

Annual Report 2007



ITAÚSA







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Main Indicators of the Itaúsa Companies

R\$ Million

| | Year | FINANCIAL SERVICES AREA | INDUSTRIAL AREA | | | PARENT COMPANY | CONSOLIDATED/ GROUP (1) |
|--|-------------|-------------------------------------|-----------------|--------------|--------------|-------------------|-------------------------------|
| | | Banco Itaú Holding Financeira | Duratex | Itautec | Elekeiroz | | |
| Total Assets | 2007 | 294,876 | 2,630 | 1,070 | 650 | 18,359 | 300,036 |
| | 2006 | 209,691 | 2,375 | 871 | 579 | 15,683 | 214,433 |
| Operating Revenues (2) | 2007 | 52,042 | 1,671 | 1,524 | 871 | 4,058 | 56,414 |
| | 2006 | 47,761 | 1,489 | 1,467 | 720 | 3,732 | 51,673 |
| Net Income | 2007 | 8,474 | 319 | 101 | 71 | 3,988 | 8,916 |
| | 2006 | 4,309 | 226 | 50 | 19 | 4,486 | 6,796 |
| Shareholders' Equity | 2007 | 28,969 | 1,536 | 423 | 392 | 15,676 | 33,933 |
| | 2006 | 23,564 | 1,396 | 350 | 333 | 12,842 | 27,245 |
| Return on Average Shareholders' Equity % (3) | 2007 | 32.1% | 21.5% | 25.2% | 19.8% | 27.7% | 28.8% |
| | 2006 | 22.7% | 18.3% | 15.3% | 5.8% | 40.1% | 30.2% |
| Fixed Assets | 2007 | 3,896 | 1,330 | 152 | 255 | 16,926 | 5,529 |
| | 2006 | 4,585 | 1,203 | 121 | 261 | 14,281 | 6,123 |
| Investments in the Period | 2007 | 1,191 | 222 | 64 | 31 | 298 | 1,481 |
| | 2006 | 5,241 | 105 | 72 | 27 | 83 | 5,375 |
| Internal Fund Generation (4) | 2007 | 15,755 | 414 | 146 | 120 | 1,481 | 16,482 |
| | 2006 | 14,368 | 310 | 128 | 58 | 1,243 | 16,979 |
| Dividends Paid/Provisioned | 2007 | 2,835 | 155 | 27 | 21 | 1,340 | 3,015 |
| | 2006 | 2,215 | 77 | 14 | 6 | 1,302 | 2,571 |
| Personnel Expenses | 2007 | 6,601 | 346 | 304 | 64 | - | 7,343 |
| | 2006 | 5,790 | 304 | 280 | 57 | - | 6,458 |
| Number of Employees | 2007 | 65,089 | 6,785 | 5,347 | 767 | - | 78,003 |
| | 2006 | 59,921 | 6,076 | 5,018 | 739 | - | 71,774 |
| Taxes Paid and Provisioned | 2007 | 7,820 | 501 | 147 | 46 | 181 | 8,752 |
| | 2006 | 6,220 | 371 | 131 | 40 | 115 | 6,921 |

(1) Data related to the Consolidated/Group is presented net of consolidation eliminations and unrealized income from intercompany transactions.

(2) The Operating Revenues by area of operation were obtained as follows:

- Banco Itaú Holding Financeira S.A.: Revenues from Financial Intermediation, Revenues from Services Provided, Revenues from Insurance, Pension and Capitalization Premiums and Other Operating Revenues; and
- Duratex S.A., Itautec S.A. and Elekeiroz S.A.: Net Revenues from Sales and Products and/or Services.

(3) Represents the ratio between the net income for the period and average shareholders' equity ((Dec. + Mar. + Jun. + Sep. + Dec.) / 5).

(4) Includes resources from the operations:

- increased by the provision expense for non-performing loans;
- does not consider the variations of the mathematical provisions of premium bonds and pensions and considers the variations of claims to settle, the credits and debits of operations with insurance and the deferred sales expense from insurance, pensions and premium bonds.

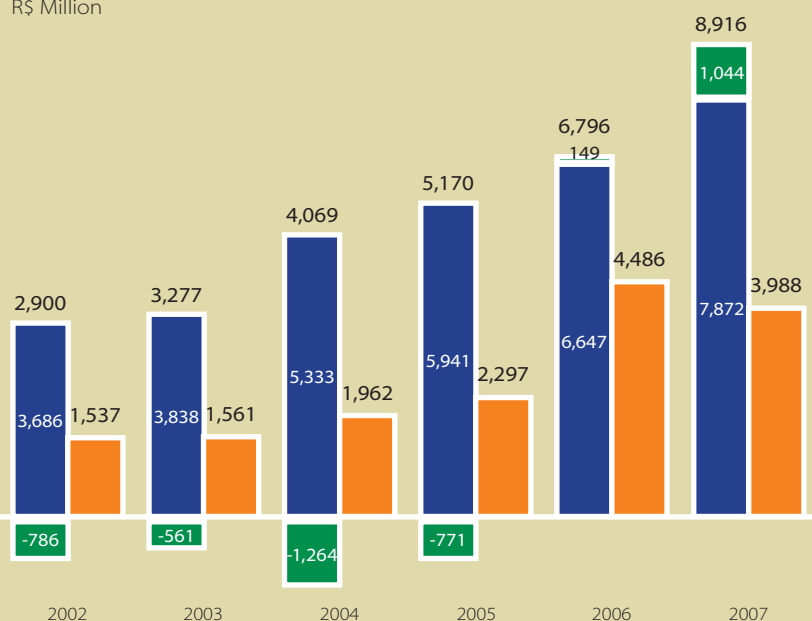
Main Indicators of the Consolidated Result of Itaúsa

R\$ Million

| | Parent Company | | Minority | | Group | |
|--|----------------|--------|----------|--------|--------|--------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Net Income | 3,988 | 4,486 | 4,928 | 2,310 | 8,916 | 6,796 |
| Recurring Net Income (see explanatory note 20c) | 3,662 | 3,379 | 4,210 | 3,267 | 7,872 | 6,647 |
| Shareholders' Equity | 15,676 | 12,842 | 18,257 | 14,403 | 33,933 | 27,245 |
| Return on Average Shareholders' Equity (%) | 27.7% | 40.1% | 29.8% | 20.4% | 28.8% | 30.2% |
| Recurring Return on Average Shareholders' Equity (%) | 25.5% | 30.2% | 25.5% | 28.8% | 25.5% | 29.5% |
| Interest on Own Capital/Dividends | 1,340 | 1,302 | 1,675 | 1,269 | 3,015 | 2,571 |

Performance of Net Income

R\$ Million



Extraordinary Income – 2007

| | |
|-----------------------|--------------|
| Sale of Shares | 1.050 |
| Sale of Serasa Shares | 490 |
| Demutualization | 314 |
| Payment of Goodwill | (283) |
| Additional NPL | (264) |
| Others | (263) |
| Total | 1.044 |

CAGR Recurring = 16.3%

CAGR Total = 25.2%

- Extraordinary Income – Group
- Recurring Income – Group
- Net Income of the Parent Company

Distribution of Income by Sector – Parent Company(*)

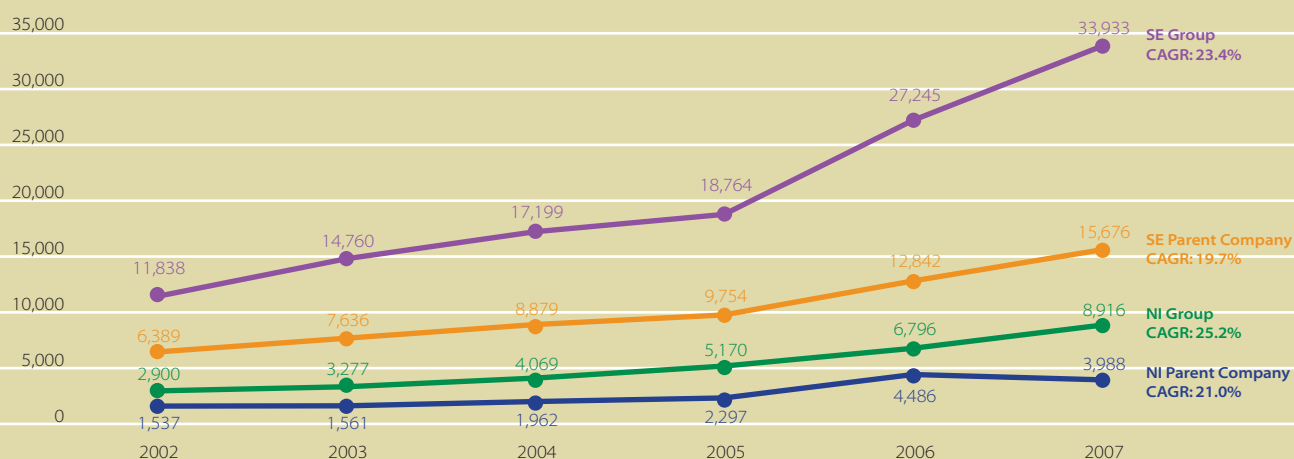
R\$ Million

| Sectors | 2007 | | 2006 | |
|---|--------------|---------------|--------------|---------------|
| Financial Area | 3,268 | 91.0% | 3,002 | 93.7% |
| Industrial Area | 270 | 7.5% | 164 | 5.1% |
| Duratex | 132 | 3.7% | 99 | 3.1% |
| Elekeiroz | 81 | 2.3% | 25 | 0.8% |
| Itautec | 57 | 1.6% | 40 | 1.2% |
| Others | 54 | 1.5% | 39 | 1.2% |
| Total Equity Accounting Result | 3,592 | 100.0% | 3,205 | 100.0% |
| Result/Other Net Assets/Liabilities (-) Taxes | 70 | | 175 | |
| Extraordinary Result | 326 | | 1,106 | |
| Net Income of the Parent Company | 3,988 | | 4,486 | |

(*) Pro-forma figures

Performance of Shareholders' Equity and Net Income

R\$ Million



Main Economic and Social Development Indicators

R\$ Mil

| 1 – Calculation | | | 2007 | | 2006 | | | |
|--|--|--|------------|---------|------------|-----------|---------|---------|
| Net revenues (NR) | | | 56,413,575 | | 51,672,724 | | | |
| Operating result (OR) | | | 11,820,027 | | 8,453,817 | | | |
| Gross payroll (GP) | | | 6,996,802 | | 6,134,036 | | | |
| 2 – Internal Social Indicators | | | Amount | % of GP | % of NR | Amount | % of GP | % of NR |
| Food | | | 397,894 | 5.69% | 0.71% | 341,297 | 5.56% | 0.66% |
| Mandatory social charges | | | 1,284,675 | 18.36% | 2.28% | 1,129,522 | 18.41% | 2.19% |
| Private pension plans | | | 49,674 | 0.71% | 0.09% | 66,810 | 1.09% | 0.13% |
| Health | | | 207,931 | 2.97% | 0.37% | 187,641 | 3.06% | 0.36% |
| Health and safety at work | | | 5,759 | 0.08% | 0.01% | 4,690 | 0.08% | 0.01% |
| Education | | | 16,371 | 0.23% | 0.03% | 15,507 | 0.25% | 0.03% |
| Transport | | | 46,876 | 0.67% | 0.08% | 36,927 | 0.60% | 0.07% |
| Culture | | | - | 0.00% | 0.00% | - | 0.00% | 0.00% |
| Training and development | | | 66,661 | 0.95% | 0.12% | 56,072 | 0.91% | 0.11% |
| Day care and child assistance | | | 19,103 | 0.27% | 0.03% | 16,637 | 0.27% | 0.03% |
| Profit or results sharing | | | 1,148,541 | 16.42% | 2.04% | 997,655 | 16.26% | 1.93% |
| Other benefits | | | 48,879 | 0.70% | 0.09% | 42,778 | 0.70% | 0.08% |
| Total – Internal Social Indicators | | | 3,292,365 | 47.06% | 5.84% | 2,895,536 | 47.20% | 5.60% |
| 3 – External Social Indicators | | | Amount | % of OR | % of NR | Amount | % of OR | % of NR |
| Education | | | 41,832 | 0.35% | 0.07% | 29,324 | 0.35% | 0.06% |
| Culture | | | 48,439 | 0.41% | 0.09% | 36,933 | 0.44% | 0.07% |
| Health and sanitation | | | 2,697 | 0.02% | 0.00% | 1,908 | 0.02% | 0.00% |
| Sport | | | 435 | 0.00% | 0.00% | 373 | 0.00% | 0.00% |
| Recreation and entertainment | | | - | 0.00% | 0.00% | - | 0.00% | 0.00% |
| Child day care | | | - | 0.00% | 0.00% | - | 0.00% | 0.00% |
| Food | | | 20 | 0.00% | 0.00% | 19 | 0.00% | 0.00% |
| Others | | | 93,088 | 0.79% | 0.17% | 45,190 | 0.53% | 0.09% |
| Total contributions to Society | | | 186,511 | 1.58% | 0.33% | 113,747 | 1.35% | 0.22% |
| Taxes (excl. social charges) | | | 7,618,436 | 64.45% | 13.50% | 6,140,787 | 72.64% | 11.88% |
| Total – External Social Indicators | | | 7,804,947 | 66.03% | 13.83% | 6,254,534 | 73.98% | 12.10% |
| 4 – Environmental Indicators | | | Amount | % of OR | % of NR | Amount | % of OR | % of NR |
| Related to company's operations | | | 28,000 | 0.24% | 0.05% | 21,780 | 0.26% | 0.04% |
| In programs and/or external projects | | | 396 | 0.00% | 0.00% | 1,850 | 0.02% | 0.01% |
| Total environmental investments | | | 28,396 | 0.24% | 0.05% | 23,630 | 0.28% | 0.05% |
| 5 – Workforce indicators | | | | | 2007 | | 2006 | |
| No of employees at the end of the year | | | | | 78,003 | | 71,774 | |
| No of employees hired at the year | | | | | 16,077 | | 15,132 | |
| Turnover rate (*) | | | | | 8.69% | | 10.14% | |
| No. of trainees | | | | | 1,158 | | 1,266 | |
| No. of employees aged over 45 | | | | | 12,691 | | 9,501 | |
| No. of women employees | | | | | 38,192 | | 34,772 | |
| % of management positions held by women | | | | | 36.57% | | 36.59% | |
| No. of black employees | | | | | 2,286 | | 1,908 | |
| No. of mixed race employees | | | | | 8,902 | | 7,971 | |
| % of management positions held by black/mixed race | | | | | 4.81% | | 4.22% | |
| No. of handicapped employees or employees with special needs | | | | | 2,540 | | 1,755 | |

(*) Change in criteria: Itaúsa companies, not including Tail, FIC and FINA promoters.

| 6 – Relevant information on corporate citizenship | 2007 | Goals 2008 |
|--|--|--|
| Ratio between the highest and the lowest remuneration within the company | N/A | - |
| Total number of accidents at work | 721 | - |
| The social and environmental projects developed by the companies were established by: | Senior Management | Senior Management |
| The safety and health standards in the working environment were established by: | Senior and Middle Management | Senior and Middle Management |
| In terms of labor union representation and the right of free collective bargaining, the companies: | Follow the ILO norms | Will follow the ILO norms |
| The private pension plan includes: | All employees | All employees |
| Participation in profits or results includes: | All employees | All employees |
| In selecting suppliers, the same ethical and social and environmental responsibility standards adopted by the companies are: | Required | Will be required |
| In terms of employees participation in voluntary work programs, the companies: | Organize and encourage | Organize and encourage |
| Total added value to be distributed (R\$'000): | In 2007: R\$ 23,957,013 | In 2006: R\$ 17,310,595 |
| Distribution of Added Value (DIVA): | 35.7% Government 26.8% Employees 12.6% Shareholders 0.3% Remuneration of Financing 24.6% Reinvestment of Profits | 27.2% Government 32.8% Employees 14.9% Shareholders 0.7% Remuneration of Financing 24.4% Reinvestment of Profits |

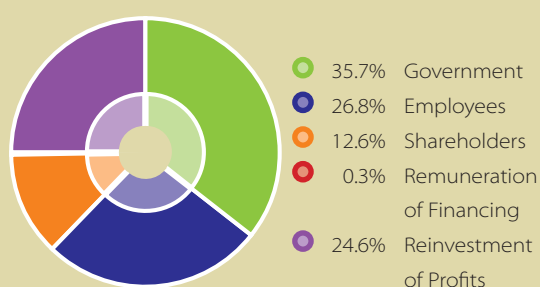
Statement of Added Value – Itaúsa Consolidated

R\$ Mil

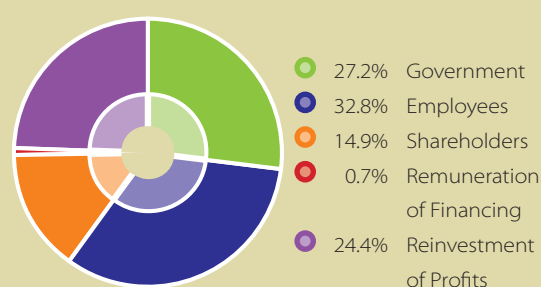
| | 01/01 to 12/31/2007 | Part. % | 01/01 to 12/31/2006 | Part. % |
|---|---------------------|--------------|---------------------|--------------|
| Sales of Products and Services Net of Cost of Materials. Outsourced Services and others (a) | 12,134,764 | - | 10,649,107 | - |
| Result of Financial Intermediation (b) | 15,757,471 | - | 12,739,004 | - |
| Result of Operations with Insurance, Pension and Premium Bonds (c) | 1,218,760 | - | 1,124,827 | - |
| Other operating Revenues/Costs (d) | (5,153,982) | - | (7,202,343) | - |
| Added Value (e = a + b + c + d) | 23,957,013 | - | 17,310,595 | - |
| Remuneration to Employees (f) | 6,409,989 | 26.8 | 5,683,436 | 32.8 |
| Remuneration to Government (g) | 8,558,968 | 35.7 | 4,705,907 | 27.2 |
| Remuneration of Financing (h) | 71,826 | 0.3 | 125,270 | 0.7 |
| Remuneration to Shareholders (i) | 3,015,008 | 12.6 | 2,570,751 | 14.9 |
| Reinvestment of Profits (j) | 5,901,222 | 24.6 | 4,225,231 | 24.4 |
| Distribution of Added Value (k = f + g + h + i + j) | 23,957,013 | 100.0 | 17,310,595 | 100.0 |

Distribution of Added Value (DVA)

2007



2006



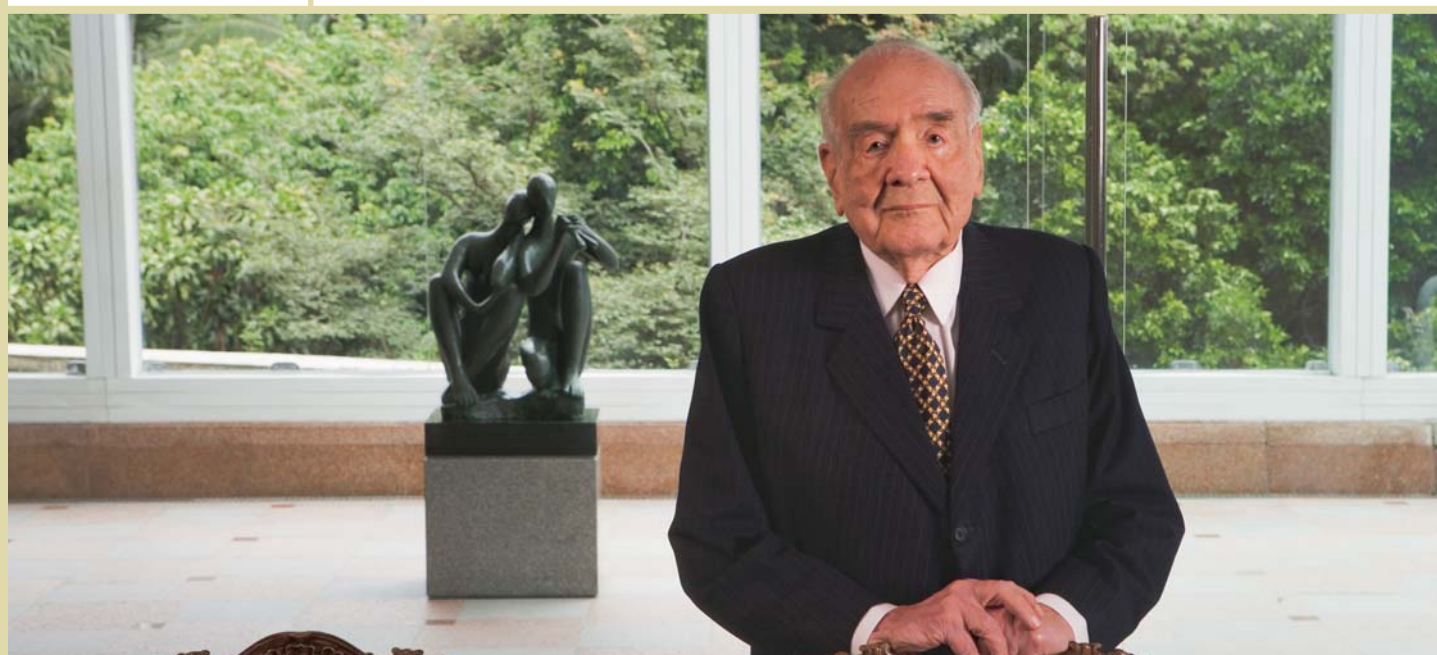
Message from Management

The figures and analyses contained in this report, which I have the honor to present, clearly show how the companies which make up Itaúsa improved their performances substantially in 2007. They were assisted by the good macroeconomic conditions in Brazil, with increased credit availability and greater sales of goods and services. However, the performance was due mainly to the long-term view the Group takes to its businesses and the strategies it adopts which create value in a consistent, sustainable way. If the Brazilian economy maintained its upward trend in 2007, then our Group knew how to use this energy to raise its position among the largest companies in the world.

The companies controlled by Itaúsa are actively preparing to take advantage of all the possibilities presented by the favorable economic outlook. Our management and governance practices are in line with the best systems in the world. The companies' highly skilled human capital continues to pursue constant improvement. We invest heavily in the technological development of products and in forging relationships with clients. Our initiatives are highlighted by transparency and high ethical values. The combination of all these efforts results in the continuous generation of value for the shareholders and for Brazilian society.

Itaúsa registered a big increase in income for the parent company and the minority shareholders at an annual compound rate of growth of 25.2%. This performance was reflected in the shares of the holding company which increased by 58.3% in terms of the quantity and volume traded in the year. A point worth noting in 2007 was the part played by the industrial sector in Itaúsa's income. Even in a year in which the financial sector performed well, the contribution Duratex, Itaútec and Elekeiroz made to the global income rose from 5.1% in 2006 to 7.5% in 2007.

Duratex continued its upward path and registered the kind of good results seen in recent years. Its operations were leveraged by the good period the domestic markets are



experiencing, particularly the civil construction and furniture-making areas. It increased its volume of shipments by around 11% in 2007. Net revenues rose by 12% to R\$ 1.7 billion in the year and sales are expected to remain heated in 2008. This is because Duratex products enter at the end of the construction processes and a large number of homes are being built in towns and cities all over Brazil. The company is preparing to meet this demand through an extensive investment plan to 2009 which foresees the setting up of new production lines and the expansion of existing ones.

Microcomputers also registered a good result last year, due to factors such as the expansion of consumer credit, the fall in the average price of the equipment and the appreciation of the Real. This backdrop benefited Itautec which sold 322,700 desktops and laptops, 6% more than in 2006. When the big rise in sales of ATMs is taken into account (6,800 units, with annual growth of 50%), the company had net revenues in 2007 of R\$ 1.5 billion, 3.9% higher than the previous year. The highlight was the start-up of operations at the new microcomputer, ATM and safe plant at Jundiaí in the state of São Paulo.

The petrochemical area also expanded its activities at a strong rate and this allowed Elekeiroz to increase its deliveries by 11% to a total of 520,000 tons of chemical products. Gross revenues came to R\$ 1.1 billion and net revenues to R\$ 871 million, representing an increase of 21%. This performance was achieved even though petroleum hit a record price of US\$ 100 a barrel and the prices of petrochemical naphtha rose sharply.

Banco Itaú Holding Financeira's net income of R\$ 8.5 billion was the highest ever achieved in the history of the Brazilian financial system and was an increase of 97% over the previous year. The result was an extraordinary one boosted by the sales of shareholdings in Serasa, Redecard, the Commodities and Futures Exchange and the São Paulo Stock Exchange. If these extraordinary operations are excluded, the net income would have amounted to R\$ 7.2 billion which still represents an outstanding level of return. The figures for 2007 portray a bank which is extremely well capitalized, with the best efficiency ratios in the sector and a fast-expanding branch network, amounting to 2,583 branches throughout Brazil and 181 abroad. The expectations for 2008 are exciting. Credit for individuals and corporate entities is expected to continue growing at rates of 30% and 25%, respectively, as is fee income (8%). The bank will maintain its efficiency ratio and the default ratios are likely to remain similar to those seen in 2007.

Results like these helped Itaúsa to be selected for the fourth time to be included in the Dow Jones Sustainability Index as well as to receive recognition from a number of institutions in Brazil and abroad in 2007. The awards and achievements are the result of the work of thousands of people who serve clients with skill and determination, backed by a modern business structure and a consistent business strategy. This recognition confirms that we are on the right path in our pursuit of sustainable value creation.

Once again we thank our shareholders, suppliers and clients for their support and trust which has allowed us to grow year after year.

Olavo Egydio Setubal

Chairman of the Board of Directors



Solidity and entrepreneurship

History and Corporate Profile

Capital Markets, Performance of Shares and Dividends

Strategy and Management

Recognition

From the first investment bank created in Brazil in 1965 to one of the largest Brazilian groups today, the upward trajectory of a group of leading companies in the financial and industrial fields

15,000

More than 15,000 days, 42 years of history

History and Corporate Profile

Itaúsa was founded to centralize the financial and strategic decisions of a group of companies and give them better conditions to expand. It is currently the second-largest private Brazilian group in terms of revenues. Itaúsa operates in the financial and industrial areas and also manages large institutions of a social nature.

The history of the Group began with the first investment bank to be founded in Brazil. It was called Banco Federal Itaú de Investimentos S.A. and was created on May 6, 1965, shortly after the Brazilian Central Bank gave permission for this kind of activity. It was a limited liability listed company which would take stakes or make loans in the medium and long term to provide fixed or variable capital by investing its own resources, as well as in the raising, intermediation and investment of resources of third parties, and other activities.

In November 1970, it changed its official name to Banco Itaú de Investimento S.A. and in May 1973 to Banco Itaú Português de Investimento S.A. It expanded its operations into the specific areas of investment banking. At the same time it accumulated a large equity portfolio and became a substantial shareholder in a number of Itaú's financing institutions. As these institutions grew, it became a complex task for Banco Itaú Português de Investimento S.A. to maintain its bipolar approach to its operations, both as the holding company of the group and as an investment bank.

As a result, it reformulated its objectives and ceased its investment bank activities in order to become the leading company within the Instituições Financeiras Itaú, a holding company which at that time grouped more than 50 companies. Approval was given at the General Meeting held on December 9, 1974 for the name to be changed to Investimentos Itaú S.A. The business objective was to provide support to private Brazilian companies in which it had a capital share.

At a General Meeting held on April 30, 1991, the official name was changed to Itaúsa – Investimentos Itaú S.A. The name Itaúsa – Investimentos Itaú was adopted from 1991, thereby incorporating the "Itaúsa" tag which the market valued.

Itaúsa is currently one of the biggest corporate groups in the world. It was ranked in 288th place by Fortune magazine in a list published in July 2007, 127 positions higher than the previous year's ranking. It is the second-largest privately-owned group in Brazil in terms of the volume of revenues.

The main companies which Itaúsa controls are leaders in their business areas: Banco Itaú Holding Financeira and its subsidiaries Banco Itaú and Banco Itaú BBA in the financial segment and Duratex, Itaútec and Elekeiroz, leaders in their respective industrial areas.

As a listed pure holding company, Itaúsa concentrates all its financial and strategic decisions on providing the companies within the Group with the best conditions to operate and expand their business. As a result, the subsidiaries have achieved high levels of productivity, employee training and technological breakthroughs to constantly improve the products and services they offer to the market.

This model also ensures that the principles which guide the holding company are also practiced by the Group companies. Appreciating human capital, ethics in business and value creation for the shareholders are the unquestionable values which direct the work of more than 78,000 employees of Itaúsa and its subsidiaries.

The way in which Itaúsa develops and manages each of its businesses was reflected once again in the excellent results the Group obtained in 2007. At the end of the fiscal year, shareholders' equity amounted to R\$ 33.9 billion and it had assets of R\$ 300 billion. Net income in the year came to R\$ 8.9 billion with a return on average shareholders' equity of 28.8%.



History and Corporate Profile

The solidity of the Itaú brand has been linked to the financial services area for more than six decades. A highly successful strategy of acquisitions and incorporations has raised Banco Itaú Holding Financeira (Itaú) to its current position as one of the leading privately-owned banks in Brazil and one of the largest in Latin America, where it also operates in Argentina, Chile and Uruguay. The holding company's investments in Europe are concentrated in Itaúsa Europa Investimentos which has been operating in Europe since the 1990s.

Itautec – Itaú Tecnologia S.A. which is part of the Group's industrial area was founded in 1979 as a result of Banco Itaú's need to develop technology specifically for its branches. Thanks to this initiative, Itaú has been able to establish its self-service network with equipment and software developed and manufactured by Itautec since the 1980s.



Nowadays, Itautec provides a complete line of products for the corporate and domestic market: microcomputers, servers, storage devices (data warehousing), automatic banking and sales machines, self service and technical assistance, infrastructure, installations and outsourcing (managing information technology services). It has over 5,000 employees distributed between its plant at Jundiaí, São Paulo state, the administrative offices in the city of São Paulo, along with 34 units and seven laboratories throughout Brazil. It also has subsidiaries in a number of countries. Itautec has 6% of the formal domestic market for personal computers and laptops in Brazil and is the Brazilian IT company with the largest presence abroad.

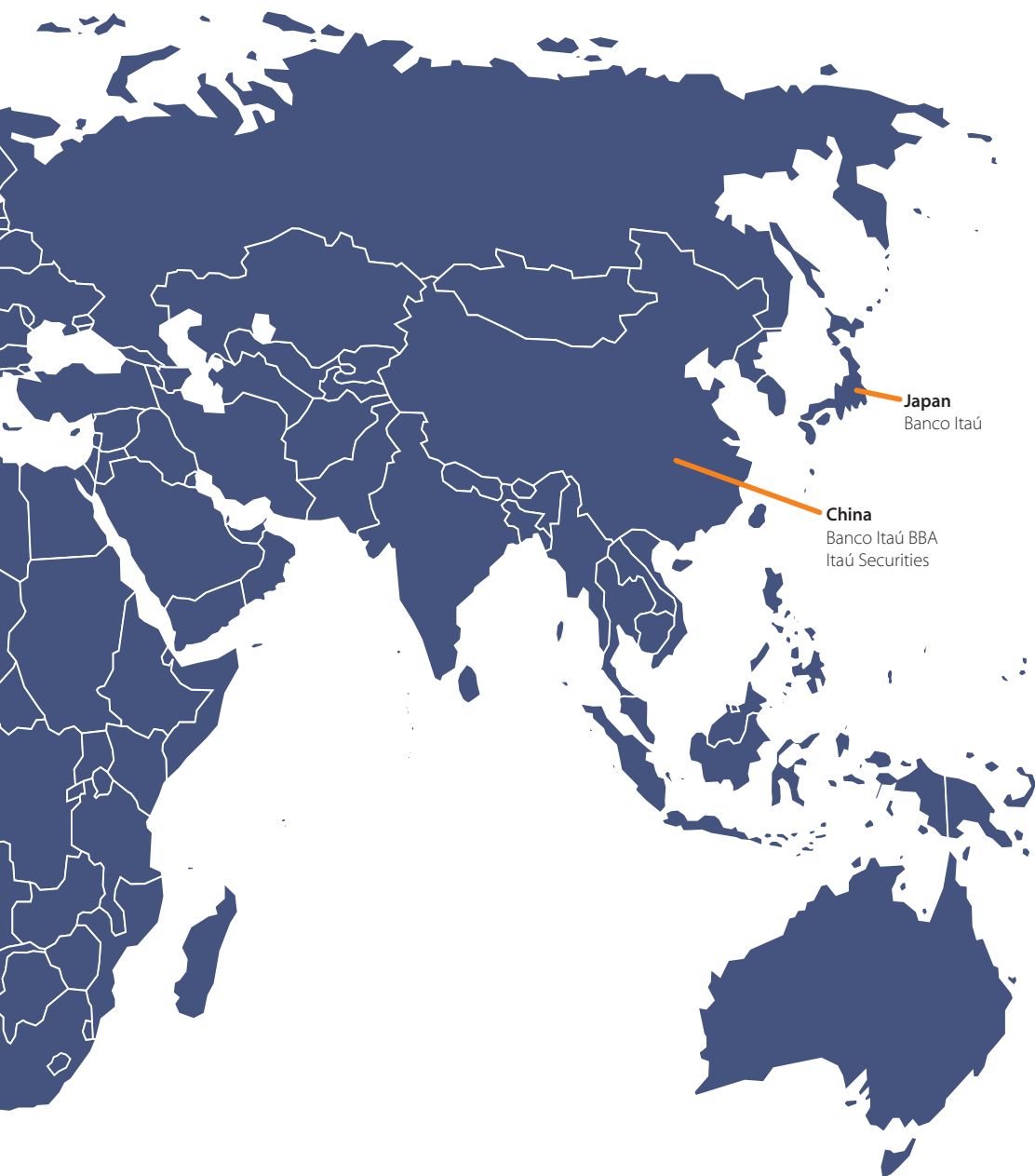
Duratex S.A. Indústria e Comércio was founded in 1951 by businessmen Eudoro Villela, Nivaldo Coimbra de Ulhoa Cintra and Alfredo Egydio de Souza Aranha. Its first industrial plant started making wooden fiber boards three years later using Swedish technology. In 1972, it incorporated Deca, a company founded in 1947, and transformed it into the division responsible for the production of metal and bathroom fittings, vitreous china and accessories of the Deca and Hydra brands. Duratex has eight plants and is present in Argentina, the United States and Europe. It is the Brazilian market leader in the production of reconstituted wood and metal fittings and also has an outstanding position in bathroom fittings.

Elekeiroz's beginnings go back to the end of the 19th century with a foundation of a small pharmaceutical laboratory called Queiroz Moura & Cia. In 1912, the company became known as L. Queiroz after one of its founders. The transformation of this undertaking into a leading Brazilian chemical company was one of continuous process of change. Elekeiroz was a pioneer in the production of a number of chemical products in Brazil, such as phthalic anhydrides, carbon bisulfate, octanol and butanol from sugar cane and 2-thylhexoic acid, amongst others. In 2002, it assumed shareholder control of the former Ciquine Cia. Petroquímica, located in the petrochemical hub at Camaçari, Bahia state.

This operation brought greater competitiveness to the current chemical situation and anticipated the current rapid and irreversible force of globalization.

Operations Abroad





R\$ Million

| | 12/31/2006 | 12/31/2007 |
|--------------------------|------------|------------|
| Fixed Investments Abroad | 8,961 | 10,222 |
| Net Balance* | (12,743) | (16,387) |
| Net Currency Position | (3,781) | 6,165 |

(*) Of the assets and liabilities indexed in foreign currency, including derivatives.

Capital Markets, Performance of the Shares and Dividends

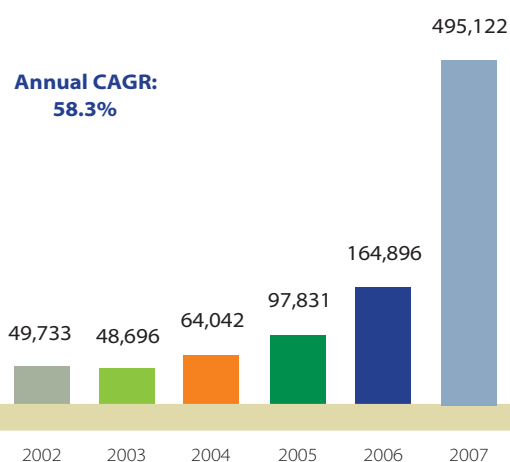
Investors are showing a growing interest in Itaúsa shares, confirmed by the trading volume in 2007.

The average annual appreciation in dollar terms of the Itaúsa preferred shares was 47.2% (the index considered the reinvestment of dividends). The Ibovespa registered an increase of 73.4% over the same period. Over a period of 10 years, the annual increase comes to 33.2% compared with 14.7% for the Ibovespa. At the end of the period, Itaúsa's market value came to R\$ 49.5 billion, based on the average price of the shares in December 2007, an increase of 38.5% in the year.

Shareholders have wide-ranging, rapid access to information about Itaúsa through its investor relations site (www.itausa.com.br) and teleconferences as well as an annual presentation to the analysts' association, Apimec, when the results are disclosed.

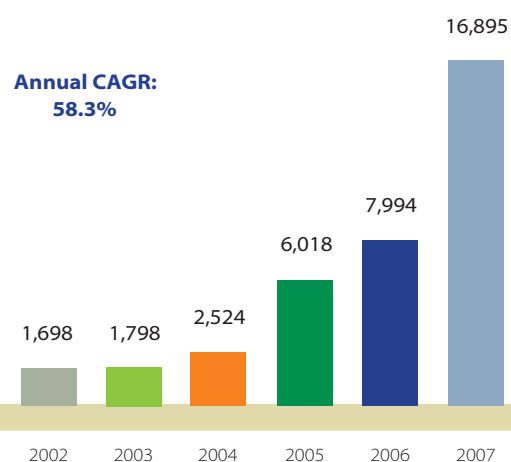
Performance of the Itaúsa share (PN) Liquidity of the Share

Number of Trades



Volume Traded

R\$ Million

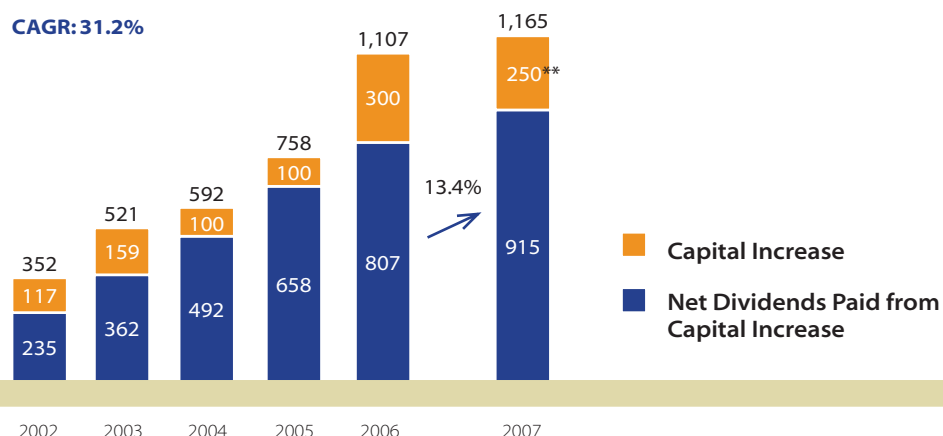


Increase in Dividend/Interest on Shareholders' Equity Paid (*)

Compared to Capital Increase

R\$ Million

CAGR: 31.2%



(*) Net of IRRF tax.

(**) A capital call of approximately R\$ 250 million will be proposed at the General Shareholders Meeting in April 2008.

Itaúsa's Main Financial Indicators per Share

| | 2007 | 2006 | Change % |
|---|-----------|-----------|----------|
| Results per lot of 1,000 shares – in R\$ | | | |
| Net Income Parent Company | 1,131.03 | 1,411.50 | (19.9) |
| Recurring Net Parent Company | 1,038.47 | 1,063.38 | (2.3) |
| Recurring Net Income Parent Company (without share bonus) | 1,141.24 | 1,063.38 | 7.3 |
| Shareholders' Equity Parent Company | 4,445.26 | 4,041.09 | 10.0 |
| Price of ON Share (1) | 16,504.71 | 12,572.86 | 31.3 |
| Price of PN Share (1) | 12,493.33 | 10,406.32 | 20.1 |
| Market Capitalization (2) – R\$ million | 49,450 | 35,692 | 38.5 |

(1) Based on the average price from December to December of each year.

(2) Calculated based on the average share price in December of each year.

Discount in Itaúsa price

R\$ Million

| | Market Value | | |
|-----------------------|--------------|------------|------------|
| | 12/31/2007 | 12/28/2006 | 12/29/2005 |
| Itaú Holding | 48,801 | 41,367 | 30,090 |
| Duratex | 2,327 | 1,753 | 832 |
| Itautec | 639 | 558 | 488 |
| Elekeiroz | 714 | 960 | 808 |
| BPI | 797 | 910 | 536 |
| Other Investments | 1,180 | 1,006 | 1,034 |
| Total (sum of parts) | 54,457 | 46,554 | 33,788 |
| Itaúsa – Market Value | 41,465 | 34,834 | 23,503 |
| Discount (%) | -23.9% | -25.2% | -30.4% |

Capital Markets, Performance of the Shares and Dividends

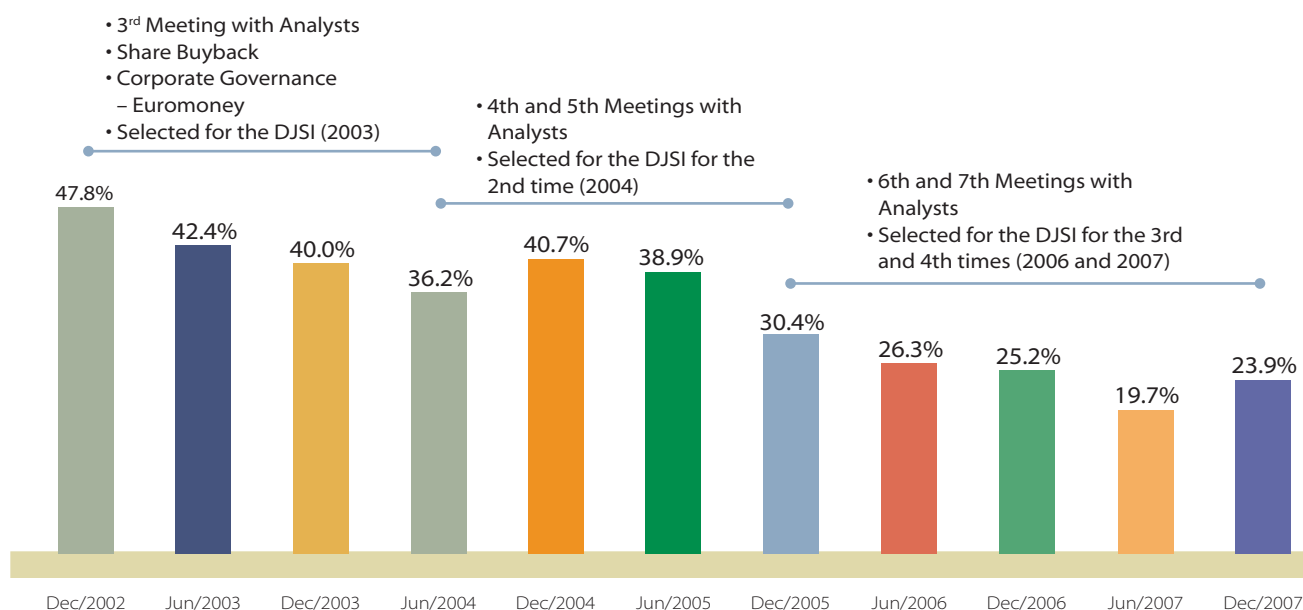
Itaúsa Discount

Itaúsa is a listed holding company which controls companies in the financial and industrial sectors. Like Itaúsa itself, the main companies within the Group are also listed on the Stock Exchange: Banco Itaú Holding Financeira, Itaúsa Europa Investimentos, Duratex, Itautec and Elekeiroz.

Due to the inherent nature of the market, the sum of the value of these companies is greater than the value of the shares in the holding company itself. This means that when investors acquire shares in Itaúsa, they are benefiting from this difference, known as the "Itaúsa discount."

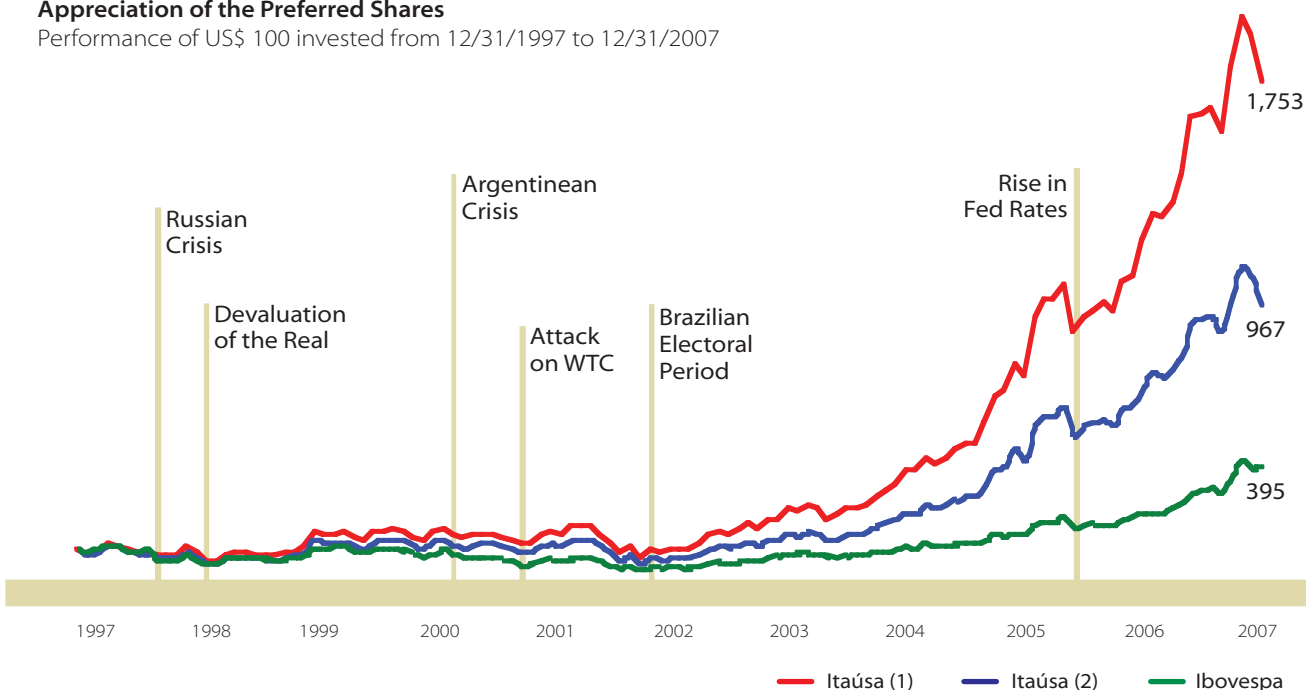


Historical performance of the Itaúsa discount



Appreciation of the Preferred Shares

Performance of US\$ 100 invested from 12/31/1997 to 12/31/2007



Average Annual Rise in Dollar Terms

| | Itaúsa (1) | Itaúsa (2) | Ibovespa |
|----------|------------|------------|----------|
| 10 years | 33.16% | 25.47% | 14.72% |
| 5 years | 77.31% | 69.38% | 62.44% |
| 1 year | 47.21% | 43.25% | 73.39% |

(1) With Dividends Reinvested.
(2) Without Dividends Reinvested.

Strategy and Management

Corporate Governance

Itaúsa inherited its name from Banco Itaú (meaning “black stone” in the Tupi-Guarani language) as well as its way of carrying out business. This is achieved by respecting human capital, controlling processes, investing in technology, growing in a structured way, creating value and pursuing long-term results and relationships. These characteristics mark all the decisions taken by the holding company and its subsidiaries. The values and principles shared by the founders – transparency, responsibility, ethics and trust – which shaped the modern banking structure are always present in the Group’s actions.

This is because Itaúsa expanded the Itaú vision of developing and managing business, thereby ensuring the continuous and sustainable growth of the various operations under its command. This approach helps unify the Group operations. Although the companies have diversified interests they are always among the leaders in their respective areas of operations, thanks to their pursuit of competitiveness and improvement in their products and services.

Through its historic commitment and belief in the value of transparency, Itaúsa has adopted a series of practices to improve its corporate governance. Both the holding company and the main companies under its control are listed on the Stock Exchange. Respect for investors and their right to receive reliable, opportune information on the management is a sign of its commitment and consistency. Itaúsa has been holding meetings to improve dialogue with market analysts for seven consecutive years. Its subsidiary, Itaú Holding, has been doing likewise for 12 years while Duratex has an impressive track record of 21 years.

Operating Philosophy

- Management of all investments.
- Centralization of the companies’ financial decisions.
- Operating independence for the companies.
- Diversified operations, defined business focus.

Basic Guidelines

- Respecting the individual.
- Ethics, social responsibility and transparency in business.
- Strong desire for expansion based on management technology and own strong capital base.
- Creating value for the shareholder in a continuous, sustainable way.
- Team work.
- Education and internal development of individuals to occupy senior positions in the companies.

Most of the good results achieved in the year stem from the efficient corporate governance practices under which the Group companies operate.

Itaú has implemented a series of measures to improve its corporate governance even further. When it announced its results for the third quarter of 2007, it became the first Brazilian bank to completely adopt the International Financial Reporting Standards (IFRS). This is an accounting method used by more than 100 companies throughout the world which standardizes the presentation of their accounts.

Itaú and its subsidiaries have a strong presence abroad and are an important source of information on investment opportunities in Brazil. In May, the Itaú Corretora brokerage and Itaú BBA bank held the 2nd Annual Brazil Conference in New York at which 41 companies and 259 foreign investors took part.

The three companies in the industrial area also undertook important corporate governance initiatives to ensure the sustainability of their business and growth for society as a whole.



Strategy and Management

Examples of this were the creation of the Sustainable Environmental, Social and Cultural Committee and an Environmental Policy for **Duratex**, **Itautec** and **Elekeiroz**.

Duratex established its Own Shares Trading Policy, the guidelines of which must be observed by the company and its employees. This policy, which was reinforced and is now monitored by a recently created committee, is another step forward in ensuring that trading is always transparent and widely disclosed to shareholders and other sectors which deal with the company's shares or are referred to them.

Duratex also adhered to the Manual on the Control and Disclosure of Material Information launched in July by the Brazilian Listed Companies Association, ABRASCA.

Corporate Governance – Steps Forward in Publicizing the Culture

| 2002 | 2003 | 2004 |
|---|--|--|
| <p>Itaúsa</p> <ul style="list-style-type: none"> • 1st Teleconference with Analysts. <p>Itaú/Itaúsa</p> <ul style="list-style-type: none"> • Trading Policy. <p>Itaú/Itaúsa/Duratex/ Elekeiroz/Itautec</p> <ul style="list-style-type: none"> • Tag-Along Rights; • Disclosure Policy. <p>Itaú</p> <ul style="list-style-type: none"> • Listing on NYSE of ADR Level II; • Financial Holding Company Status; • Best Corporate Governance in Latin America; • Animec Listed Companies Seal; • Member of Dow Jones Sustainability Index (DJSI). <p>Itautec</p> <ul style="list-style-type: none"> • Creation of the IR area. | <p>Itaúsa</p> <ul style="list-style-type: none"> • Animec Listed Companies Seal. <p>Itaú/Itaúsa</p> <ul style="list-style-type: none"> • Best Corporate Governance in Emerging Markets; • Member of the DJSI. <p>Itaú</p> <ul style="list-style-type: none"> • Share Buyback Program over period of one year; • Publication of the Fiscal Council's Internal Regulations; • Best IR Professional. | <p>Itaú/Itaúsa</p> <ul style="list-style-type: none"> • Member of the DJSI. <p>Itaú</p> <ul style="list-style-type: none"> • Adherence to the Equator Principles; • Audit Committee; • Creation of Operating Rules for the Treasury; • Creation of the Dividends Reinvestment Program. <p>Duratex</p> <ul style="list-style-type: none"> • Ending of Beneficiary Parts and definition of a minimum dividend distribution policy equivalent to 30% of the readjusted net income. |



Itautec is the only company in the Group with 100% common shares which give voting rights to all shareholders. It also has a policy of being a generous distributor of dividends and has paid out an average of 33% of its net income to shareholders over the last five years.

The main event in 2007 was the investment in the new plant at Jundiaí, São Paulo state, which substantially increased the production of items with higher added value, such as microcomputers (desk and laptops) and ATMs. The plant operates with ISO 14001 certification.

Elekeiroz uses sustainability as a base for its routine business which follows five basic principles: differentiated performance in the sector; focus on results; client satisfaction; appreciation of employees; and environmental preservation. It aims to pursue value creation for shareholders and society as a whole in an equally sustainable way. This is seen in its Quality Policy which is widely publicized inside and outside the company. Elekeiroz

| 2005 | 2006 | 2007 |
|---|---|---|
| <p>Itaúsa</p> <ul style="list-style-type: none"> • Increase of 30% in the quarterly payments of Interest on Own Capital. <p>Itaúsa/Itaú</p> <ul style="list-style-type: none"> • Member of the Bovespa Corporate Sustainability Index (ISE). <p>Itaú</p> <ul style="list-style-type: none"> • Creation of the Remuneration Committee; • Trading and Disclosure Committees become obligatory; • New Corporate Ethics Code; • IR Magazine Brazil Awards; • Apimec Prize: Best Listed Companies; • Member of the DJSI. <p>Duratex</p> <ul style="list-style-type: none"> • Adherence to Level I of the Bovespa; • Honorable mention in the IR Magazine Prize as the most improved Investor Relations area. | <p>Itaúsa</p> <ul style="list-style-type: none"> • Fortune magazine: Itaúsa appears in the ranking of the 500 Largest Groups in the World in 415th position. <p>Itaúsa/Itaú</p> <ul style="list-style-type: none"> • Member of the ISE. <p>Itaú</p> <ul style="list-style-type: none"> • Creation of the Nomination and Remuneration Committees and unification of the Trading and Disclosure Committees; • Complied one year in advance with the requirements of section 404 of the Sarbanes-Oxley Act (SOX); • Creation of the Executive Social and Environmental Responsibility Committee; • IR Magazine Brazil Awards; • Adherence to the second version of the Equator Principles; • Member of the DJSI. <p>Duratex</p> <ul style="list-style-type: none"> • Primary and Secondary Share offer which increased the free float; • Increase in Share Capital: Bonus of 100%. | <p>Itaúsa</p> <ul style="list-style-type: none"> • Fortune magazine: Itaúsa rises in the ranking of the 500 Largest Groups in the World to 288th position. <p>Itaúsa/Itaú</p> <ul style="list-style-type: none"> • Member of the DJSI. <p>Itaú</p> <ul style="list-style-type: none"> • Member of the ISE. • Rating AAA+ of Corporate Governance of the Management & Excellence. <p>Itaú/Duratex</p> <ul style="list-style-type: none"> • Adherence to Disclosure and Control of Material Information Manual published by Abrasca. <p>Duratex, Elekeiroz and Itautec</p> <ul style="list-style-type: none"> • Creation of the Social Sustainability, Environmental and Cultural Committee. <p>Duratex</p> <ul style="list-style-type: none"> • Environmental policy renewed; • Code of Ethics and Conduct renewed; • Creation of the Trading Committee; • Trading Policy; • Extraordinary dividend. <p>Itautec</p> <ul style="list-style-type: none"> • ISO 14001: Jundiaí new plant receives certification. <p>Elekeiroz</p> <ul style="list-style-type: none"> • ISO 9001: 2000 certification valid to all company's products. |



Strategy and Management

is a signatory to the Responsible Operations Program of the Brazilian Chemical Industry Association (Abiquim). In accordance with these principles and initiatives, the company's entire product line has ISO 9001: 2000 certification.

Risk Management

Risk management is an essential instrument to optimize the use of **Itaú's** capital and choose the best business opportunities in a way to obtain the best risk-return ratio for its shareholders. Itaú anticipated the New Basle Capital Accord (Basle II) and developed an efficient control environment to monitor and reduce risks.

A specific structure was created to meet the requirements of Basel II, made up of committees involving all the areas involved in ensuring that the risk controls were in line with the required standards. The main categories of risk inherent to the banking business are: market, credit, liquidity, operational and subscription risk.

• Market Risk

This involves the variation in the value of the assets and liabilities due to changes in prices and market rates. The mechanisms used to manage the market risks are: Value at Risk, Calculation of Loans in a Stress Scenario, Maximum Loss, Gaps Analysis, Sensitivity Analysis, Results Analysis, Capital Allocation, and Stop Loss Alert.

• Credit Risk

This represents the measure of uncertainty related to receiving a committed amount. Itaú Holding uses models and statistics in determining the business capital allocated to the portfolio to cover the credit risk.

• Liquidity Risk

This occurs when an institution's reserves and available funds are not enough to honor its obligations. Itaú Holding has a structure dedicated to monitoring and analyzing the Group's liquidity through statistical and commercial and financial models of the variables of the assets and liabilities which affect the cash flow and the level of reserves in domestic or foreign currency.

• Operational Risk

This represents the possibility of a loss arising from external events or internal processes, caused by individuals, processes, problems with contracts or documents, inadequate systems or failures. In line with the principles of Resolution Nº 3.380 of the Brazilian National Monetary Council, Itaú Holding has laid down an operational risk management policy for the companies and subsidiaries in Brazil and abroad. The structure is formalized in the

policy guidelines and sets procedures to identify, evaluate, monitor, control, offset and communications related to the operating risk. Besides this, Banco Itaú Holding Financeira also uses the business evaluation model by line of business.

• **Subscription Risk**

The Brazilian Private Insurance Regulator (Susep) defines this as “the risk arising from an adverse economic situation which can go against the expectations of the insurance company at the moment of drawing up its subscription policy in relation to the uncertainties existing in the estimation of the provisions.” In December 2006, Susep issued Resolutions 155 to 158 (amended by Resolution Nº 178 and Circular Nº 355), altering the rules for allocating capital from the subscription risk to the different insurance areas. Banco Itaú anticipated these measures and has been using models to manage the insurance activities since 2006.



Strategy and Management

• Market Risk Indicators

The following table consolidates the VaR of Itaú Holding, including the portfolios of Itaú BBA, Banco Itaú Europa, Banco Itaú Buen Ayre, Banco Itaú Chile and the structural portfolio of Itaú. The Itaú and Itaú BBA portfolios are considered jointly and separated by the risk factor. From the third quarter of 2007, the domestic and international market experienced a significant rise in volatility. The crisis involving the American subprime loans reached its peak in August, seen mainly in the performance of the domestic and international interest rate curves, and continued to influence the markets until the end of the year. During this period, Itaú Holding maintained its policy of operating within the relatively low levels. The rise in the risk values seen in 2007 did not originate in exposure to subprime clients but to the swings in the market risk factors linked to the crisis which are part of normal business risk. It can be seen that the diversification of the risks of the business units is significant, allowing the group to maintain a total exposure to the market risk which was very low compared with its capital.

VaR of Banco Itaú Holding Financeira

R\$ Million

| | | 12/31/2007 | 12/31/2006 |
|-----------------------------------|--|--------------|--------------|
| Itaú(*) + Itaú BBA | Prefixed | 97.1 | 58.4 |
| | Reference Rate | 7.6 | 3.8 |
| | Inflation Indices | 10.0 | 6.0 |
| | Currency Coupon | 14.3 | 9.5 |
| | Exchange Rate Variation – Dollar | 6.7 | 7.4 |
| | Private and Sovereign Securities | 12.1 | 14.0 |
| | Variable Income | 16.4 | 11.8 |
| | External Interest Rates | 4.1 | 14.4 |
| | Commodities | 0.4 | 1.1 |
| | Exchange Rate Variation – Other Currencies | 1.0 | 2.1 |
| | Others | 0.9 | 0.8 |
| | Banco Itaú Europa | 1.5 | 0.8 |
| | Banco Itaú Buen Ayre | 1.6 | 0.3 |
| | Banco Itaú Chile | 1.2 | - |
| | Diversification Effect | (56.6) | (37.9) |
| | VaR Global Total | 118.2 | 92.5 |
| | VaR Maximum | 312.3 | 111.1 |
| | VaR Average | 117.3 | 58.4 |
| | VaR Minimum | 48.8 | 28.9 |

(*) Does not include own portfolio.

In Itaúsa's industrial area, representatives of **Itautec**, **Duratex** and **Elekeiroz** take part in a Risks and Ethics Committee. This body analyzes and lays down actions which may the companies may adopt jointly to lessen any possible impacts on the operating, business and financial results.

Along with the measures of a collective nature, each industrial unit uses a number of resources to prevent its business suffering adverse consequences.

Duratex undertakes various procedures to reduce the vulnerability of its operations and results, such as:

- Taking a strategic decision to exploit areas of higher added value and greater return, particularly through the launch of lines directed at the high-end consumer segments.
- Expanding sales of higher added value products abroad, thereby reducing dependency on the domestic market and currency exposure.
- Adopting initiatives to strengthen relationships with opinion formers and consumers by carrying out technical training for architects, decorators, receptionists, carpenters and installers of hydraulic materials, among other public groups.
- Spreading out its sales to more than 12,000 clients throughout Brazil, thereby reducing the credit risk.
- Insuring its units, with rigid control of all operations.
- Reducing the risks to raw material supplies. Duratex has a diversified base of suppliers and is self-sufficient in the strategically important case of wood through its forests and reforestation program.
- Investments in technology, aimed particularly at automation production which improves productivity and reduces costs.
- Handling the exchange rate variation by means of hedge contracts.
- Having a low degree of debt, reducing its exposure to interest rates.
- Provisioning of legal contingencies based on the regular analysis of the requirements.
- Paying rigorous respect to the applicable legislation.

Strategy and Management

Itautec's main procedures include:

- Maintaining a broad client base.
- Drawing up a list of tenders in advance to identify business opportunities.
- Making investments to meet the environmental requirements of foreign clients.
- Having a large network to attend and pursue new opportunities.
- Technological updating through agreements with teaching and research institutions.
- Regular analysis of scenarios and the rigorous selection of suppliers to prevent any interruption in deliveries of raw material. In some cases, such as motherboards for computers, it aims to be self sufficient.
- Constant monitoring of inventories to prevent obsolescence.
- Making financial investments only with top-line institutions.
- When granting credit, analyzing companies according to the Risks and Ethics Committee guidelines.
- Hedging operations to protect against exchange rate swings.
- Insuring the main assets as well as operating a wide-ranging preventive maintenance program for its premises.

Elekeiroz has various means of reducing risk such as:

- Directing a large share of its sales to clients in different and important sectors of the economy.
- Ensuring that the quality of its products is recognized domestically and internationally.
- Motivating employees, holding systematic training courses and updating skills.
- Having its plants in strategic locations. The site in Camaçari, Bahia is integrated to the Petrochemical Hub and the Várzea Paulista site in São Paulo is located close to the largest consumer market in Latin America
- Being on top of current technology so there is no need for acquisitions to meet the scheduled expansion in the current production lines.
- Balancing the mix of domestic and export sales to reduce the company's dependence on both markets.
- Having a low degree of debt which, combined with the high cash generation, lowers the risk from the high costs of interest. The rigorous, conservative policy of cash management and financial investments means other protective instruments are not needed.
- Provisioning of legal contingencies based on the regular analysis of the requirements.
- Being independent in terms of energy, generating 80% of electrical energy needs at the Várzea Paulista site.
- When granting credit, analyzing companies according to the Risks and Ethics Committee guidelines.
- Insuring the main assets as well as operating a wide-ranging preventive maintenance program for its premises.

Cost Management

Cost management has been an important tool in helping **Itaú** obtain sustainable results.

Among the main events which had a considerable impact on non-recurring interest costs in 2007 was the consolidation of the integration of the acquisitions made in 2006, such as BankBoston, and the expansion in Latin America with the acquisitions in Chile and Uruguay. This also involved the acquisition of the portfolio of private clients abroad, the sale of equity stakes (particularly in Serasa and Redecard) and the higher collective pay agreement for bank employees.

Initiatives were taken to maintain the growth rate of the business and improve the efficiency ratio:

- Maintaining rigid control of costs to make them more efficient and rational.
- Strengthening the commitment of the teams to meet their targets within the budgetary estimates.
- Ensuring synergy both in the acquisitions and internal processes.
- Publicizing its culture of continuous improvement, bringing gains in productivity by developing new products and managing existing ones.

Cost management is regarded as of fundamental importance in the industrial area against an increasingly competitive backdrop. **Duratex's** main actions in this context include:

- Using industrial management software.
- Introducing a new IT system (SAP) which will allow better management of data and reduces costs.
- Rationalizing consumption of input by reengineering products and processes.
- Investing in a Material Recovery Area, allowing the recycling of waste for reuse in industrial processes and plant maintenance.
- Investing in industrial expansion which brings gains of scale.
- Maintaining the wood supply model so that the average distance from the forests to the production is lower than that of competitors and brings lower logistics costs.
- Employing a variable remuneration system based on measures which encourage cost reduction.
- Training and preventive maintenance programs, bringing continuous improvements in the processes.

Strategy and Management

Itautec has adopted the following measures to reduce operating costs in the industrial area:

- Investing constantly in modernizing the production line.
- Creating modules of products and services which allow the client to choose the best solution for its needs.
- Formalizing partnerships with suppliers.
- Involving all areas in taking part in tenders.
- Prioritizing investments for products with higher added value.

In **Elekeiroz**, all the actions and investment are aimed at the permanent reduction of operating costs by:

- Increasing productivity.
- Improving control over the industrial operations.
- Eliminating bottlenecks affecting installed capacity.
- Replacing and upgrading equipment.
- Focusing on business with higher added value and return. Under this policy the remaining installations from the industrial complex at Tabulate, which was sold in 2006, were sold off in 2007, production of carbon bisulfate was ended and the premises rented to an Argentinean company.



Intangible assets

The value of a company can also be seen in the strength and reputation of its brand as well as its ability to retain and develop knowledge.

The market value of the **Itaú** brand has increased by an annual average rate of 22.4% over the last decade. This conclusion is based on the view of its clients and other public groups which recognize Itaú's solidity and modernity. The value of the brand was estimated at R\$ 8.1 billion in 2007 by the specialist international company Interbrand. This figure was reached by taking into account factors such as performance, relationship with the market and ability to operate in highly competitive circumstances. Interbrand has classified the Itaú brand as the most valuable in Brazil since 2002.

Intellectual capital is another important, outstanding intangible quality for which Itaú is recognized on the market due to its policy of investing and encouraging the ethical and educational training of its employees. At the same time, the Group has traditionally successfully assimilated the cultures of the companies it has acquired over the years. A good example of this was the highly successful integration of the BankBoston teams in the first semester of the year.

Itaú has always made consistent, heavy investments in technology. Around R\$ 2 billion was invested in IT in 2007 and 5.1 million hours were spent improving the existing system. Priority was given to developing new products and services.

Duratex's corporate image is strengthened by fundamental points such as: brands which are benchmarks in the market, such as Deca, Hydra and Durafloor, due to their superior quality, modern design and the quality of the after-sales service which helps maintain consumer loyalty; an ethical, transparent approach to different public groups; modern corporate governance practices which align the interests of the parent company with the other public groups; social engagement, promoting intense, ongoing training programs for the internal and external public groups which involved 92,000 employees in 2007; and, finally, environmental initiatives to increase sustainability which have received ISO 14001 and FSC certification. Duratex is a founder member of the Green Building Council Brazil and the Chicago Climate Exchange. It has also created a permanent preservation area which covers 600 hectares – the Olavo Egydio Setubal Environmental Reserve – as a tribute to its founder.

Itautec's appreciation of design has helped establish the modern image of its products and confirms the company's concern with providing the best operating solutions for its clients.

Elekeiroz has been in existence for 113 years and is recognized as a reliable company to do business with.

Recognition

The companies Itaúsa controls, both in the financial and industrial area, operate in line with solid management principles. They are leaders in their respective operating fields and share the best corporate governance practices, production processes, efficient control and respect for their clients and investors. They also take care of the environment and are concerned with developing society.

All these principles and practices, confirmed in the indices of the different companies, are acknowledged by the market. This recognition of the good management by Itaúsa and its subsidiaries has led opinion-forming bodies in Brazil and other parts of the world to present various awards and prizes.

The inclusion of Itaúsa and its subsidiary Banco Itaú Holding Financeira in the Dow Jones Sustainability Index is further proof of the way they are recognized publicly for the quality of their management and the success of the Group companies' social responsibility policies.

The São Paulo Stock Exchange has also recognized the efforts **Itaú** has made in pursuit of operating excellence based on responsible conduct by including Itaú in its Corporate Sustainability Index since it was established. This was the third time Itaú was selected to be part of the portfolio which is valid until November 2008. The CSI brings together 40 shares issued by 32 companies from 13 sectors which are committed to the sustainable development of their business.

The Itaúsa companies which operate in the financial segment enjoy an excellent reputation on the international market. Banco Itaú and Banco Itaú BBA had their ratings raised from C to B- by Moody's agency, the highest rating which can be given to Brazilian banks. The ratings of Itaú Holding, Banco Itaú and Banco Itaú BBA were raised to investment grade by Standard & Poor's and Fitch Ratings. This boosted the banks' issues on the international markets.

Other recognition **Itaú** received in 2007 included:

- The most valuable brand in Brazil, awarded for the fifth time by the international consultancy Interbrand, estimated at R\$ 8.1 billion.
- The best bank in Latin America and Brazil for the 10th consecutive year according to Euromoney magazine.
- The largest bank in Latin America in terms of Shareholders' Equity, according to The Banker magazine.
- Classified for the third consecutive time as the most ethical and sustainable bank in Latin America, according to Latin Finance magazine and the Management & Excellence consultancy.
- The best company in the Bank (third consecutive year) and Social Responsibility and Environment categories, according to the Best of Dinheiros ("Melhores da Dinheiro") supplement of the magazine Dinheiro.

- Benchmark company in terms of sustainability in Brazil, chosen by the Exame magazine Guide to Sustainability 2007 ("Guia Exame de Sustentabilidade) 2007".
- Placed first in the Retail Bank and Private Pension categories as "The Most Admired in Brazil," an initiative by Carta Capital magazine and TNS InterScience.
- Best investor relations website, best annual report and best teleconference by IR Magazine.
- Prize for the best annual report in the listed company category by the Brazilian Listed Companies Association (Abrasca).



Recognition

Awards and recognition granted to **Duratex** during the year included:

- Business Excellence Award as the best company in the wood products sector conferred by the Brazilian Economic Institute (Instituto Brasileiro de Economia – Ibre) of the Fundação Getulio Vargas (FGV) business school.
- The Best of Dinheiro (“As Melhores da Dinheiro”) prize as the best company in the construction and material and decoration sector by Dinheiro magazine.
- IF Design 2007 Prize which recognizes designers and companies from throughout the world and was presented in Hanover, Germany. The award was for Deca’s Contemporânea metal line in the Residential Equipment category.
- Top XXI Mercado Design Prize for the Duo Flux valve from Hydra.
- Technological Innovation Prize 2007 for Hydra by the magazine Anamaco.
- Fiesp Prize for the Conservation and Reuse of Water for Deca which came in second place among medium-sized and large companies for its Material Recovery Area project.

Itautec received several public recognitions in 2007 such as:

- IF Design Awards, announced during the International Forum Design in Hanover, Germany. The award was for the Klavyt keyboard, a new product from the commercial automation product line.
- Inclusion in the FinTech 100 ranking for 2007, an initiative of American Banker magazine and the Financial Insights institute, which brings together the most outstanding global suppliers of products and services for the financial sector. Itautec appears in 35th position, four places higher than the 2006 ranking.
- Inclusion in the surveys which highlight the most internationally active companies in Brazil, created by the Fundação Dom Cabral business school and Columbia University. Itautec was ranked 15th as the Brazilian IT company which invests most abroad in the Brazilian Transnational Companies 2007 category.
- The highlight of the year in the suppliers of the large-scale services segment as part of the IT Annual Today 2007 (Anuário Informática Hoje 2007) publication of Plano Editorial, in partnership with specialist consultants from the Fundação Getulio Vargas business school.
- Included as one of the most valued brands in Brazil, according to Época Negócios magazine.
- E-Finance 2007 Award from Executivos Financeiros magazine in the ATM Management category.
- Top IT Award, promoted by International Week Brasil magazine, in the Automatic Banking Machines Supplier category.
- Best supplier of commercial automatic machines by the Computer and Equipment Users Society (Sociedade de Usuários de Computadores e Equipamentos – Sucesu).
- Finalist in the Top 5 of the Banking Report 2007 (Relatório Bancário 2007) Prize in the self-service and accessibility solutions categories.





The consolidation of the future

Dow Jones Sustainability Index
Competitive Differentials
Business Performance

Itaúsa's inclusion once again in the most important sustainability index shows the Group's success in pursuing results in a sustainable way has been recognized on the international stage'

4th

4th time in the Dow Jones Sustainability Index

Dow Jones Sustainability Index

For the fourth consecutive time, **Itaúsa** was included in the portfolio of the Dow Jones Sustainability Index (DJSI) of companies traded on the New York Stock Exchange which are recognized for their social responsibility activities. Itaúsa appears alongside Itaú and more than 314 socially responsible companies from all over the world.

Itaú is the only Latin America bank which has figured on the list for eight consecutive years and has been part of the index since it was created. Over 30 items are analyzed for inclusion in the index. Of these, it is worth noting Itaúsa's outstanding position in investor relations where it obtained the best mark in the banking sector and was highlighted as the best of the 27 global banks which are part of the index.

The Dow Jones Sustainability Index analyses the companies in relation to criteria covering their financial situation, transparency, corporate governance, investor relations, social and environmental responsibility and quality of management. It is the most important benchmark for international funds interested in investing in socially responsible companies in the world.



Competitive Differentials

The first and most wide-ranging competitive differentiation **Itaúsa** has is its very reason for existing – to draw up broad strategies and take wide-ranging financial decisions on behalf of the companies which are part of the holding company. This approach gives the subsidiaries the flexibility to concentrate their operating efforts on their core business, producing higher quality products and providing clients with better services. This is the basic advantage which justifies Itaúsa's existence and opens the way to increasingly better results from the Group's different areas of operations.

Itaú is committed to providing the best products and services to its clients. In 2007, it succeeded in taking advantage of the most lucrative market opportunities and used the potential of the differentials of each business units.

- **Branches everywhere:** Itaú is becoming increasingly closer to its clients. It ended the year with 3,528 branches and attendance posts, 23,739 ATMs and 1,081 stores and electronic service points of its consumer finance house, Taíí. Investments were made to expand the attendance channels by phone and Internet and to improve access for people with deficiencies to the service network.
- **Lower charges for clients:** In an unprecedented initiative, Banco Itaú eliminated some charges and reduced others. The cut came to 12% of the package of an individual current account and was extended to corporate clients. By taking this step, Itaú reaffirmed its commitment to satisfying customers who benefited from the Bank's good results.
- **Leader in credit cards:** In 2007, Banco Itaú consolidated its leadership position in the segment with 14.8 million cards and 23% of the market revenues.
- **More vehicle financing:** Itaú reinforced its leadership on the vehicle financing market and grew by 64.4% over 2006.
- **High Income:** With the integration of the activities and expertise of BankBoston, Itaú Personnalité was able to provide even more services with a differentiated quality to high income clients.
- **Expansion abroad:** The acquisition of the private bank business of Latin American clients of Bank of America and ABN Amro increased the assets of Itaúsa Europa Investimentos. Banco Itaú Europa also expanded its business, marking its presence in new markets such as Miami and Nassau.
- **Creation of Kinea:** This company is specialized in the management of alternative investments for high income and institutional clients. Kinea began its operations with multi-market (hedge funds) and real estate equity funds.

Competitive Differentials

- **Partnership with Lopes Consultoria de Imóveis:** At the end of the year, Itaú Holding announced an agreement with LPS Brasil – Consultoria de Imóveis S.A. (Lopes) to promote and supply housing products.

Duratex's strategy of owning land on which it plants forests to supply its industrial units completed 50 years in 2007. This verticalized business model allows the uninterrupted supply of raw material and brings important differentials based on:

- **Proximity of the forests:** The forests operated by Duratex are relatively close to the production plants which reduces the cost of transporting the wood. The average distance between the production plants and the forests is 55 km, the lowest in the industry.
- **Mechanization of the forestry activity:** The forest mechanization program was initiated in the 1990s. Duratex is now one of the most automated companies in the Brazilian forestry sector. This translates into a high degree of productivity.
- **Genetic improvement:** The high degree of knowledge of planting by the company's technicians to expand the gains of productivity of eucalyptus. It was initiated more than 50 years ago and the investment in genetic research has brought significant growth in forestry production and the quality of the raw material. The company's forestry base is currently almost entirely formed by clones which results in greater productivity and resistance to pests and diseases.
- Other important differentials are based on economies of scale arising from the existing productive capacity and the mercadological composition which makes its products the leaders in their operating market. At the same time, its Deca, Hydra and Durafloor brands enjoy great prestige among consumers due to their differentials in quality, design and after-sales service.

Itautec focuses its operations on high technology and higher added value products, particularly in the automatic banking and sales areas. It does so while still concentrating on its microcomputer and laptop markets which have been growing at a heated rate in recent years.

- **Diversified client portfolio:** A number of other Brazilian banks besides Itaú have acquired Itautec's products and services. The largest retail companies in Brazil and Portugal, public institutions, airlines, large bookshops and companies which sell through the Internet also make up its portfolio of 12,000 active clients.

- **Presence abroad:** Itautec is the Brazilian information technology company with the greatest presence abroad. This brings advantages in relation to its ability to serve the market through the development of technology. The company currently operates in a number of countries in Europe and the Americas through its own brand and that of Tallard, a company it acquired in 2006.

- **National technical assistance:** Itautec's attendance network covers 2,700 towns and cities in Brazil through 3,000 specialists.

- **Design and functionality:** Constant investment in improving its products has brought Itautec a number of awards, such as that presented by the International Design Forum in Hanover, Germany.

Elekeiroz is a producer of intermediate specialty chemicals. The organic products which are responsible for around 90% of the company's revenues are used in important segments of the economy, particularly the coating and plasticizer areas.

In the coating industry, these products are mainly present in various kinds of paints and varnishes and have a wide range of uses. The most important are: housing uses on walls, floors and diverse coating segments; finishing products for the automobile industry, including buses and trucks; the furniture industry, floors and wooden utensils; different kinds of equipment and tools; coating for special uses such as demarking traffic, painting vehicles, high performance maintenance and naval use.

In the flexible PVC industry, the materials for Elekeiroz plasticizers are highly malleable and can be used in various ways in wires and cables, hoses and flexible tubes, footwear, furniture coverings, plastic tarpaulin to cover loads, medical appliances, toys and food packaging, amongst other.

Sulfuric acid, representing the group of inorganic products, is responsible for 10% of revenues and is widely used in the production of fertilizers, pulp and paper, ethyl alcohol, car and motor cycle batteries and other industrial sectors, including food.

In Brazil, Elekeiroz is the market leader in oxo-alcohols (octanol, N-butanol and isobutanol), maleic and phthalic anhydrides and also in plasticizers. It is the only integrated producer in South America of plasticizers and the only producer of octanol, N-butanol e 2-ethylhexoic acid. This gives it an important share of its operating market.

Business Performance

The Brazilian economy grew in 2007, boosted by the higher domestic demand, with a big rise in consumption and investments. Brazilians benefited from higher income and the greater availability of bank credit and began consuming more goods and services. The continuing reduction in interest rates was also a contributory factor to this favorable scenario which led to an estimated rise in GDP of 5.3%.

Despite the great volatility on the international financial market seen in the second semester, which began in the United States with the high-risk mortgage market crisis and led to a slump in house prices, the Brazilian banking system suffered no great impact, as Brazilian banks have no housing assets in the US.

Imports increased in response to the domestic growth and appreciation of the Real but at a lower rate than exports. Exports were buoyed mainly by higher prices for commodities and the heating up of the world trade. This led to a favorable trade balance. Another contribution to the result came from the big entry of investments. Inflation rose slightly, due mainly to the higher international prices of agricultural commodities and petroleum. Although the inflation target came under pressure, the index was lower than the center of the government target.

Banking activity benefited from this situation and helped the economy to grow. Banking credit for individuals and corporate entities grew even more in 2007. Outstanding areas were leasing, mainly vehicles, and home loans. Default levels fell despite the higher volumes of credit and interest rates for bank loans fell. Sight and savings deposits also had an excellent performance and grew by 36% and 20%, respectively, while time deposits rose by only 0.4%.

The capital markets were one of the main highlights of 2007. A record number of companies made initial public offers of their shares, doubling the amount of operations registered the previous year. However, primary issues of debentures ended the year lower than in 2006.

Industry grew by 6% to November and was well above the rate of 2.8% seen in 2006. This acceleration occurred in all categories, led by capital goods and durable goods consumption. This extremely favorable backdrop benefited the segments served by Itaúsa's industrial companies.

The Itaúsa companies in the industrial area saw an increase in input for civil construction and housing of 5.1% and 7.3% in accumulated terms over 12 months. The microinformation technology sector benefited from the scale of consumption and computer sales rose. The appreciated Real led to a fall in the price of the end product but also eased costs and maintained the return. The chemical and petrochemical industries also experienced a good period and the heated demand offset the high price of petroleum and the appreciation of the exchange rate.



Business Performance



Banco Itaú Holding Financeira S.A.



Financial Area

Itaú Holding continued to register good results in 2007. This performance was the result of investments made in recent years which achieved the expected return.

The consolidation of the acquisition process of the operations of BankBoston in Latin America was one of the highlights of 2007. The Central Bank granted approval on February 1 and by March Itaú Holding was officially operating in Chile and Uruguay, with all branches converted. BankBoston's operations in Chile and Uruguay started to appear in the financial statements of Itaú Holding from the first quarter of 2007. BankBoston's operations in Brazil are incorporated to those of Itaú Holding and all the branches are integrated to the Itaú operating system.

In May, Banco Itaú Europa and its subsidiary Banco Itaú Europa Luxembourg concluded the acquisitions of BankBoston International (BBI), headquartered in Miami, and BankBoston Trust Company Limited (BBT), headquartered in Nassau. The operation included the financial assets under management of approximately US\$ 3.2 billion and around 5,500 private banking clients in Latin America. The goodwill from the acquisition came to R\$ 96 million which was wholly amortized in Itaú Holding's financial statements.

Itaú Holding consolidated its position as one of the leaders in the private banking sector in Latin America with the acquisition of the international private banking assets of ABN AMRO Bank N.V. related to Latin American clients attended by Miami and Montevideo. The deal was concluded in June and involved assets under management of approximately US\$ 3.0 billion, registered in the United States, Switzerland and Luxembourg. These assets began being accounted in Banco Itaú Europa from the second quarter of 2007.

Other highlights from Itaú Holding's financial performance:

- **Share split:** Itaú Holding's shares were split with the aim of making them more liquid. This led to a subsequent adjustment in the value of the price on the market to a more attractive trading level.
- **Buyback and cancellation of shares:** In 2007, 3,241,200 preferred shares and 136,100 common shares were bought back. The policy of buying back shares not only increases shareholders' participation but also makes the shares more liquid and raises the earnings per share ratio and dividends paid to shareholders.
- **Sale of stakes in Serasa and Redecard:** The sale of 832,176 shares in Serasa S.A. created a positive impact of R\$ 490 million after taxes to Itaú Holding, which still holds 10.29% of the company's total capital. After selling 53.8 million common shares of Redecard S.A., with a positive impact of R\$ 1.0 billion on the 2007 result, after taxes, Itaú Holding also continued to have a controlling stake in the company.
- **IPO of the Bovespa and the Bolsa de Mercadorias & Futuros:** Itaú Holding took part in the Initial Public Offer (IPO) by Bovespa Holding S.A. and Bolsa de Mercadorias & Futuros, and sold shares it held in the two companies. In the first case, the bank sold 11.4 million shares which brought a positive impact of R\$ 164 million after tax in the 2007 result. It still has a 4% stake in the capital of the Bovespa. In the second IPO, it sold 13.9 million shares which had a positive impact on the 2007 result of R\$ 150 million after tax. Itaú Holding still held 2.3% of the capital of the BM&F after this operation

The following is a list of some of Itaú's main results in the 2007 fiscal year.

- The loan portfolio, including warranties and guarantees, grew by 36.2% over December 2006 and amounted to R\$ 127.6 billion. In Brazil, the free loan portfolio for individuals rose by 34.8% in the year to R\$ 54.4 billion while the small and medium-sized companies segment rose by 34.0% over December 2006 to R\$ 21.8 billion.
- The financing and leasing of vehicles portfolio came to R\$ 29.6 billion in 2007. This was an increase of 64.4% over 2006 and raised Itaú Holding to the position of market leader in this sector. Itaú Holding is also the leading issuer of credit cards in Brazil and had 14.8 million cards by the end of 2007. The consumer financing operations ended the year with 6.1 million clients and R\$ 1.9 billion in receivables.

Business Performance

- There was an increase of 32.1% in own free resources, raised and managed over December 2006 to R\$ 471.7 billion. Itaú Holding ended 2007 with R\$ 217.4 billion in funds under management, making it one of the largest asset managers among the private-sector Brazil banks.
- Itaú Seguros and its subsidiaries wrote premiums of R\$ 3.3 in 2007, an increase 8.9% over the same period of the previous year. The technical provisions for insurance and pensions amounted to R\$ 22.7 billion while those from premium bond products came to R\$ 1.1 billion in the period. The funding of pension and pension plans, known by their local acronym, VGBL, came to R\$ 5.3 billion in 2007, an increase of 20.2% over 2006.

In 2007, Banco Itaú BBA participated in debenture and commercial paper operations amounting to R\$ 18.0 billion and investment funds in direct credits (FIDC) which totaled R\$ 1.7 billion. In the ranking of the Brazilian Association of Investment Banks (Anbid) the bank was in first position in the origination and distribution of fixed income and FIDC operations until December 2007, with a market share of 24% and 27%, respectively. In the variable income area, Banco Itaú BBA acted as coordinator and bookrunner of initial public offers amounting to R\$ 18.5 billion and subsequent public offers of R\$ 3.2 billion. In the Thomson ranking published to December 2007, Itaú BBA came in third place with a market share of 10%.



Itaúsa Europa Investimentos

Itaúsa Europa Investimentos, a holding company which focuses on the Group's banking investments in Europe, registered net income of € 52.7 million in 2007. Total assets came to € 4.5 billion in December 2007, a rise of 38.9% over the previous year. This increase was largely due to the results of the acquisitions of the Latin American private banking clients of BankBoston and ABN AMRO Bank made at the end of the first semester.

The consolidated net income of Banco Itaú Europe came to € 53.1 million. The banking product came to € 113.1 million, 35.9% higher than in 2006. This shows that, along with the stable contribution of the financial margin, there was a good performance in the capital markets, treasury, international private banking areas and the equity stake in Banco BPI. In consolidated terms, the return on average equity of Banco Itaú Europa came to 12.3% and the efficiency ratio to 53.8%.

The Bank's investment grade status (Baa1 by Moody's and BBB+ by Fitch Ratings) has been an important factor in helping diversify the source of funds. The Bank was active in the primary and secondary markets in 2007.

Of Itaú Europa's consolidated total assets of € 4.5 billion, corporate loans took the lion's share and amounted to € 1.7 billion. These were mainly structured loans, most of which were related to financing Brazilian exports.



Business Performance



DURATEX



Elekeiroz

Industrial Area

Duratex manufactures products aimed at the furniture and civil construction industry and has benefited from the Brazilian economy's return to growth. Factors such as controlled inflation, falling interest rates, higher popular income and greater availability of credit have proved to be a great benefit for its operating segment. At the same time, many homebuilders and real estate developers have capitalized themselves through share issues on the stock market and are investing in new development. This should allow the sector to enjoy a long period of prosperity.

The 2007 results reflect this favorable moment. Net revenues amounted to R\$ 1.7 billion, 12% higher than in 2006. Operational cash generation measured by the EBITDA concept came to R\$ 558 million, 22% above that registered in 2006, equivalent to an EBITDA margin of 33%. This strong operating improvement highlights the increase in volumes of shipments, mainly of products with higher added value, and the subsequent dilution of fixed costs. As a result, the gross margin came to 45% in the year compared with 43% in 2006. Net income was R\$ 319 million, 41% higher than the previous year and brought a return on equity (ROE) of 22% compared with 18% a year earlier.

The Deca Division also benefited from the upturn in the civil construction sector in 2007 and launched the Max line aimed at the economy sector and new discharge valves (Nova Hydra). Deca is the leader in sanitary metal fitting and has a leading position in the vitreous china market in Brazil. Its products are exported to 26 countries.

The start of operations at the new **Itautec** plant in the municipality of Jundiaí was the main event in 2007. Itautec invested R\$ 31 million to transform a former unit into an industrial complex which will supply the growing demand for IT and automatic banking and sales

equipment. This project will increase the annual productive capacity of microcomputers to 500,000 units (an increase of 67% over 2006) and laptops to 216,000 (+ 620%). The production of automatic banking and sales equipment was also expanded with the establishment of a second production line and the installation of a safes and cabinets plant.

Itautec's gross revenues from sales and services in 2007 came to R\$ 1.7 billion, 3.5% higher than the previous year. Of this total, 35% came from the IT area, 21% from services, 28% from operations abroad and 16% from the solutions and automated area.

It is worth noting the improvement in EBITDA which soared by 70.1% over 2006 to R\$ 119 million and the reduction of 7.7% in operating expenses. Net income also had an impressive performance and came to R\$ 101 million – 266% higher than in 2006. This was due mainly to the sale of the former industrial plant in the Tatuapé district of São Paulo.

Demand for Itautec's products has been heated. Sales of microcomputers and laptops, for example, increased substantially because of the economic growth and the fall in prices brought about by lower taxes and the depreciation of the dollar. Without taking its eye from this sector, particularly the production of laptops, the company will invest in products with higher added value for automatic banking and sales equipment. This is the case with ATMs, sales terminals for retail and self-service machines installed in supermarkets, airports etc., very often abroad. In the services area, where flexibility in attendance is fundamental, Itautec supplies technical assistance in 2,700 Brazilian municipalities, more than any other company. It has 34 affiliates and seven laboratories to provide full support to a portfolio of 12,000 active clients.

The company's presence abroad is part of a strategy of going international which clearly shows how competitive its business model is. Business outside Brazil represented 28% of revenues in 2007, an increase of 24.5% over 2006.

Along with the operations of its subsidiaries in Latin American countries and Europe, the acquisition of Tallard in 2006 has proven to be an excellent business for Itautec. It is the leader in services, sales and distribution of computers and equipment for Latin America and had gross revenues of R\$ 433 million in 2007, an increase of 31% over the previous year.

Elekeiroz had an excellent performance in 2007 due to the ongoing process of global growth and the subsequent domestic demand for chemical products. The gross and net revenues were 21% higher than the previous year at R\$ 1.1 billion and R\$ 871 million, respectively. Revenues from exports increased by 15% to R\$ 163 million.

Business Performance

The favorable scenario led to a rise in the use of installed capacity in the various industrial plants of the two existing sites. The physical shipment of products came to 520,000 tons and was 11% above the 2006 result, mainly due to the strong demand on the domestic market.

The company registered an impressive return. It had net income of R\$ 71 million, equivalent to ROE of 19.8%, and EBITDA of R\$ 129 million which represented 14.8% of net revenues.



Investments

The investments **Itaúsa** made in its subsidiaries follow the strategic guidelines and aim to create sustainable value for shareholders.

Itaú continued to invest in expanding its activities in 2007 as it did with the incorporation of the operations of BankBoston in Brazil and Latin American countries. Within Latin America, Banco Itaú Europa and its subsidiary Banco Itaú Europa Luxemburgo concluded the acquisition of BankBoston Internacional (BBI), based in Miami, and BankBoston Trust Company Limited (BBT), based in Nassau.

Other important deals were the purchase of the international private banking assets of ABN Amro Bank N.V. related to Latin American clients served through Miami and Montevideo.

Duratex invested R\$ 222 million in fixed assets during the year in preparing the groundwork and the start of construction of a new building in the municipality of Agudos in São Paulo state for a new line of MDF products. Other large investments were for the acquisition and planting of forestry reserves.

These investments form part of a wider program amounting to around R\$ 850 million which will bring a big expansion in capacity when they are concluded in two years' time. The Wood Division will invest R\$ 630 million by 2009 in projects such as a new medium density fiberboard line (MDF) and a low pressure coating line, both at the Agudos plant. Another R\$ 200 million will be invested in raising production of metal and sanitary fittings in the Deca Division.

The remainder will be directed to projects in the corporate area, led by the implementation of the SAP corporate software.

The inauguration of **Itautec's** new installations of the industrial complex in the town of Jundiaí, in São Paulo state, was the main event of the year. The plant underwent a thorough renovation which was concluded in September and has boosted production of microcomputers and ATMs, two of the company's main business products.

Itautec invested a total of R\$ 117 million in 2007. Of this, R\$ 53 million was directed at research and development, essential to keep products updated technologically and remain competitive in the different market areas. The volume of investments in R&D, which amounted to R\$ 254 million over the last five years, has transformed Itautec into the Brazilian IT company with the greatest presence abroad. It has also brought many prizes for its products, such as that awarded at the International Forum Design event in Hanover, Germany.

Investments

Elekeiroz invested R\$ 31 million to improve operating conditions and increase productivity at its plants in Camaçari, Bahia, and Várzea Paulista, São Paulo. The investments were also aimed at cutting operating costs, improving controls over the industrial operations, raising installed capacity and replacing equipment.

The company has a line of credit of R\$ 116 million from the Brazilian development bank, the BNDES, to continue with its investment plan for the 2008–2010 period. This credit line complements the resources the company will generate from its normal operations. The planned investments will expand and automate the oxo-alcohol, phthalic and maleic acid, plastificizers and unsaturated polyester resins lines.



Environment/Sustainable Products

Itaúsa's three industrial companies are committed to becoming more sustainable in the long term and have created a Sustainable Environmental, Social and Cultural Committee to do so. This body is responsible for establishing the environmental policy for Duratex, Itaútec and Elekeiroz. It accompanies their commitment with the norms, lays down initiatives to raise employees' awareness and follows the domestic and international trends in the environmental area.

Itaúsa's environmental policy was highlighted by its presence in the 2007 Dow Jones Sustainability Index (DJSI) where it received the highest mark among companies in the sector.

Itaú has a tradition of respecting social and environmental factors in operations. This is seen when it launches a product such as the Itaú Social Excellence Fund (FIES) which invests in shares of companies which are recognized for their good social and environmental practices. However, social responsibility is much more wide-ranging and permeates all levels of Itaú right from the strategy decisions made by senior management to how its employees deal with customers. It is present within the institution's own culture and was highlighted in the advertising campaign slogan "It isn't just today that Itaú thinks about tomorrow" widely publicized throughout the year.

This approach has gained pace in recent years with the integration of the concept of sustainability on all business fronts. As a result, Itaú has improved its operating structure and is encouraging individuals, companies and organizations to adopt responsible practices in their individual projects and actions.

At the end of the year Itaú launched its Social and Environmental Risk Policy, which contains guidelines for analyzing credit to evaluate the social and environmental risks of corporate entities. This is in line with the company's adherence to the Equator Principles in 2005. It is used in loan operations up to R\$ 5 million and has led Banco Itaú and Itaú BBA clients to improve their social and environmental practices. The other companies within the Group will draw up their own guidelines to analyze social and environmental risks within the next two years.

Other outstanding initiatives of the year:

- **Launch of the Fixed Income Ecochange Fund:** Following the success of the FIES, which has been growing for three years and had R\$ 538.8 million in assets in 2007, Banco Itaú launched a Fixed Income Ecochange Fund (Fundo RF Ecomudança) in the Retail, Personalité and Private Banking segments. This is a fixed income fund which directs part of its management fee to environmental actions which reduce the amount of emissions of carbon dioxide (CO₂), the main factor causing global warming.

Environment/Sustainable Products

- **Productive Microcredit Guidance:** The Itaú Seminar on Microfinancing which the Bank organized discussed ways of developing microcredit in Brazil. The microcredit portfolio amounted to R\$ 69.3 million in 2007.
- **Creation of three specific areas:** Social and Environmental Responsibility and Social and Environmental Responsibility Risk and Microcredit in Itaú, and Social and Environmental Risk Evaluation in Itaú BBA. These are responsible for making proposals and using the synergies of the various initiatives implemented by the Organization with priority given to social and environmental issues linked directly to the business.
- **Creation of a Sustainability Committee:** The Group Executive Management gave approval in January 2008 to the creation of a Sustainability Committee composed of members of the Group Executive. At the same time, approval was also given for the creation of a Sustainability Accompaniment Committee involving members of the Board of Directors of Itaú Holding.

Duratex increased its investments related to the environment by 25% over 2006. The company has always taken a serious approach to the environmental issue as it owns 110,000 hectares of land on which it cultivates its supplies of wood. This ensures it has Carbon Free status, i.e. the forest captures more gases that contribute to the greenhouse effect than its industrial activities generate. In this context, Duratex initiated its Carbon Sequestering Project in 2007 and joined the Chicago Climate Exchange (CCX) where carbon credits may be traded in future.

Besides making this important contribution to the environment, the forestry area has the most respected certification: ISO 14001 which attests to the efficiency of the environmental management system in the plantations at Botucatu and the seedling nursery at Lençóis Paulista, both in São Paulo state; and certification from the Forest Stewardship Council (FSC) which attest to the adoption of environmentally correct, socially just and economically viable practices. At the same time, the industrial units use procedures to treat waste and accompany solid wastes to their final destination. These plants are also adopting measures to reduce atmospheric emissions.

The company's responsible approach to the environment was recognized at the 5th Brazilian Environmental Benchmark Award ceremony for the Deca Material Recovery project. Under this initiative, waste is reused in the productive and maintenance processes of the plants. Another highlight was Deca's adherence to the Green Building Council as a co-founder. The aim of this organization is to encourage the concept of sustainable building. It does so by making buildings more efficient in terms of energy and water consumption, amongst other efforts. The company has continued to develop a series of products aimed at the rational

use of water, such as taps, discharge valves, urinals and toilet bowls which use less water for cleaning and are, therefore, recommended for buildings used by lots of people, such as hospitals, shopping centers, offices and hotels.

As a modern company which is constantly encouraging the advance of technology, **Itautec** makes great efforts to make sure its activities are environmentally sustainable. To do so, it follows the rules laid down in the Restriction Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment (WEEE) international guidelines on using non-polluting materials and recycling.



Environment/Sustainable Products

This concern was recognized recently when the company came second in the 13th Fiesp Environmental Merit Award by the Federation of Industries of São Paulo State. Itautec received an honorable mention for its Program to Reduce Harmful Substances in the Environment in IT and Automatic Equipment.

In 2007 Itautec gained fifth place among 15 companies which won the 5th Brazilian Environmental Benchmarking. Itautec was in the 2007 Ranking which includes companies that are benchmarks in the sector.



The company organized campaigns to benefit the community. The most outstanding was the Aware Consumption Program which has been promoting initiatives to preserve the environment for two years. It includes an Environment Week and Day of the Tree devoted to disclosing information and tips on issues linked to nature preservation.

Environmental managers and internal auditors were trained to look after the administration reorganization caused by the change of the production plant to Jundiaí, São Paulo.

Elekeiroz participates in the Environmental, Social and Cultural Sustainability Committees of the Itaúsa companies. It is also a signatory to the Responsible Activity Program which is administered in Brazil by the Chemical Industry Association (Abiquim) as it believes environmental issues have to be treated correctly as an essential part of sustainable development. These include operational safety (including the transport of dangerous products and working practices), recycling materials and reducing consumption of goods such as water, electrical energy and fossil fuels. The following actions and programs are underway:

- **Water, Energy and Recycling:** These programs are managed by the Internal Water Saving Committees and Electrical Energy Committees. There is also a Materials Recycling Committee. The recycling program aims to raise awareness of sustainable consumption in the internal and external community by encouraging employees and their relatives to make a commitment to environmental preservation.
- **Cogeneration of Electrical Energy:** The company has had its own turbo-generators since 1987 which make use of all the heat generated by the industrial processes and convert it into electrical energy. This generates 80% of all the electrical energy used in the Várzea Paulista plant and is equivalent to 9.5 megawatts, enough to supply a city with 100,000 inhabitants.
- **Disposal of Solid Waste:** All solid wastes generated in the manufacturing processes are reused or co-processed in rotating kilns or industrial landfills certified and controlled by the environmental authorities.
- **Liquid Waste:** The liquid waste in Várzea Paulista is pre-treated and sent for final treatment at the State Department of Waters and Electrical Energy unit in Jundiaí by the company itself. The waste generated at Camaçari is sent by emissaries to the Centre for Processing Liquid Waste of the Petrochemical Hub (Cetrel).



Relationship of Trust

Relationship with Strategic Public Groups

- Internal Public
- Clients
- Suppliers

The transparent way in which Itaúsa conducts its management of its companies is aimed at establishing relationships of trust with customers, employees, suppliers, shareholders and society as a whole

78,000

More than 78,000 employees

Relationship with Strategic Public Groups

Appreciating human capital, being ethical in business and creating value. These are principles which guide Itaúsa and reflect how the companies which make up the Group form their relationships with their strategic public groups.

Client attendance and contact with suppliers are marked by an ethical approach the Itaúsa companies adapt in all their business. Its employees have opportunities to develop professionally and advance their careers. All the public groups receive the benefits from accomplished, responsible activity which ensures the creation of long-lasting value creation.

Internal Public

Itaúsa and its subsidiaries had more than 78,000 employees at the end of 2007. It invested R\$ 82 million in education, training and development programs. The amount used in the fixed remuneration of the teams plus the charges and benefits came to R\$ 5.3 billion.

The social benefits for employees and dependents amounted to R\$ 859 million. This covers supplementary pensions, meals, medical and dental care, social assistance, leisure activities, sport and culture, loans at subsidized rates, insurance, transport vouchers, donations and special concessions, amongst others.

Itaú has 65,000 employees. Its personnel management policies are driven by showing respects for individuals, promoting diversity, developing skills, continuous improvement and aligning staff with the Itaú Way of Doing Things. The principles and values of the Itaú Way of Doing Things are performance, human values, feedback, a motivating environment, team work and continuous improvement.

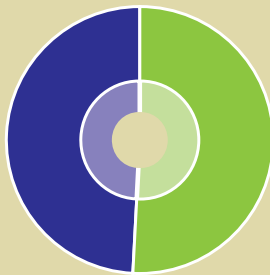
Itaú Holding invested more than R\$ 79 million in training and development programs in 2007. It currently offers around 300 courses – physical or distant – as follows: Specialization in MBA in Company; Integration; Professional Certification; Managerial Development; Technical Training; Training/Development Programs and Improving Teams.

The main initiatives in 2007 were:

- **Performance Culture:** The Performance Culture program helped ensure that the Itaú Way of Doing Things principles and values are used in a consistent, conscious manner throughout the whole organization. It includes actions to develop employee participation in an environment which encourages a better business performance. The program was created three years ago and was expanded to the branch network in 2007.

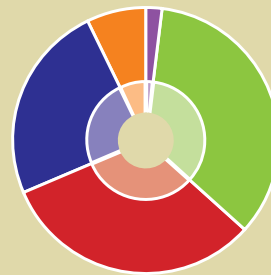
Profile of the Itaúsa Workforce

Gender (%)



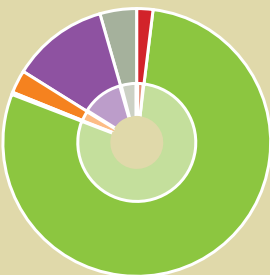
- 51.04 Men
- 48.96 Women

Age (%)



- 2.20 To 19 years
- 34.59 20 to 29 years
- 31.84 30 to 39 years
- 24.38 40 to 49 years
- 6.99 Above 50 years

Race (%)



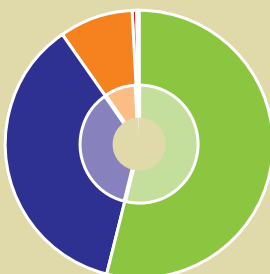
- 2.12 Asian
- 78.81 White
- 0.30 Indigenous
- 2.93 Black
- 11.41 Mixed race
- 4.43 Information not given

Length of Service (%)



- 47.41 To 5 years
- 17.02 5 to 10 years
- 20.91 10 to 20 years
- 14.66 Above 20 years

Educational Level (%)



- 53.94 High School
- 36.41 College
- 8.97 Postgraduate
- 0.63 Master's Degree
- 0.04 Doctorate

Function (%)



- 12.90 Directors/Managers/ Heads/Supervisors
- 39.09 Administrative/Technicians
- 48.01 Production/Operational

Relationship with Strategic Public Groups

- **Ethics and preventing money laundering:** This is an e-learning program on ethics which is obligatory for all managers and staff. It had 13,340 participants in 2007. More than 60,000 employees have taken the course since 2005. Ethics was also covered in physical events such as courses, workshops and lectures involving a total of 11,873 managers, 7,729 in 2007 alone. A distance learning training program on the Prevention of Money Laundering involved 33,279 employees.

- **Ombudsman:** Itaú Holding created the ombudsman department which has its own structure and operates independently to receive requests, complaints and suggestions from any employee.

- **Assimilating BankBoston's expertise:** Itaú Holding has a great tradition of appreciating its intellectual capital and incorporating other cultures and knowledge during its history. This ability was confirmed once again in the first half of 2007 with the highly successful process to integrate the BankBoston teams.

- **Better working environment:** The Talk Frankly campaign is held every two years and allows the Bank to get to know its employees' expectations and create plans for every area of the organization. A number of advances were seen in relation to the 2005 survey. Follow-up workshops are held to program the improvements.

- **Tact Program:** This program was launched in July 2007 and is aimed at helping staff and their relatives who are experiencing problems by providing specialist multi-professional attendance. These include psychologists, nutritionists, physiotherapists, physical education teachers, educational psychologists, lawyers, occupational therapists, hearing experts and psychiatrists.

Duratex's workforce of around 6,800 aligns its activities through shared values such as integrity, respecting individuals, participation, commitment and social and environmental responsibility. This approach is supported by a Code of Ethics and Conduct which has been extensively redrawn and covers the relationship with the various public groups.

- **Training:** In 2007, around R\$ 1.1 million was invested in internal training which involved about 62,000 participations and an average of 30.4 hours of training per employee.

- **HR Listens:** This program collects criticism and complaints, made anonymously, and the replies are placed publicly on notice boards.

- **Rural Transport:** Eleven buses were acquired to transport workers who work in the rural area in safety and comfort. These vehicles were equipped with reclining seats, curtains, bathrooms, sun shades, tables and chairs for meals. They serve the plants at Agudos and Lençóis Paulista in São Paulo.

Itautec invested R\$ 850,000 in initiatives to develop employees' skills in 2007. A total of 165,547 hours training was given with 16,476 participations in courses and 5,455 employees trained. The average annual amount of hours per worker trained came to 30.30. The highlights of the year were as follows:

- **Training managers and employees:** The Managerial Training and Development Program brought together 73 executives in its first course. The T&D Area for self-development of behavioral training involved 463 employees during the year. Other outstanding courses and training and development programs were the Training and Development of Leadership; High Performance Negotiation and Sales; Professional Behavior and Client Attendance, and Developing Skills for Secretaries.
- **Efficient Inclusion Program:** The Inclusion of People with Special Needs Program was launched in March to increase initiatives for the social and professional integration of employees. The program goes beyond the legal obligations of hiring of people with special needs and facilitates their effective involvement in the working environment.
- **Code of Ethics and Conduct:** Itautec renewed its Code of Ethics and Conduct to make it compatible with the principles of business sustainability and reinforcing the ethical, transparent and legal elements in the different relationships. Lectures to publicize the code began in November.
- **Live Well Program:** The Quality of Life (Live Well) Program continued with initiatives to encourage employees to adopt a healthier way of life. The main events include the Programs to Encourage Reading and Take Part in Races and Walks, Workplace Gymnastics and donation campaigns.

Elekeiroz had 767 employees at the end of the year. It spent R\$ 54.2 million in wages, legal contributions, meals, basic food basket, transport voucher, medical care, insurance and a supplementary pension plan.

A number of programs aimed at the internal public took place during the year including:

- **Training:** The company provided its staff with more than 70,000 hours of training, as well as 36 partial study grants for technical courses in chemistry, higher and postgraduate courses and language courses. The investment came to R\$ 285,000.

Relationship with Strategic Public Groups

- **New Talents Program:** The company has maintained this program since 2000 which is aimed at training graduate professionals to ensure the future supply of employees in all areas.
- **Results Participation Program:** This annual program has involved representatives of the company, employees and the labor unions from Várzea Paulista and Camaçari since 1998. The operating goals and results for the respective period are fixed at the beginning of each year and an agreement is signed between the parties.
- **Participation Programs:** These programs have been in existence since 1994 and aim to engage all employees in the continuous improvement in the working systems and procedures to ensure the constant increase in business competitiveness. The Sustain Program, which consolidates all the company's participative programs, covers seven dimensions in which each is assessed separately and given points according to the specific procedure.



Clients

Itaú has approximately 24 million clients including accountholders and others. Attendance in Brazil is made through a network of 3,528 branches and bank attendance posts. Customers also have around 24,000 ATMs available as well as electronic attendance points inside companies plus phone and Internet channels. The Itaí network has another 766 stores and 315 electronic attendance points. Itaú is present abroad in Argentina, Chile, China, the United States, the Cayman Islands, the UK, Japan, Nassau, Portugal and Uruguay.

The relationship is based on a strategy of segmentation. Business structures, products and services are structured to fit the specific needs of the different client sizes and profiles. The networks and attendance units have specialist professionals and the most modern technology to serve individuals, small and medium-sized businesses, the public authorities and institutional investors. Itaú is the leader in the high income segments with its Itaú Personnalité network. At the same time it finances homebuilding and provides credit cards to lower income group through the Itaí finance house. Itaú BBA is the largest wholesale bank in Brazil, with 2,000 corporations in its portfolio.

- **Personal attendance by phone or Internet:** In 2007, Banco Itaú inaugurated 133 branches and increased its share in the individual segment. The centralized telephone attendance service was expanded, ensuring greater flexibility and security, and the Internet site was improved, using suggestions from the customers themselves.
- **Reduction and abolition of charges:** To make the bank more attractive to new clients and ensure the loyalty of existing customers, Itaú took an unprecedented initiative on the Brazilian financial market and reduced certain current account charges and abolished others. The MaxiContas charges for corporate clients were also cut by up to 7.94%.
- **Corporate Ombudsman and Client Support Services:** The Corporate Ombudsman department, created in 2005, was restructured to make it a part of the strategic management of Bank. Improvements were also made in attending consumer defense bodies and a structured telephone service was created to attend them.
- **Awareness in using the current account:** In another groundbreaking action in the banking sector, the Bank expanded its program to raise customer awareness of how to use financial services and maintain their accounts in a safe, responsible and correct way.

Relationship with Strategic Public Groups

Duratex regards its relationship with clients as of such importance that this area features in the company's mission statement. The creation of partnerships is one of ways Duratex has achieved the leadership in the wooden panels, laminated floors and metal bathroom fittings segments as well as maintain a leading position in the vitreous china area.

Customers are attended by a wide-ranging technical assistance network, with representatives throughout Brazil. The company also has a vast line of high quality products. The Deca Division launched approximately 90 new metal and vitreous china products in 2007 alone.

- **Client Support Service:** This is a free 0800 number for Deca, Hydra, Durafloor and wooden panels. Clients can also use the "Contact Us" feature on the companies' websites.

- **Satisfaction Survey:** As well as the Technical Assistance services, a follow-up questionnaire is available to identify the degree of customer satisfaction and any possible deficiencies in the service in order to take corrective measures.

- **Data Confidentiality:** The Code of Ethics and Conduct ensures the confidentiality of data and information which may have been received from clients.

Itautec clients rely on the most wide-ranging network of technical assistance in the segment in Brazil. The company's commitment to quality covers all the processes and allows the efficient interaction between the various areas within the company. Itautec has held ISO 9001 certification since 1993.

Itautec offers technical and specialist attendance for all the products it makes and sells under its brand as well as for IT products from other domestic and foreign manufacturers. Strategic stocks located in the main Brazilian state capitals mean parts can be replaced quickly to ensure that clients' systems operate with the minimum interruption.

Elekeiroz's products go to other manufacturers in the productive chain and it aims to provide a high degree of satisfaction. The Company's objective is to maintain a long-term relationship with its clients through the following means:

- **Direct communication channel via the Internet**

Clients can use a sales management system (e-commerce) which is integrated to the production and financial area to find information on their registered data, financial situation and scheduled orders.

- **After-sales system**

This system allows the client to check deliveries through Customer Relationship Management (CRM) tool linked directly to the Technical Assistance area. This reduces the time for replies and resolving customer complaints or questions.

- **Complaint management**

This is a specific electronic system to accompany any complaints.

- **Satisfaction Survey**

This survey is undertaken on an annual basis and aims to assess customers' image of the company in terms of the business relationship, technical assistance, delivery and quality of its products.

- **Client Support Service**

This service provides a free 0800 number for direct contact with the Technical Assistance to answer questions, attend complaints and even provide technical training in the use of the products.



Relationship with Strategic Public Groups

Suppliers

Itaúsa's concern for the way it treats its suppliers of products and services was recognized when it was included in the Dow Jones Sustainability Index (DJSI) of 2007 and given the highest mark in the Standards for Suppliers category.

Itaú believes it is essential to have a transparent, productive relationship with its suppliers who number around 30,000. These include small, medium and large companies. Around 99% of transactions with suppliers are with Brazilian companies, assessed according to criteria of quality, competitiveness and social responsibility.

An Internet site for relations with suppliers was set up in 2007. The site helped publicize the Bank's purchasing policy and allows it to systematize dialogue with companies being considered and select new suppliers with practices in line with its policies. The registration process requires potential suppliers to agree with Itaú Holding's Code of Corporate Ethics and align themselves with its Values and Principles.

Duratex had 5,461 active suppliers at the end of the year. Approximately 11% of total purchases were made with suppliers located in the municipalities where the plants are located. The Code of Ethics and Conduct requires these suppliers to follow the same principles of legality and ethics adopted by the Company at the risk of ending the relationship.

Itautec had 28,450 registered suppliers at the end of 2007, of which 24,973 were Brazilian and 3,477 foreign. It had contracts amounting to around R\$ 587 million with 902 companies during the year. Itautec establishes long-term partnerships with its suppliers which brings business success and promotes synergies and competitive gains.

The company gives preference to local suppliers wherever possible to facilitate the supply chain and logistics in receiving material. Suppliers are selected under the most rigorous criteria to ensure that their profiles are in line with the Company's values and needs. Aspects considered range from the quality of the input and financial conditions of the suppliers to clauses related to banning the use of child and slave labor, and environmental preservation, according to the principles laid down in the Itautec Code of Ethics and Conduct.

Elekeiroz has a set of specific procedures for the selection and continuous assessment of its key suppliers whether of raw material, packaging or services. Around 100 suppliers are currently responsible for more than 80% of total purchases from 2,000 companies.

The company has on-line system for the six suppliers of basic raw materials to monitor the flow, quality and level of stocks, along with the exchange of other important information and the issue of legal documents.

All the main suppliers are evaluated according to the Company's Quality Management System. This system is in line with the Responsible Operations Program of the International Council of Chemical Associations and is administered in Brazil by the chemical producers' association, Abiquim.





Commitment to society

Social and Cultural Investments

Through projects in the areas of education and culture, the companies which make up Itaúsa help tackle social problems and encourage the cultural development of Brazil

2,000,000

More than 2 million beneficiaries

Social and Cultural Investments

To work to the utmost to develop Brazilian society is part of the mission of Itaúsa and its subsidiary companies. The Group's social investments do not only involve financial resources but also the use of its premises for activities to benefit the community and, more importantly, the voluntary involvement of its employees.

There are many initiatives with varied focuses and objectives. Itaúsa brings them together to improve the living conditions of the needy section of the population in the certainty that the social investment reinforces the Group's corporate responsibility.

Social and Cultural Investments – Itaú

Itaú Holding invested R\$ 183 million in the year in social and cultural projects. The projects supported using the Rouanet Act which allows companies some fiscal benefits amounted to R\$ 47 million.

Itaú maintains three programs dedicated to improving the communities where it is present through the support of its branch network and the active participation of its employees. The Itaú Child, Itaú Solidarity and Itaú Volunteer programs transform Itaú's beliefs in corporate citizenship into concrete actions.

- **Itaú Child program in the branches:** This was created in 2006 and aims to organize staff, clients and society to develop children and adolescents. The theme in 2007 was the "right to education and quality."

The Banco Itaú and Itaú Personnalité branches and the Taíí stores throughout Brazil served as bases for initiatives such as distributing pamphlets in neighboring schools with tips for the parents on how to accompany the education of their children. A total of 86,000 signatures supporting the document "Commitment to Education and Quality" were also collected.

- **Donations of books to 2,178 public schools:** The branches received a total of 41,309 books from the community, customers and employees. The Itaú Social Foundation helped acquire 134,000 books and partner publishers contributed 141,000 textbooks which will boost the public schools' collection. A total of 2,178 schools benefited from this program.

- **The Itaú Volunteer program is present in 157 municipalities:** More than 5,000 employees took part in the Itaú Volunteer program which was created five years ago and reached 40 new municipalities in 2007. The registered employees and their families took part in initiatives by the Itaú Social Foundation and its partners and also received instructions on how to become involved with a social welfare organization of interest to them.

• **35 projects benefited from the Itaú Solidarity program:** This is the third occasion this program, which is an initiative of the Itaú Social Foundation and Banco Itaú, has been held. It facilitated the donation of resources for social projects in 31 municipalities in Brazil. The program was created to facilitate the destination of part of the employees' income tax to the projects registered with the Municipal Councils for the Rights of the Child and Adolescent (CMDCA). In 2007, 4,000 employees donated a total of R\$ 430,000 to 35 different projects.

• **Banking products help develop society:** The premium bond products PIC Esperança (Hope) and PIC Itaú Criança (Child) transferred R\$ 4 million to basic education programs. For its part, the Itaú Social Excellence Funds (FIES) handed over R\$ 3 million to 20 non-governmental organizations responsible for infant and environmental education and work.

Itaú BBA's social investment initiatives support projects to improve basic education, encourage culture and the quality of life of Brazil's needy population.

• **Technical and agricultural training partnerships:** This program was created by the Support for Culture, Education and Social Promotion – Vitae organization and aims to implement and develop projects to modernize the curricular and technology in schools by teaching technical subjects and technical matters related to agriculture.



Social and Cultural Investments

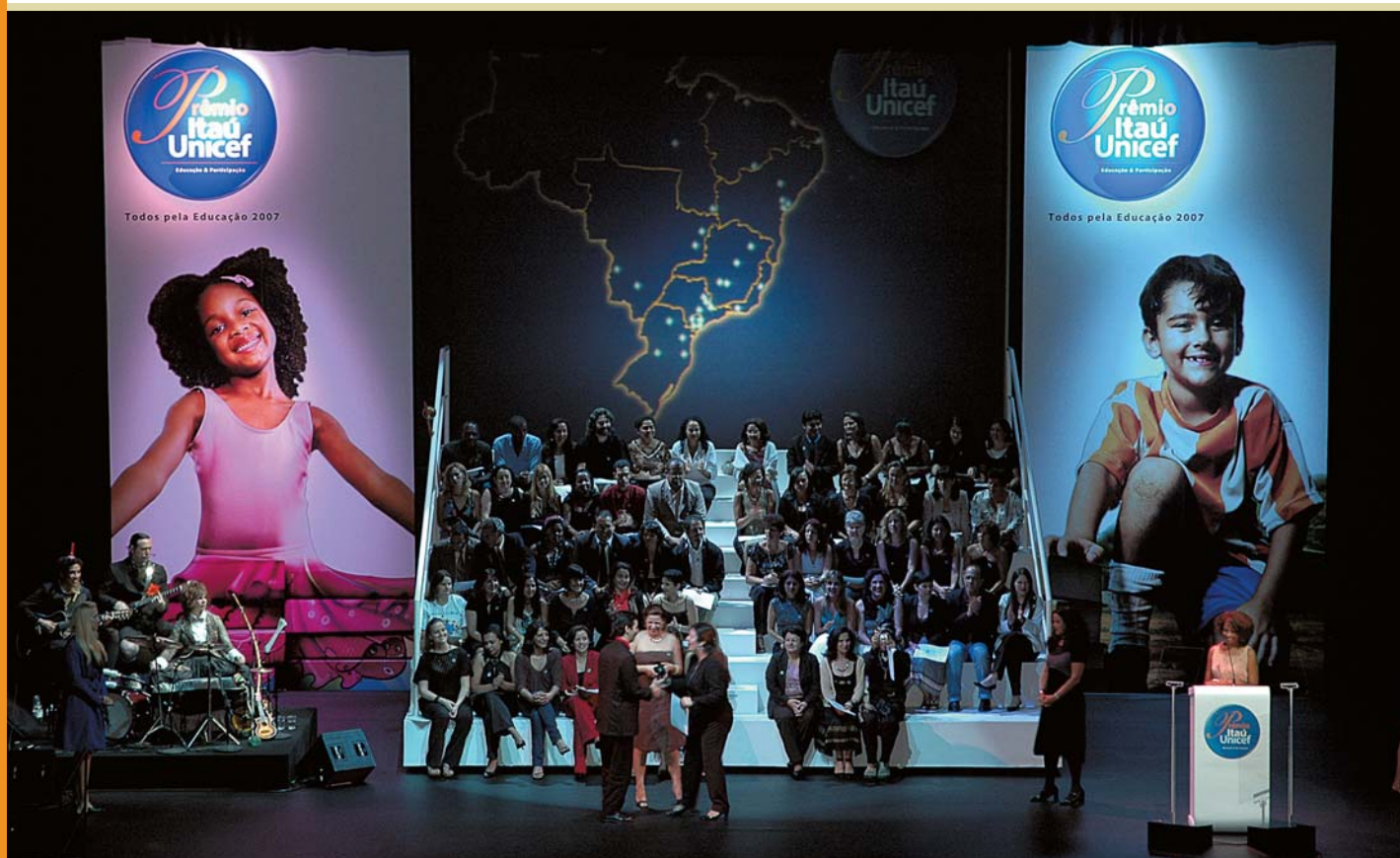
- **Literacy Solidarity:** Itaú BBA directed resources to this program which helped educate 2,425 pupils and 97 literacy teachers in seven municipalities in the Northeast Region.
- **Acaia Sagarana:** This is a program directed at bright young people from low income backgrounds who have studied or are studying at high school level in the public schools network.
- **Initiatives to support the community:** Donations to the Hospital São Paulo – Federal University of São Paulo for the ear, nose and throat area; the Association to Help Children with Heart Complaints and Heart Transplants; the São Paulo Institute against Violence; the WCF Brazil Institute; the Ronald McDonald Institute and the São Vicente de Paulo Hospital.
- **Other social actions by Itaú BBA:** Ária Social (dance and art area for children and young people from needy backgrounds in Jaboatão dos Guararapes, Pernambuco state); Constelação (strengthening of the network of social and educational centers in needy communities in Rio de Janeiro); Fundação Getúlio Vargas study grant fund (an educational loan for students at the FGV Business Administration course).
- **Rouanet and Audiovisual Laws:** Through these laws, Itaú BBA sponsored the São Paulo Museum of Modern Art, the Association for Children and Adolescents with Cerebral Tumor; Nature Station (Estação Natureza) of the O Boticário Foundation and the Magda Tagliaferro Foundation, amongst others.
- **Other projects in the cultural area:** the 13th Itaú BBA Photography Competition; Avistar Itaú BBA Photography Competition; Casa Brasileira Museum and the Center of Jewish Culture.

Itaú Social Foundation

Itaú's social and cultural investments are mainly channeled through the Itaú Social Foundation and the Itaú Cultural Institute. These both have their own management strategy and independence to establish priorities according to their administrative and governance structures.

- **Itaú-Unicef Prize:** This prize has been awarded every two years since 1995 and raises the profile of voluntary initiatives by recognizing the works of non-profit organizations which help improve the all-round education of children and adolescents living in vulnerable conditions. The year after the award is made is spent developing educational initiatives and accompanying the winning organizations. In 2007, 1,574 projects were entered. The selection of winning projects includes an assessment of the sustainability indicators of the organizations and the opportunities they offer children and adolescents to develop. The investment came to R\$ 7.9 million.

- **Brazilian Portuguese Language Olympics:** This is a permanent program to encourage pupils to read and write texts and support teacher training. The Olympics will involve around 80,000 schools and 200,000 teachers in 2008. The initiative is based on the methodology created by the Writing the Future program and in use since 2002. It is the result of a partnership between the Education Ministry (MEC), the Itaú Social Foundation and the Center of Studies and Research in Education, Culture and Community Action (Cenpec). A total of R\$ 2.3 million was invested in the Writing the Future program in 2007.
- **“Brazil Today” CD improves the educational organization of municipalities:** This CD brings together 25 social and educational indicators on all Brazilian municipalities and is a useful tool for the municipal authorities to improve their overview and take decisions to improve public education. The CD contains data from the official statistics agency, the IBGE, and other institutions, and is distributed through the Better Municipality Education program which received investments of around R\$ 1.6 million in 2007. The program is an initiative of the Itaú Social Foundation and Unicef in partnership with National Union of Municipal Educational Leaders (Undime) and the technical coordination of Cenpec.



Social and Cultural Investments

- **Forming Network for All-Round Education program:** This project continues the Apprentice Managers program which was undertaken between 2001 and 2006 and was renewed in 2007. It promotes the formation and organization of a network of professionals from the town halls and NGOs which carry out the all-round education of children and adolescents, strengthening the work of these organizations and training the professionals to create and implement collective teaching projects. The investment in 2007 came to R\$ 300,000.

- **Young City Dwellers Program:** This was created to increase the social and cultural experience of young people aged from 16 to 21 in situations of risk in the metropolitan regions. The program allows them to be trained through partnerships with NGOs. In 2007, 19 programs for young people in the city of Rio de Janeiro were established and the investment came to R\$ 3.3 million.

- **Program for the Economic Evaluation of Social Projects:** This program was developed by the Itaú Social Foundation in partnership with the Bank's Economic and Credit Consultancy. It aims to improve social initiatives by assessing their impact and calculating the economic return. In 2007, the methodology was transferred to 55 representatives of NGOs and business and public institutions. Two thousand Electronic Guides for the Economic Valuation of Social Projects were also distributed. The total investment came to R\$ 600,000.

- **The various fronts of the Itaú Social Foundation:** Among the 165 projects which the Itaú Social Foundation supported in 2007 were the modernization and restructuring of the Santas Casas hospital units, the sponsorship of the activities of the Association of the City Apprenticeship School and the strategic partnerships with the Akatu Institute, the Future Channel and the Literacy Solidarity Program.

- **Support for digital inclusion:** The Itaú Social Foundation gave more than 400 items of IT equipment (microcomputers, laptops, servers and printers) to create and expand IT laboratories in public schools and social organizations, professional courses and IT for attendance in hospitals and health organization. The total investment in the year came to R\$ 570,000.

In 2007, the Itaú Social Foundation incorporated some projects which had been conducted by the ItaúBank Foundation (formerly BankBoston Foundation), the activities of which had ended in 2007. These further strengthen its focus on education as a means of social transformation and development. The social programs initiated by the ItaúBank Foundation included:

- **Bank in School:** This is an initiative which help to improve education in the public school network through a partnership among large financial institutions and the Education Ministry and the United Nations Children Fund (Unicef).

- **National Forum for the Prevention and Eradication of Child Labor:** This is a non-governmental initiative to organize and make Brazilian society aware of the need to prevent and end exploitation of child labor and protect adolescents.

Itaú Cultural Institute

The Itaú Cultural Institute commemorated 20 years of existence as a yardstick in planning, organizing and publicizing Brazilian art and culture in the country. The institute operates in different areas of expression and research and develops ongoing integrated projects aimed at appreciating artistic production and expanding access to culture, thereby encouraging individuals to think in a critical way.

- **Modernizing the Itaú Cultural Institute site:** Ten years after its first appearance, the Institute site was renovated and a new version launched in June. The new site not only has a modern look but is easier to surf. To expand user access to Brazilian culture, the new site presents seminars and shows held by the Institute on-line and in real-time. The electronic platform also presents virtual encyclopedias on the visual arts, theater, Brazilian literature and art and technology. Other attractions are the Itaú Cultural Radio which broadcast 51 special programs in 2007 and issues of the printed magazine Continuum Itaú Cultural in a web and PDF format, with users being able to participate in the material referring to the theme of the month.
- **Multidiscipline events:** In 2007 Itaú Cultural Institute held three multidiscipline events at its headquarters. These were the "Contemporary Itaú – Brazil Art 1981–2006" exhibition with works from the Itaú Collection, "Memory of the Future – Ten Years of Art and Technology at the Itaú Cultural Institute," a retrospective exhibition of a decade of the Institute's activities to encourage research and the spread of art and technology, and the "Future of the Present" event which presented works looking at new ways of relating art and life.
- **Other events:** The Institute also hosted the Axels Themes event (a group of activities focused on a single theme over a short period), and a commemorative exhibition of its 20 years. These were held at the Institute's headquarters, the Itaú Memory Area, the Itaú Business Center in the Conceição district of São Paulo and the Technical Operation Center. This exhibition brought together photos, audiovisuals items and objects which tell the story of the Institute. It also presented a time line which related historical events in the institution to the Brazilian social and political context.
- **Cultural Observatory:** This is a space for thought and understanding of artistic and business social movements directed at the cultural world. In 2007, the Itaú Cultural Institute held meetings with researchers on cultural indicators with the participation

Social and Cultural Investments

of Brazilian and international specialists. The seminar "Cultural Indicators: Brazil and Spain Debate", included academics and professional from various areas. Three issues of the Observatory magazine were published and the observatory researchers drew up a National Map of Cultural Sector Data.

- **Citizen Wave:** This program, which publicizes information on community and public and university radios in Brazil, promoted a forum in 2007 to discuss the sustainability of the independent media in the city of Rio de Janeiro. The issue was discussed by representatives of 39 associations, NGOs, social movements and artistic and cultural groups from 11 Brazilian states.



- **Public Attendance and Education Program:** This program received 40,682 visitors in 2007, including people with special needs. Meetings were also arranged for 207 teachers who had improved the level of learning of their pupils.

- **Stories in the Classroom:** This program is in its fifth year and in 2007 directly involved 4,202 people. In 2007, 441 people participated in Meetings with Authors in the states of São Paulo, Paraíba, Maranhão, Pará and Santa Catarina. At the same time 38 educators from Espírito Santo were trained in the headquarters and 23 participants took part in the lecture held in the Pan-Amazônica trade fair. Around 3,700 teachers are estimated to being involved in training activities developed by the partners.



Social and Cultural Investments

- **Documentation and Reference Center:** The media library has a collection of more than 46,000 items on Brazilian art which are constantly updated. Publications on shows, cinema and video, music, Brazilian literature and particularly the visual arts are available. In 2007, 20,300 people visited the Center which loaned 20,893 items, including videos, CDs, CD-ROMs and DVDs to the public.
- **Itaú Numismatics:** In 2007, the education area of the museum welcomed 14,000 visitors including people with special needs. This museum is structured to handle numismatists as well as people with general interest in coins. It is regarded by specialists as one of the most important numismatic museums in Brazil.

Social Investments – Duratex

Duratex centers its social responsibility on programs aimed at communities living close to its production plants. It focuses on training young people, education and development in environment awareness. Through projects developed in partnership with voluntary bodies, Duratex encourages its employees to take part in the initiatives on a voluntary basis.

- **The Tide Setúbal Carpenter School:** This was opened in 2000 in the town of Agudos, São Paulo state, and offers a professional carpentry course. It lasts two years and is directed at adolescents from needy backgrounds from the region. It is a partnership with the town hall and the government's apprentice training organization, Senai. It provides high quality technical education to prepare the young people to work in the local furniture industry. Duratex provides the raw material, equipment and finishing material along with maintenance services and overalls for the students.
- **The Piatan Environmental Life Area – AVAP:** This was created in 1996 in Agudos and involves environmental education activities to reinforce the importance of environmental conservation to the community. The area has resources (multimedia room, teaching space, exhibition center and also arranges walks in the native woodland) which allows the main theme "the sustainable production of wood from forests plantations" to be presented in an educational way. The Piatan Area receives around 6,000 visitors a year.
- **Education for a Better Future:** This project was developed by Duratex's Forest Area to encourage employees to return to their studies, learn more and develop themselves personally. The company makes opportunities available to all employees and provides practical conditions to do so. This is done by fitting the program into working shifts, arranging bus routes and providing school kits for the employees who are taking part in the project. Approximately 200 employees have benefited over three years and 40% have already

graduated. The level of schooling has improved and some employees are continuing with their studies even though they have reached the level required for their function.

- **Pursuing the Future:** This is a program of social inclusion directed at young students from the local communities. Pupils in their last year of high school in the public schools are brought together within the industrial plants to receive information on how to be competitive on the job market.
- **Blanket Campaign:** This initiative was promoted in partnership with the São Paulo Social Solidarity Fund. The blankets donated were sent to registered assistance bodies.
- **Rouanet Law and the Municipal Councils for the Child and Adolescent (CMDCA):** These are projects aimed at protecting children and adolescents in the municipalities of Botucatu, Jundiaí, São Leopoldo, São Paulo, Araçoiaba da Serra, Bento Gonçalves, Agudos and Itapetininga.



Social and Cultural Investments

Itautec – Social and Cultural Investments

Itautec's social responsibility is directed at actions shared with the community, particularly in the regions where the company's plants are located.

The company promoted various community actions in 2007.

- **Eye on the Computer:** This course was held in order to improve digital inclusion. It consisted of two classes and brought together 24 young people from the Nossa Senhora do Bom Parto social center in São Paulo. The content includes an introduction to micro IT, Windows, Word and the Internet.
- **Second Easter Solidarity Campaign:** In 2007 Itautec organized a campaign to collect Easter eggs from employees to donate to child care centers where its employees act as volunteers. Six Easter baskets were later raffled among the donors.
- **Blanket Campaign:** The campaign to collect warm clothing was held internally with the participation of Itautec employees. The company collected 630 pieces of clothing in partnership with the Social Solidarity Fund of São Paulo which were distributed to social and community centers in slum areas of the city of São Paulo.
- **Fumcad:** This program passed on resources to the Municipal Fund for the Rights of the Child and Adolescent to two institutions in Jundiaí: the Therapeutic Association to Encourage Talking and Hearing (Ateal) – the Workshop for Training in Work projects and Digital Inclusion; and the Christian Association for the Defense of Human Rights (ACDC) – Digital Integration Project.
- **Rouanet Law:** Itautec sponsored the following projects in 2007 through the Rouanet law: Donation of Equipment and Encouragement to the Annual Activity Plan in MAM (São Paulo Modern Art Museum); publication of book which tells the history of Brazil through the issue of its coins; Toquinho Traveling Guitar Project to commemorate 45 years of the Abinee.

Elekeiroz – Social Investments

As part of its social responsibility Elekeiroz undertook various initiatives in 2007 to support entities and institutions in the areas of education, safety, sports and public services in the municipality of Várzea Paulista. The following are the highlights:

- **Training for my first job:** The Company supports the Association to Educate the Man of Tomorrow through the Municipal Fund for the Rights of the Child and Adolescent of Várzea Paulista.
- **The Little Guardians Program:** This program has been in existence for more than seven years during which young people have learned to work as messengers and assistants in offices. Several were later hired and joined the workforce.
- **Agenda 21 Program:** This program was created in 2007 by the Várzea Paulista town hall and the company has played an active part in its consolidation. The aim is to discuss problems and provide solutions for the proper development of the region, focusing on the National Environmental Policy. Organizations such as the Environmental Ministry, and the Company for Environmental Clean Up and Technology (Cetesb) as well as representatives from 12 municipalities in the region and volunteer organizations also take part.
- **Volunteers:** Social actions and projects aimed at the community and Elekeiroz's employees, along with bodies from the voluntary sector aim to encourage employees to become volunteers as well as raise environmental awareness.

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