively.

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, collaterals and others, as follows:

	12/31/2003	12/31/2002
Duratex	219,349	312,692
Elekeiroz	32,743	43,046
Itautec Philco	79,301	101,860
Total	331,393	457,598

NOTE 16 - 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 subsidiaries.

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) (1) (2)			
					In result		In stockholders' equity	
	12/31/2003	12/31/2002	12/31/2003	12/31/2002	12/31/2003	12/31/2002	12/31/2003	12/31/2002
Interbank deposits	20,780,118	16,971,539	20,790,522	16,974,042	10,404	2,503	10,404	2,503
Securities and derivatives	30,049,368	25,772,785	30,049,368	25,772,113	-	(672)	-	(672)
Securities unrealized result					1,556,027	511,302	687,793	455,606
Additional provision (exceeding the minimum required)					545,000	760,000	545,000	760,000
Adjustment of securities available for sale					758,434	(199,304)	-	-
Adjustment of securities held up to maturity					252,593	(49,394)	142,793	(49,394)
Reclassification of additional provision					-	-	-	(255,000)
Loan and leasing operations	35,492,208	35,242,958	35,811,152	35,153,874	318,944	(89,084)	318,944	(89,084)
Investment in BPI	677,177	644,769	1,303,940	929,769	626,763	285,000	626,763	285,000
Funds raised by subsidiary companies	70,285,997	69,922,632	70,253,082	69,749,810	32,915	172,822	32,915	172,822
Provisions and accounts payable	17,650,712	15,440,920	17,576,685	15,271,052	74,027	169,868	74,027	169,868
Subordinated debts	4,813,571	5,706,924	4,755,897	5,025,242	57,674	681,682	57,674	681,682
Treasury stock	449,115	269,239	702,680	384,763	-	-	253,565	115,524
Total unrealized					2,676,754	1,733,421	2,062,085	1,793,249

(1) Does not include the related tax effects.

(2) Includes unrealized gains from minority interest amounting to R\$ 1,288,823 (R\$ 843,084 at 12/31/2002) on income and R\$ 953,869 (R\$ 874,248 at 12/31/2002) 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 2, 2004, 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). The financial institutions 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.
- Shares of listed companies, when included in Marketable 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 2, 2004. 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 17 – RECLASSIFICATION FOR COMPARISON PURPOSES

In order to keep a comparison standard for the December 31, 2003 financial statements of ITAÚSA CONSOLIDATED, reclassifications were made in the December 31, 2002 balances, mainly to make the Finance Area's transactions clearer.

	Prior disclosure	Reclassifications	Reclassified balances
ASSETS			
CURRENT ASSETS	81,411,936	-	81,411,936
Loan and leasing operations	20,563,469	3,978,230	24,541,699
(-) Allowance for loan losses	(1,792,848)	(106,553)	(1,899,401)
Other credits	18,218,862	(3,884,783)	14,334,079
(-) Allowance for loan losses	(106,553)	13,106	(93,447)
LONG-TERM RECEIVABLES	28,363,806	-	28,363,806
Loan and leasing operations	13,745,296	128,108	13,873,404
(-) Allowance for loan losses	(1,167,853)	(104,891)	(1,272,744)
Other credits	3,827,339	(128,108)	3,699,231
(-) Allowance for loan losses	(104,891)	104,891	-
TOTAL ASSETS	114,648,726	-	114,648,726
LIABILITIES			
LONG-TERM LIABILITIES	22,917,498	3,900,564	26,818,062
Funds raised by affiliates			
Domestic currency	5,614,593	31,344	5,645,937
Interbank accounts of affiliates	31,344	(31,344)	-
Technical provisions for insurance, pension plan and capitalization	-	3,900,564	3,900,564
TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION - UNCOMMITTED (*)	3,900,564	(3,900,564)	-
TOTAL LIABILITIES	114,648,726	-	114,648,726
STATEMENT OF INCOME			
Operating revenue	35,835,931	459,726	36,295,657
Sale of products and services	6,716,108	189,751	6,905,859
Insurance, pension plan and capitalization	3,309,310	204,794	3,514,104
Financial	13,465,986	(109,725)	13,356,261
capitalization	-	578,063	578,063
Real estate	10,809,572	(235,532)	10,574,040
Equity in the results of subsidiaries	477,603	(6,844)	470,759
Other operating revenue	719,805	(160,781)	559,024
Operating expenses	(31,258,411)	(456,359)	(31,714,770)
Insurance, pension plan and capitalization	(2,721,174)	(144,085)	(2,865,259)
Properties	(3,135,665)	304,960	(2,830,705)
Administrative	(6,383,480)	(262,829)	(6,646,309)
Financial	(14,815,480)	(132,548)	(14,948,028)
capitalization	-	(337,368)	(337,368)
Equity in the results of subsidiaries	(6,844)	6,844	-
Other operating expenses	(2,268,603)	108,667	(2,159,936)
OPERATING INCOME	4,577,520	3,367	4,580,887
NON-OPERATING RESULT	(55,168)	(3,367)	(58,535)
INCOME TAX AND SOCIAL CONTRIBUTION	(634,614)	-	(634,614)
Due on operations for the period	(1,305,723)	50,416	(1,255,307)
To offset related to temporary additions	671,109	(50,416)	620,693
NET INCOME	1,537,264	-	1,537,264

(*) According to CNSP Resolution 86/02, the technical provisions for insurance, pension plan and capitalization are now classified in Current and/or Long-term liabilities.

Note 18 - 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 Itaú Banco, Fundação Itaúsa Industrial, FUNBEP – Multisponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG) and Fundação Duratex (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 (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\$ 32,813 (R\$ 31,589 from January 1 to December 31, 2002). 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 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\$ 9,678 (R\$ 7,209 from January 1 to December 31, 2002). 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.

	12/31/2003	12/31/2002
Net assets of the plans	7,272,962	5,808,450
Actuarial liabilities	(5,967,582)	(5,187,777)
Surplus (1)	1,305,380	620,673

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

In addition to the reserves kept by the plans, the sponsors have provisions in the amount of R\$ 27,094 (R\$ 59,130 at December 31, 2002) to cover insufficient actuarial reserves.

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

	01/01 to 12/31/2003			01/01 to 12/31/2002		
	Assets	Actuarial liabilities	Excess of assets over liabilities	Assets	Actuarial liabilities	Excess of assets over liabilities
Present value – beginning of the period	5,808,450	(5,187,777)	620,673	5,079,857	(4,828,666)	251,191
Adjustments in the period (1)	-	2,302	2,302	-	(96,028)	(96,028)
Expected return from assets/Cost of current service + Interest	707,349	(692,095)	15,254	617,979	(604,300)	13,679
Benefits paid	(285,549)	285,549	-	(243,263)	243,263	-
Contributions employer/Participants	48,228	-	48,228	52,300	-	52,300
Gains/(Losses) in the period (2)/(3)	994,484	(375,561)	618,923	301,577	97,954	399,531
Present value-end of period	7,272,962	(5,967,582)	1,305,380	5,808,450	(5,187,777)	620,673

(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 in actuarial liabilities arise from the differences between the actuarial estimates and actual results, as well as the change of the mortality table GAM-83 at December 31, 2003, as Note 18.e - item 2.

e) Main assumptions used in actuarial assessment

	12/31/2003	12/31/2002
Discount rate (1)	10.24% ^{aa}	10.24% ^{aa}
Return rate expected for the assets	12.32% ^{aa}	12.32% ^{aa}
Table of mortality	(2)	(2)
Turnover (3)	Exp.Itaú 99/01	Exp.Itaú 99/01
Future salary growth	7.12% ^{aa}	7.12% ^{aa}
Growth of the pension fund and social security benefits	4.00% ^{aa}	4.00% ^{aa}
Inflation	4.00% ^{aa}	4.00% ^{aa}
Actuarial method	rojected Unit Credit (4)	rojected Unit Credit (4)

- (1) Considering the plans managed by FUNBEP and PREBEG, sponsored by BANESTADO and BEG, as from December 31, 2002, the discount rates of 11.80% p.a. and 12.32% p.a., respectively, started being used, which consider the weighted average return rate expected for the assets of the mentioned plans, including fixed income securities with terms compatible with those of the actuarial liabilities.
- (2) At 12/31/2002, the Supplementary Retirement Plan, the 002 Benefits Plan and the Supplementary Life Plan, managed by Fundação Itaúbanco and FUNBEP used the AT-49 table, while the Franprev Benefits Plan, also managed by Fundação Itaúbanco, PREBEG and the Health Plans used the GAM-71 table. As from 12/31/2003, these tables were replaced by the GAM-83 table. With regards to the plans managed by Fundação Itaúsa Industrial and Fundação Duratex, the UP-94 table was used at the two base dates.
- (3) The turnover assumption is based on the effective participants of Banco Itaú S.A, resulting in an average of 2.0 % p.a. experienced in 99/01 and 3.7% p.a. experienced in 96/98.
- (4) Using the Projected Unit Credit method, 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 19 - ADDITIONAL INFORMATION**a) Insured Assets**

Although ITAÚSA and its subsidiaries have reduced risk level due to the lack of physical concentration of their assets, they maintain a policy to insure assets at amounts considered sufficient to cover possible losses.

b) Balances in Foreign Currency

The balance sheet accounts in local currency that are indexed to foreign currency are as

	12/31/2003	12/31/2002
Foreign permanent investments	6,811,891	7,886,076
Net balance of other assets and liabilities indexed to foreign currency, including derivatives	(8,629,547)	(5,055,144)
Net foreign exchange position	(1,817,656)	2,830,932

NOTE 20 - STATEMENT OF CASH FLOW

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

a) ITAÚSA CONSOLIDATED

	01/01 to 12/31/2003	01/01 to 12/31/2002
Adjusted net income	8,505,809	9,287,490
Net income	1,561,263	1,537,264
Adjustment to net income:	6,944,546	7,750,226
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(726,211)	576,914
Allowance for loan losses	2,208,402	2,570,285
Results from operations with subordinated debt	(349,051)	544,759
Change in technical provision for insurance, pension plan and capitalization	2,577,518	1,384,722
Deferred income tax assets	(35,876)	(620,693)
(Gain) loss on sale of assets	39,495	(11,183)
Amortization of goodwill	626,323	1,398,026
Equity in the results of subsidiary and affiliated companies	(24,508)	(470,759)
(Gain) loss on currency translation	10,989	96,074
Extraordinary result in affiliates	165,120	-
(Reversal) Provision for losses	33,247	268,114
Depreciation and amortization	703,077	650,994
Minority interest results	1,716,021	1,362,973
Changes in assets and liabilities	(4,586,037)	(28,920,887)
(Increase) Decrease in short-term interbank investments	(3,808,579)	(6,901,523)
(Increase) Decrease in securities and derivative financial instruments	(2,975,351)	(6,451,168)
(Increase) Decrease in interbank accounts of affiliates	1,767,796	(4,907,593)
(Increase) Decrease in loan and leasing operations	(2,461,031)	(12,321,115)
(Increase) Decrease in inventories	25,111	(98,482)
(Increase) Decrease in other credits and other assets	(982,029)	(1,197,247)
(Increase) Decrease in prepaid expenses	(138,937)	(292,551)
(Decrease) Increases in technical provisions for insurance, pension plan and capitalization	708,733	(205,542)
(Decrease) Increase in provisions and accounts payable and other liabilities	3,230,879	3,423,561
(Decrease) Increase in deferred income	47,371	30,773
OPERATING ACTIVITIES - Net cash provided by / (invested)	3,919,772	(19,633,397)
Sale of investments	50,449	21,517
Sale of fixed assets in use	49,547	225,046
Decrease in deferred charges	7,564	20,963
Purchase of investments	(53,151)	(214,054)
Goodwill on purchase of investments	(591,953)	(1,422,415)
Purchase of fixed assets and forest reserves	(634,561)	(997,266)
Investment in deferred charges	(167,864)	(158,150)
Change in participation of minority interest	573,838	(84,071)
INVESTMENT ACTIVITIES - Net cash provided by / (invested)	(766,131)	(2,608,430)
Increase (decrease) in funds obtained by subsidiaries- foreign currency	(2,644,697)	6,289,866
Increase (decrease) in funds obtained by subsidiaries - local currency	(2,048,396)	11,421,451
Increase (decrease) in funds obtained by subsidiaries - open market	5,056,458	(648,179)
Increase (decrease) in borrowings - foreign currency	(92,822)	52,419
Increase (decrease) in borrowings - local currency	17,292	(63,518)
Increase (decrease) in derivative financial instruments liabilities	(1,399,683)	2,196,955
Increase (decrease) in liabilities by subordinated debt	(522,220)	3,729,334
Dividends paid to minority stockholders	(614,689)	(446,457)
Capital increase	116,700	148,765
Purchase of treasury shares	781	60
Aquisições de Ações para Tesouraria	(50,343)	-
Reserves from tax incentives	1,094	-
Interest on own capital paid and/or provisioned	(613,283)	(414,561)
FINANCING ACTIVITIES - Net cash provided by (invested)	(2,793,808)	22,266,135
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS, net	359,833	24,308
At the beginning of the period	1,982,716	1,958,408
At the end of the period	2,342,549	1,982,716
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET	359,833	24,308

b) ITAÚSA

	01/01 to 12/31/2003	01/01 to 12/31/2002
Adjusted net income	109,668	148,064
Net income	1,050,439	1,483,693
Adjustment to net income:	(940,771)	(1,335,629)
Amortization of goodwill	599	4,756
Equity in the results of subsidiary and affiliated companies	(1,788,893)	(1,711,246)
Extraordinary result in affiliates	848,732	370,167
(Reversal) Provision for losses	(2,119)	-
Depreciation and amortization	910	694
Changes in assets and liabilities	(39,171)	10,735
(Increase) Decrease in securities and derivative financial instruments	(151,989)	69,183
(Increase) Decrease in other credits and other assets	(80,926)	(11,825)
(Increase) Decrease in prepaid expenses	-	85
(Decrease) Increase in provisions and accounts payable and other liabilities	193,744	(46,708)
OPERATING ACTIVITIES - Net cash provided by / (invested)	70,497	158,799
Sale of investments	62,843	7,021
Purchase of investments	(60,181)	(66,244)
Purchase of fixed assets and forest reserves	(848)	(3,059)
Interest on own capital/dividends received	472,740	323,455
INVESTMENT ACTIVITIES - Net cash provided by / (invested)	474,554	261,173
Increase (decrease) borrowings - local currency	-	(154,235)
Capital increase	116,700	148,765
Goodwill on subscription of shares	781	60
Purchase of treasury stock	(50,343)	-
Reserves from tax incentives	1,094	-
Interest on own capital paid and/or provisioned	(613,283)	(414,561)
FINANCING ACTIVITIES - Net cash provided by (invested)	(545,051)	(419,971)
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS, net	-	1
At the beginning of the period	2	1
At the end of the period	2	2
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET	-	1

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 subsidiaries as of December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company and subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting practices used and significant estimates made by Company management, as well as evaluating the overall financial statement presentation.
3. In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Itaúsa - Investimentos Itaú S.A. and Itaúsa - Investimentos Itaú S.A. and subsidiaries at December 31, 2003 and 2002, the result of operations, the changes in stockholders' equity and the changes in the financial position for the years then ended, as well as the consolidated results of operations and the changes in the consolidated financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

São Paulo, March 5, 2004

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Ricardo Baldin
Accountant CRC 1SP110374/O-0

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ - 61.532.644/0001-15

Register Inscription No.

5300022220

Listed Company

OPINION OF THE FISCAL COUNCIL

The members of ITAÚSA - INVESTIMENTOS ITAÚ S.A.'s Fiscal Council, having examined the management report and the financial statements for the year ended December 31, 2003, 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 period, recommending that they be approved by the Company's Administrative Council.

São Paulo-SP, March 8, 2004.

JOSÉ MARCOS KONDER COMPARATO

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA