

ANNUAL REPORT 2006

ITAÚSA

# INTRODUCTION

Itaúsa's solidity is based on a common vision of the various companies within the Group. Each one has its own way of managing its business and enjoys operating independence but they all share the values and principles of the Group, which emphasize respect for people, ethical behavior in business, a passion for expansion based on management and production technology, and the creation of value for shareholders in a continuous and sustainable way. Business is undertaken in a solid fashion with the same accounting standards used by all the controlled companies.

This is how Itaúsa extends its organizational culture and accomplishes its aim of being the leader in all the sectors where it operates.

This Annual Report presents the achievements which reinforced even further Itaúsa's position as a solid Group in 2006. To improve its policy of permanent progress and continuous development – whether on a financial base or in terms of operational quality – a concept was adopted which aims to synthesize its line of operation: "Accomplishing Business" – a term which appears throughout this presentation of results, operations or the sustainability policy.

Itaúsa is a listed holding company which gains strength on a daily basis as an organization capable of:

- **accomplishing** value (for its shareholders);
- **accomplishing** business (with the companies its controls);
- **accomplishing** dialogue (with its different public groups: employees, clients and suppliers, opinion formers, government, NGOs etc.);
- and **accomplishing** the future (by acting in a socially and environmentally responsible way in accordance with its policy of sustainability).

Based on these four initiatives, the Company is constructing its business strategy and achieving the goals and performance levels which have been set. Furthermore, it is creating the conditions to strengthen its fixed investments abroad and accomplishing its international business presence.

# MAIN INDICATORS

## Main indicators of the companies controlled by Itaúsa

R\$ thousand	Financial Services Area		Industrial Area			Consolidated/ Group (1)
	Banco Itaú Holding		Duratex	Itautec	Elekeiroz	
	Financial Years	Financeira Consolidated				
Total Assets	2006	209,691,160	2,375,238	871,120	558,404	214,433,178
	2005	152,434,899	1,941,622	723,218	525,921	156,339,072
Operating Revenue <sup>(2)</sup>	2006	47,760,955	1,489,193	1,466,690	719,987	51,672,724
	2005	35,280,652	1,270,577	1,484,518	655,448	39,467,798
Net Income	2006	4,308,927	225,988	50,063	18,828	6,795,982
	2005	5,251,334	137,085	46,502	43,110	5,169,916
Stockholders' Equity	2006	23,564,471	1,395,789	349,552	333,373	27,245,301
	2005	15,559,656	1,050,872	312,886	317,646	18,764,338
Return on Equity (%) <sup>(3)</sup>	2006	22.68%	18.33%	15.31%	5.83%	30.15%
	2005	35.28%	13.46%	14.18%	14.13%	28.43%
Permanent Assets	2006	4,585,322	1,202,709	121,414	260,737	6,122,636
	2005	2,874,830	1,181,271	107,469	265,758	4,428,812
Investments in the Period	2006	5,240,739	105,402	71,816	27,184	5,374,707
	2005	594,955	108,427	31,287	62,016	789,685
Internal Fund Raising <sup>(4)</sup>	2006	14,367,917	309,977	128,439	58,403	16,979,145
	2005	9,479,220	221,313	120,287	69,459	9,600,592
Dividends Paid / Provisioned	2006	2,215,057	76,875	14,330	5,556	2,570,751
	2005	1,853,356	46,343	13,072	14,118	1,913,510
Personnel Expenses	2006	5,493,861	286,398	273,034	51,888	6,134,036
	2005	4,428,350	261,583	263,889	53,343	5,033,646
Fringe Benefits	2006	296,038	17,522	6,968	5,049	324,449
	2005	285,072	17,569	6,784	5,173	314,578
Nº of Employees	2006	59,921	6,076	5,018	739	71,774
	2005	51,036	5,890	4,381	796	62,128
Taxes Paid and Provisioned	2006	5,539,365	324,315	92,193	29,503	6,140,787
	2005	4,692,436	289,683	131,263	31,560	5,491,872

- (1) Data related to consolidated/group are net of consolidation eliminations and unrealized income from intercompany transactions.
- (2) Following a worldwide trend, Operating Revenue by area of operation was obtained as follows:
  - Banco Itaú Holding Financeira S.A.: total Income from financial operations, Income from Services Rendered, Income from Insurance, Pension Plans and Capitalization premiums and other Operating Income;
  - Duratex S.A., Itautec S.A. and Elekeiroz S.A.: taking into consideration net revenue from sales of products and/or services.
- (3) Represents the ratio of net income for the year and average equity.
- (4) Covers resources arising from operations:
  - plus expenses for allowance for loan losses;
  - not taking into consideration changes in mathematical provisions for capitalization and pension plan and considering the changes in unsettled claims, credits and debits from insurance operations and deferred selling expenses from insurance, pension plan and capitalization.

## Main indicators of Itaúsa result

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

## Itaúsa share performance

Earnings per 1,000 share lot – R\$	12/31/2006	12/31/2005	Change %
Net income	1,411.50	723.29	95.15
Book value	4,041.09	3,071.10	31.58
Price per common share (ON) <sup>(1)</sup>	12,572.86	7,520.00	67.19
Price per preferred share (PN) <sup>(1)</sup>	10,406.32	7,462.38	39.45
Market Capitalization <sup>(2)</sup> – R\$ thousand	35,692,128	23,770,045	50.16

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

(2) Based on the average price in December of each year.

## Distribution of net income by sector – Parent Company <sup>(1)</sup>

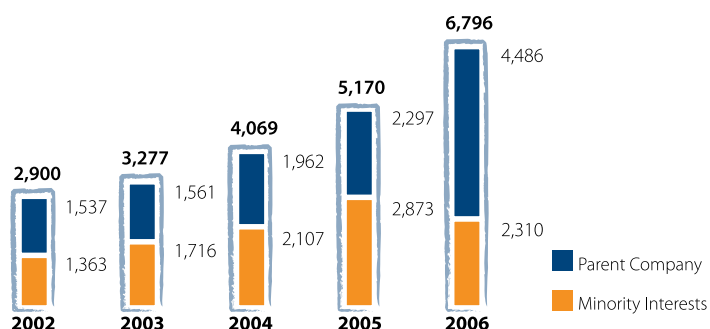
R\$ Million	Sectors	2006		2005	
REP <sup>(2)</sup>	<b>Financial Area</b>	<b>3,002</b>	<b>93.7%</b>	<b>2,656</b>	<b>93.1%</b>
	<b>Industrial Area</b>	<b>164</b>	<b>5.1%</b>	<b>180</b>	<b>6.3%</b>
	Duratex	99	3.1%	61	2.1%
	Elekeiroz	25	0.8%	39	1.4%
	Itautec	40	1.2%	80	2.8%
	<b>Others</b>	<b>30</b>	<b>0.9%</b>	<b>15</b>	<b>0.5%</b>
	<b>REP Non-Operational <sup>(3)</sup></b>	<b>9</b>	<b>0.3%</b>	<b>3</b>	<b>0.1%</b>
	<b>Total REP</b>	<b>3,205</b>	<b>100.0%</b>	<b>2,854</b>	<b>100.0%</b>
	Result/Others net Assets/Liabilities (-) Taxes	175		110	
	Extraordinary Results	1,106		(667)	
	<b>Net Income Parent Company</b>	<b>4,486</b>		<b>2,297</b>	

(1) Pro-forma figures

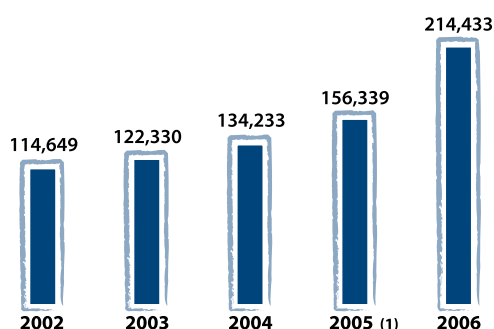
(2) REP: Equity Share in Income

(3) Due mainly to the share trading of the treasury areas of Banco Itaú Holding Financeira and Duratex

NET INCOME (R\$ million)

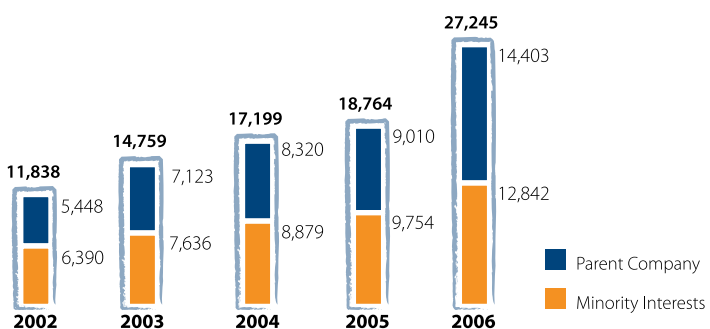


TOTAL ASSETS (R\$ million)

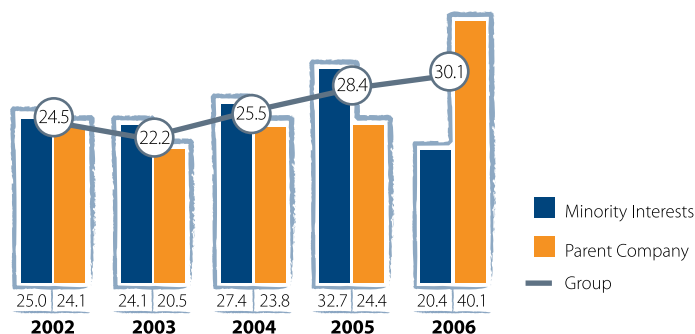


(1) The 2005 balance was reclassified, as described in Explanatory Note nº. 20 to the Accounting Statements.

STOCKHOLDERS' EQUITY (R\$ million)



RETURN ON AVERAGE EQUITY (%)





# ITAÚSA 2006

ACCOMPLISHING

## value

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ACCOMPLISHING

## business

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ACCOMPLISHING

## dialogue

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ACCOMPLISHING

## the future

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# ACCOMPLISHING value

Itaúsa's activities and the operations of its subsidiary companies are based on values and goals of sustainability, quality and management. The end result of this constant growth is the creation of value – for the shareholder as well as for Brazil.



A man and a woman in business attire are walking in front of a modern glass skyscraper. The man is wearing a light blue shirt, a striped tie, and dark trousers, with a dark jacket slung over his shoulder. The woman is wearing a light-colored blazer and dark trousers. They are both smiling and looking towards the right. The building behind them has a distinctive architectural design with a large, curved glass facade and a prominent '1' logo at the top.

CORPORATE PROFILE  
MESSAGE FROM MANAGEMENT  
CAPITAL MARKETS AND SHARE PERFORMANCE  
CORPORATE GOVERNANCE  
REPUTATION AND RECOGNITION

## CORPORATE PROFILE

**Itaúsa – Investimentos Itaú S.A. is the second-largest private business group in Brazil in terms of gross revenues. It is a pure holding company, which is listed on the stock market, and controls all the investments of its main subsidiary companies. In the financial sector, these are Banco Itaú Holding Financeira, the main partners of which are Banco Itaú and Banco Itaú BBA, and in the industrial area, Duratex, Elekeiroz and Itautec.**

Itaúsa centralizes the financial and strategic decisions, giving the companies the capacity to concentrate and expand their own businesses under better conditions. The Group's values are found in all the companies, whether in the financial area (financial market, capital markets, insurance, private pensions and capitalization), or the industrial area (information technology and automation, wood panels, porcelain and metal bathroom fixtures, chemicals) and also in the real estate area.

The Group pursues growth and competitiveness through actions which constantly ensure the sustainability of the business – creating value for the market, society and the environment. This can be seen in the fact that Itaúsa has formed part of a portfolio of shares on the Corporate Sustainability Index (local acronym, ISE) on the São Paulo Stock Exchange (Bovespa) since the index was created in 2005. Itaúsa was selected to be part of the Dow Jones Sustainability World

Index (DJSI) for the third time in 2006. This index is regarded as the most important index of corporate governance in the world and lists 318 companies by their market value, the adoption of corporate governance principles, and social and environmental responsibility. Itaúsa received outstanding assessments in the "Environmental Policy/Management System" and "Standards for Suppliers" criteria and obtained the highest marks among all companies in the sector. For its part, Banco Itaú Holding Financeira is the only Latin American bank to have been part of the index since it was created in 1999.

A survey by the respected American magazine Fortune placed Itaúsa among the 500 largest groups in the world. The Group currently has more than 70,000 employees. At the end of the 2006 financial year, it had stockholders' equity of R\$ 27.2 billion and assets of R\$ 214.4 billion. Net income for the year amounted to R\$ 6.8 billion with a return on equity of 30.2%.





## MESSAGE FROM MANAGEMENT

The existence of a holding company of Itaúsa's size and shape can only be justified if, like our Group, it can accomplish its goal of financial solidity and sustainability and create a corporate environment based on ethical principles and operational quality and impress this business approach on all the companies it controls. In 2006, the Itaúsa Group strengthened its springboards to grow and achieve its goals of being the leader in its main operating areas, and expanding its presence abroad.

The positive results achieved are the tangible outcome of the strategies adopted in previous years and are in accordance with the Group's projected future goals. The year 2006 was marked by initiatives which led us to accomplish our growth aims – based on an investment strategy which pursues the creation of value for shareholders in a sustainable form. One important development was the incorporation, by Banco Itaú Holding Financeira S.A. (Itaú Holding), of BankBoston in Brazil, Chile and Uruguay. This operation ensures the company's leading position among private institutions involved in asset management, custody and the markets directed at large companies and high net worth individuals. This leadership led to the expansion of activities in new markets in Latin America.

Banco Itaú Europa S.A. and its subsidiary, Banco Itaú Europa Luxembourg S.A., signed an agreement with Bank of America Corporation for the acquisition of the total capital of BankBoston International and the BankBoston Trust Company Limited. The operation, which is still being reviewed in the countries involved, reinforces Itaú Private

Bank's strategic objective of becoming one of the three best and biggest private banking companies for Latin American clients within a period of five years.

Other highlights were the agreement between Banco Itaú and Santander Banespa for the deposit and remittance operations in Japan and the creation of Itaú XL Seguros Corporativos S.A. Besides this, Itaú Holding commemorated other achievements in 2006 and benefited from the substantial reduction in interest rates in Brazil. The base interest rate, known as the Selic, ended the year at its lowest nominal level - 13.25% p.a. – which led to a reduction in the funding rate and, in combination with the lower level of the banking spreads, to the reduction of loan rates in the sector. This development, along with other factors, boosted the loan portfolio by 38.2% over 2005.

Itautec also played its part in our growth strategy by expanding its presence on the international market with the acquisition of Tallard Technologies. Tallard is based in Miami and operates in North America and Latin America as a distributor of information technology products. Itautec Basil's gross revenues increased by 22.1%, due to the expansion of the formal IT market, the greater share of products with



higher added value in the automatic banking and commercial segments, and the large installation and infrastructure projects carried out by the services area.

Duratex benefited from growth rates of almost 3% and 4.5% in the industrial and civil construction sectors respectively in Brazil. It successfully maintained its leverage at very low ratios, thereby creating an even more solid base for the launch of its new investment plan during the first quarter of 2007. Productivity grew in 2006 and there were increases of 17% in the volume shipped from the Wood Division and 9% in the Deca Division.

The rise and volatility of petroleum prices on the international market, linked to the weak performance of the domestic market, squeezed the operating margins of the domestic petrochemicals industry and Elekeiroz was no exception. However, better market conditions in the second semester helped the company recover and practically double export volumes. The result was an increase of 19% in the company's market capitalization by the end of the year.

For Itaúsa, the growth of the companies it controls has to be in line with its sustainability policy. This was shown when

Itaúsa was included, for the third time, in the Dow Jones Sustainability World Index (DJSI), an index which groups more than 300 companies from around the world. We were also proud to see Itaú Holding included in this select group – the only bank from Latin America to be part of the index for seven consecutive years.

In 2006 we maintained our ethical policy towards clients, with ombudsman and service programs, and suppliers, whom we select based on evaluations of their personnel management policies and approach to the preservation of the environment. At the same time, we ensured that our workforce of more than 70,000 employees had training programs for their professional development as well as social and health benefits.

We have great confidence in this team and also on the solid foundations we have built over recent years and I am very optimistic about the level of growth we should achieve in 2007.

I would like to express my thanks to everyone who has participated in this journey for the talent and efforts they have dedicated to strengthening Itaúsa. By making our present more solid, we are accomplishing our future.

Olavo Egydio Setubal  
Chairman of the Board of Directors

***We have great confidence in this team and also on the solid foundations we have built over recent years and I am very optimistic about the level of growth we should achieve in 2007.***



## CAPITAL MARKETS AND SHARE PERFORMANCE

The 2006 results show how Itaúsa has expanded on the capital markets and the growing interest investors are showing in the shares of the holding company. The price of Itaúsa's preferred shares rose by 29.87% in the year (assuming the reinvestment of the dividend) compared with a variation of 14.61% for the Ibovespa. At the end of the financial year, the market capitalization of the holding company came to R\$ 35.7 billion, based on the average trading price of the shares in December 2006.

The discount of Itaúsa, which came to 51.6% in 2000, continued to decline and reached its lowest ratio in February 2007 - 18.3%. Itaúsa shares have risen by an annual rate of 24.5% in the amount of trades and by 29.0% in business volume – totaling R\$ 7.9 billion.

Itaúsa shareholders have been remunerated by the payment of interest on own capital since 1998. This method of remuneration improves the results, since the tax impact is lower on interest than on dividends.

Itaúsa uses modern communication tools to keep in touch with shareholders, such as its investor relations site ([www.itausa.com.br](http://www.itausa.com.br)) and teleconferences at which earnings are presented. The number of shareholders in Itaúsa jumped

from 10,157 to 12,908 between March and July 2006, an increase of 27.1%.

The performance of the Itaú Holding ADR on the New York Stock Exchange during the year was outstanding. On the eve of completing five years listing on the American stock market on February 21, 2007, Itaú ended 2006 with an increase of 92.9% in the average financial volume of the ADRs traded. During the year there was an increase of 47.1% in the amount of ADRs on the free float, rising from 63.1 million to 92.8 million. During the financial year, the market value of the ADR on the NYSE rose by 123.7%. At the end of the year, the ADR was trading in New York at US\$ 36.15, an appreciation of 50.5% in relation to 2005.

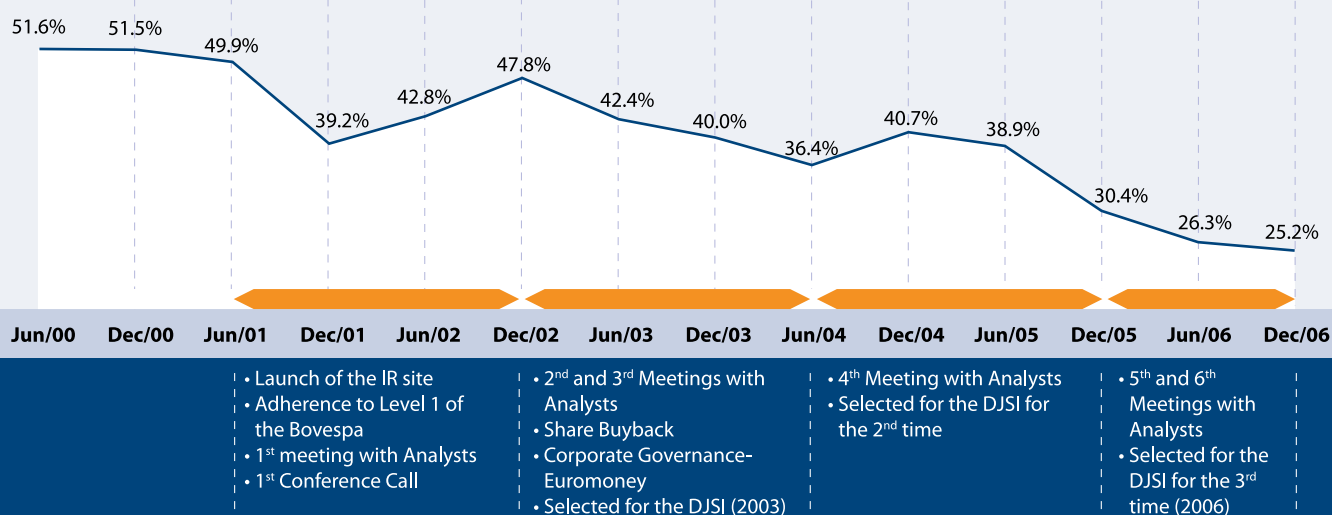
In Brazil, Itaú's preferred shares, which trade on the Bovespa, registered an increase of 37.5% and reached R\$ 77.40 per share. The common shares had a similar performance and appreciated by 37.7% (R\$ 64.74 per share).

Another point of note was Duratex's offer to sell common and preferred shares, a development which altered its shareholder structure significantly. Average daily trading of the PN shares rose from R\$ 1.0 million between 2000 and 2005 to R\$ 8.2 million in 2006. By the end of February 2007, the amount had risen even further, to R\$ 22.8 million.

### MARKET CAPITALIZATION AND THE DISCOUNT PRICE FOR ITAÚSA

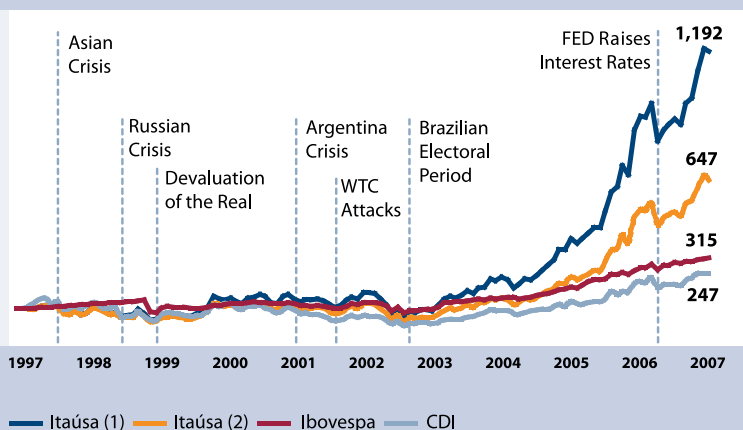
R\$ Million	12/28/2006	12/29/2005
Itaú Holding	41,367	30,090
Duratex	1,776	833
Itautec	559	488
Elekeiroz	960	808
BPI	910	536
Other investments	905	1,034
Total	46,477	33,788
Itaúsa – Market Capitalization	34,703	23,503
Discount %	(25.33)%	(30.44)%

## HISTORIC DISCOUNT – ITAÚSA



## APPRECIATION OF PREFERRED SHARES

Performance of US\$100 invested on February 28, 1997 to February 28, 2007



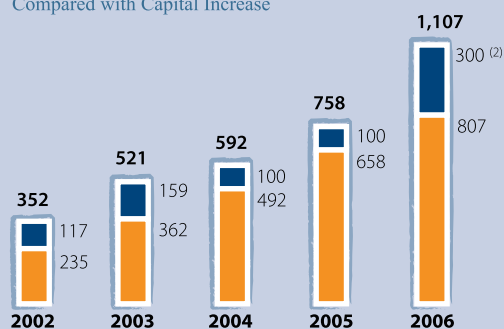
## Average Annual Rise in Dollar Terms

	Itaúsa (1)	Itaúsa (2)	Ibovespa	CDI
10 years	28.12%	20.53%	9.45%	12.16%
5 years	48.15%	39.79%	28.23%	20.75%
12 months	29.87%	24.27%	14.61%	15.26%

(1) With Reinvestment of Dividends. (2) Without Reinvestment of Dividends.

INCREASE IN DIVIDENDS/INTEREST ON OWN CAPITAL PAID <sup>(1)</sup>  
(R\$ million)

Compared with Capital Increase

<sup>(1)</sup> Net of IRRF tax.<sup>(2)</sup> A capital call to the amount of approximately R\$ 300 million will be proposed at the General Shareholders Meeting of April 2007.

■ Capital Increase

■ Dividends Paid Net of Capital Increase

## CORPORATE GOVERNANCE

Itaúsa is continually working to improve and publicize its corporate governance practices, ensuring transparency in its actions, respect for investors and the widespread disclosure of its results. Further advances in corporate governance were made in 2006, due to a combination of initiatives which have been improving the Group and its companies year after year.

Itaúsa was one of the first Brazilian companies to adhere to Corporate Governance Level 1 of the São Paulo Stock Exchange. The four main companies controlled by the Group – Itaú Holding, Duratex, Itaútec and Elekeiroz – guarantee tag-along rights to shareholders, granting them the right to receive 80% of the amount paid to the controlling shareholders should the company be sold.

Itaúsa's operations are directed at sustainability. It operates on the capital markets with the constant pursuit of improvement in mind – a policy which is also followed by the companies its controls. In the ongoing pursuit of transparency and closer dialogue with its stakeholders, Itaúsa held a meeting with market analysts in 2006, for the sixth consecutive year. Itaú Holding and Duratex have held similar meetings for 11 and 19 years, respectively.

Another milestone was the Itaú Holding's compliance with section 404 of the Sarbanes-Oxley Act which covers internal controls on the consolidated financial statements on 31/12/2005. This occurred one year ahead of the deadline set by the US regulatory agency and Itaú Holding became the

first foreign bank listed on the New York Stock Exchange to achieve this result.

For the first time ever, Moody's attributed investment grade status to a Brazilian bank, Itaú Holding, for its long-term debt denominated in foreign currency, through its branch in the Cayman Islands. The ratings of the deposits held by Banco Itaú, Banco Itaú BBA and Banco Itaú Cayman Islands were also raised.

The main event at Itaú Holding was also its adherence to AccountAbility (AA1000), an international standard of ethics and social relations which establishes corporate standards of transparency and accounts provision.

In 2006, Itaú Holding created a Nomination and Remuneration Committee to guide the remuneration policy of the directors

### ADVANCES IN CORPORATE GOVERNANCE

#### 2002

##### Itaúsa

- 1st Teleconference with Analysts

##### Itaú / Itaúsa

- Trading Policy
- Itaú / Itaúsa / Duratex / Elekeiroz / Itaútec

- Tag Along;
- Disclosure Policy

##### Itaú

- Best Corporate Governance in Latin America;
- Animec Listed Companies Seal
- Honorable Mention in Corporate Governance in Latin America (IR Magazine)
- Member of the DJSI
- Itaútec
- Creation of the IR Area

#### 2003

##### Itaúsa

- Animec Listed Companies Seal

##### Itaú / Itaúsa

- Best Corporate Governance in Emerging Markets;
- Member of the DJSI

##### Itaú

- Best IR Professional



of the companies within the Group. It will also analyze and suggest names to the Board of Directors and statutory committees, make judgments on conflicts of interest and propose evaluation criteria for the Board of Directors. The Internal Regulation of the Board of Directors was also approved in 2006.

Duratex also adhered to Corporate Governance Level 1 of the São Paulo Stock Exchange in 2005. The company's corporate governance is based on granting tag-along rights of 80% for the preferred shares, the establishment of a differentiated policy of minimum dividends equal to 30% of the adjusted net income, and the ending of the beneficiary rights in favorable conditions to the minority shareholders. In 2006, the company made a primary public offer of 4,500,000 common shares and a secondary offer of 9,500,000 preferred shares, thereby

altering its shareholder structure. The stake held by the selling shareholders fell from 42% to 16%.

The capital make-up at Itaútec – consisting only of common shares since 2001 – is an example of good corporate governance practice. In 2006, the company underwent a corporate reorganization, with the sale of the site at Tatuapé. The operation was consolidated in January 2007 when Itaútec made a market offer of 50% of its stake in Camargo Corrêa Desenvolvimento Imobiliário (CCDI) for R\$ 41.3 million (net of commission paid).

Elekeiroz distributed dividends in the form of interest on own capital equivalent to an average of 30% of the net income. In line with the instruction of the Brazilian Securities and Exchange Commission (CVM), the company has a policy of

## 2004

### Itaú / Itaúsa

- Member of the DJSI
- Itaú**
- Adherence to the Equator Principles

- Audit Committee

### Duratex

- Ending of Beneficiary Rights and Increase in Dividends to 30%

## 2005

### Itaúsa

- Increase of 30% in the quarterly payments of Interest on Own Capital

### Itaú

- IR Magazine Brazil Awards: Best IR Professionals, best IR site, Best Corporate Governance and Best Annual Report

- Apimec Prize: Best Listed Company

### Duratex

- Adhesion to Level I of the Bovespa;
- Roadshows abroad (England, France, Edinburgh and the United States)

## 2006

### Itaúsa

- Fortune magazine: Itaúsa Appears in the Ranking of the 500 Largest Groups in the World in 415th position

### Itaú

- IR Magazine Brazil Awards: Grand Prix award for Best IR Program (large cap), Best CEO – Roberto Setubal, and Best Meeting with the Community;
- Apimec Determination Seal: 8th Consecutive Meeting in Brasília, Belo Horizonte, Rio de Janeiro and Porto Alegre
- Adhesion to the 2nd version of the Equator Principles

### Duratex

- Primary and Secondary Share Offer
- Increase in Share Capital: Bonus of 100%



disclosing information through a Relevant Act or Fact, as do all the other companies within the Itaúsa Group.

It is also worth highlighting the committees which were created in 2005 and which have executives from Itaúsa's industrial companies as members. These are the Corporate Intelligence, Risks and Ethics, Corporate Governance, Talent Management, Operational Excellence and Commercial Excellence committees which have the job of distributing the best practices among the Group's industrial companies.

*The Corporate Intelligence, Risks and Ethics, Corporate Governance, Talent Management, Operational Excellence and Commercial Excellence committees have the responsibility of spreading the best practices among the Group's industrial companies.*





## REPUTATION AND RECOGNITION

The Itaúsa Group's results in terms of growth, value creation and sustainability have also been reflected in the public recognition it has received through awards and distinctions. The main awards the Itaúsa companies received in 2006 were as follows:

COMPANY	PRESENTER
<b>Itaú Holding</b>	TNS InterScience and Carta Capital
	Euromoney Magazine
	Latin Finance magazine and Management & Excellence consultancy
	Emerging Markets magazine
	Latin Finance magazine
	Revista Dinheiro magazine
	Euromoney magazine
<b>Duratex</b>	São Paulo State Government
	Anamaco
	iF Design
	Museu da Casa Brasileira Museum
<b>Itautec</b>	Editora Pini Publisher
	Supermercado Moderno magazine
	PC World magazine
<b>Elekeiroz</b>	Revista Exame magazine
	Rhodia
	Miracema-Nuodex

## AWARD

Most admired in Brazil – 1st place in the Bank and Private Pensions categories and among the 10 most admired in the overall ranking

Best Brazilian Bank

Most Sustainable and Ethical Bank in Latin America

Best Bank in Latin America

Bank of the Year 2006 in Latin America and the Caribbean (Itaú) and Best Investment Bank in Brazil (Banco Itaú BBA)

Best Companies

Best Private Bank in Brazil for Entrepreneurs

Best Private Bank in Brazil for clients with investments between US\$ 1 million and US\$ 10 million

Best Private Bank in the Brazilian ranking – 3rd place – Only Brazilian bank in the world ranking

Paulista Quality Management Prize – Gold Medal Private Bank

Anamaco prize, in the category of metals bathroom fittings and water saving. This award is the result of a survey with suppliers of materials for the construction sector throughout Brazil, taking into account criteria such as quality, price, service, technical assistance and business ethics

iF Design award for the Deca contemporary metal lines. The prize is one of the most important in the world in terms of industrial design and was presented in Hanover, Germany

Museu da Casa Brasileira Design Award (20th) – Deca came in first place with the Slow Close seat

Pini award in the Laminated Floor Category

Top Five 2006 Prize – 1st place in consultation terminals. The choice was based on a survey of 1,740 retailers in Brazil. The QuickWay Checker stood out as the most recognized brand

PC World Best Buy Seal – the Itaútec Minitorre was regarded by the PC World testing laboratory as the best choice for the consumer.

Best and Biggest supplement – regarded as one of the 15 best companies in the Chemical and Petrochemical sector

Rhodia 2006 Supplier – Raw Material award which aims to recognize companies which bring excellence and innovation to their products and services.

Supplier of the Year Award – Chemical Products Category awarded by the Miracema-Nuodex company, ahead of other large suppliers in the sector.

A close-up photograph of a person's hand in a dark suit sleeve typing on a silver laptop keyboard. The hand is positioned over the keyboard, with fingers pressing keys. A stylized, white line-art overlay is drawn over the hand and the laptop, showing the outline of the hand and the keyboard layout. The background is a warm, orange-toned surface.

# ACCOMPLISHING business

Itaúsa's business culture allows companies within the Group to produce differentiated results and consolidate their market leadership.



A close-up photograph of a person's hands in a dark suit and white shirt typing on a silver laptop. The laptop is on a light-colored wooden desk. In the foreground, a white cup of coffee sits on a matching saucer. The background is slightly blurred, showing the person's torso and a patterned tie. The text is overlaid in the upper right corner.

BANCO ITAÚ HOLDING FINANCEIRA S.A.  
ITAÚSA EUROPA INVESTIMENTOS  
DURATEX  
ITAUTEC  
ELEKEIROZ

Itaúsa was created to centralize the financial and strategic decisions of the companies it controls and provide the best conditions for them to expand. Itaúsa ended 2006 with positive results which were line with the business strategy it has been applying in recent years – the constant pursuit of growth and value creation. Net income rose to R\$ 6.8 billion (31.5% higher than in 2005). These figures are the result of planned investment by the subsidiaries which pursue excellence in their management and business. Their success is reflected in the leadership they exercise in their operating sectors. The highlights of 2006 in the main companies which form Itaúsa were as follows.

## BANCO ITAÚ HOLDING FINANCEIRA S.A.

**Banco Itaú Holding Financeira was responsible for 93.7% of Itaúsa's profits. It is one of the largest financial groups in Brazil and also operates abroad through its principal subsidiaries, Banco Itaú and Banco Itaú BBA.**

Banco Itaú BBA is the largest wholesale bank in Brazil and provides services to the biggest business groups in the country. It is also active in investment banking.

Banco Itaú operates in all the other sectors of the financial market, providing individual and corporate clients of all sizes with products and services which have been specially designed to meet their needs. It is also involved in underwriting, custody, brokerage, credit cards for accountholders, consortia, insurance, capitalization, private pensions, and fund and portfolio management. It has over 21 million clients.

Itaucred is also part of Itaú Holding's operations and brings together the finance houses which operate under the Itaí brand, vehicle financing and credit card services for non-accountholders.

Banco Itaú Holding Financeira continued to expand in 2006, particularly in operations directed at private individuals. The acquisitions which expanded the company's activities in Brazil and abroad were among the most notable investments in 2006.

- On May 1 and August 8, Itaú and Bank of America Corporation signed agreements for the acquisition of the



operations of BankBoston and its subsidiaries in Brazil, Chile and Uruguay. The payment was made through the issue of 68,518,000 preferred shares and 20,537,000 common shares of the capital of Itaú Holding. This was equivalent to a stake of 7.44%. On August 22, the Brazilian Central Bank (Bacen) approved the operation in Brazil and on February 1, 2007, in Chile and Uruguay.

- Banco Itaú Europa, S.A. and its subsidiary, Banco Itaú Europa Luxembourg S.A., signed an agreement to acquire the total capital of BankBoston International and BankBoston Trust Company Limited. This deal brought around 5,500 clients from the Private Bank in Latin America, boosting the total volume of financial assets under management to around US\$ 3.7 billion.
- Banco Itaú assumed the deposits and remittance operations of Santander Banespa in Japan and incorporated them into those of its branch in Tokyo.

- Itaú Holding and XL Capital Ltd., one of the world's largest insurance companies in the high risk sector, created a new company called Itaú XL Seguros Corporativos S.A. (Itaú XL) which will operate in the high risk commercial and industrial insurance sectors in Brazil.

- It is also worth mentioning the acquisitions of Previtec Previdência e Tecnologia Ltda. and SFR Softwares e Análises de Sistemas Ltda., companies which specialize in providing management services to private pension entities, and the acquisition, in partnership with Lojas Americanas S.A., of Pandora Participações S.A., which has the right to offer financial products and services through the Internet and the TV Shoptime channel.

Banco Itaú Holding Financeira's consolidated net income in the financial year, excluding the effects of the acquisition of BankBoston, came to R\$ 6,480 million. This was equivalent to a return on average equity of 34.1%.





When these effects are included, the net income comes to R\$ 4,309 million, with ROE of 22.7%.

Stockholders' equity amounted to R\$ 23,564 million at the end of 2006, an increase of 51.4% over the year. The reference equity used for the purpose of calculating the operating limits came to R\$ 30,720 million.

Itaú Holding's preferred shares increased in value by 30.8% and the common shares by 26.5% compared with the end of 2005. The Bovespa index rose by 30.7%. The market value of Itaú Holding came to R\$ 92,270 million at the end of 2006.

Consolidated assets amounted to R\$ 209,691 million, an increase of 37.6% over December 2005. The loan portfolio increased by 38.2% in relation to December 2005 and amounted to R\$ 93,648 million.

Free, funded and managed own resources advanced by

43.3% over December 2005 to R\$ 357,137 million.

Itaú Holding's attendance network at the end of 2006 totaled 3,383 branches and service posts, 820 electronic service posts within companies and 834 Taíí stores. There was a total of 23,096 ATMs.

The loan portfolio for vehicle financing and leasing came to R\$ 18,014 million, a rise of 64.7% over 2005, giving Itaú Holding the leadership in this market.

Itaú Holding is also the market leader in issuing credit cards in Brazil, with 13.4 million cards issued at the end of 2006.

Consumer loan operations ended 2006 with 5.8 million clients and R\$ 3,228 million in receivables.

Itaú Seguros and its subsidiaries registered R\$ 2,547 million in premiums, an increase of 5.2% in relation to 2005. Itaú



Itaú Holding's attendance network at the end of 2006 totaled 3,383 branches and service posts, 820 electronic service posts within companies and 834 Taíí stores. There was a total of 23,096 ATMs.

Vida e Previdência had R\$ 593 million in revenues from premiums issued in life insurance, a rise of 8.3% over 2005. The technical provisions for Insurance and Pensions came to R\$ 17,909 million while the provisions for Capitalization totaled R\$ 1,127 million in the period.

Banco Itaú BBA's operations were marked by its leadership in investment banking, the intensification of its activities in the international area, particularly the expansion in the large company market in Argentina, an increase in structured operations and derivatives, and the constant development of cash management products and services. In 2006, Banco Itaú BBA participated in debenture and promissory note operations amounting to R\$ 24.2 billion, and Credit Rights Investment Funds (FIDC) which came to R\$ 1.7 billion.

In the variable income area, Banco Itaú BBA acted as coordinator and bookrunner in seven initial public offerings which totaled R\$ 3.9 billion, and four subsequent public offers amounting to R\$ 3.4 billion. These offers put Banco Itaú BBA among the three most active institutions on the variable income market, according to the ranking of the National Association of Investment Banks and Security Dealers, Anbid.

Itaú Holding expects the Brazilian economy to grow by 3.5% to 4% in 2007 and aims to further improve its Efficiency Ratio, boost its loan portfolio by 20% to 25% and expand its operations in Argentina, Chile and Uruguay. It expects to open 130 new Itaú branches and 100 new Itaí posts.

*Itaú Holding aims to further improve its Efficiency Ratio in 2007, boost its loan portfolio by 20% to 25% and expand its operations in Argentina, Chile and Uruguay.*

## ITAÚSA EUROPA INVESTIMENTOS

Itaúsa Europa Investimentos is a holding company within which the Group's banking investments in Europe are concentrated. It presented impressive growth in 2006 with net income rising by 27.1% to € 52.5 million and assets rising by 9% to € 3,200 million.

Banco Itaú Europa is based in Lisbon and has branches in London and Madeira and subsidiaries in the Cayman Islands and Luxembourg. In 2006, it strengthened its position in international corporate activities, provided support to multinationals in Brazil and created a differentiated structure of international financing for Itaú Holding's clients in Brazil in the large corporate and medium-sized companies segments.

The results are proof of its good performance in the capital markets, treasury, international private banking areas and its participation in Banco BPI.

The bank's investment grade status (Baa1 from Moody's and BBB+ from Fitch Ratings) has been an important support factor in the diversification of funding sources

and it maintained an active presence on the primary and secondary market in 2006. A breakdown of Itaú Europa's consolidated assets shows a total of € 3.2 billion, with the corporate loans area ahead with € 1.4 billion.

Banco Itaú Europa Luxembourg is a subsidiary under which the private banking activities of the Group are concentrated. It had more than US\$ 3.0 billion assets under management at the end of 2006.

Banco BPI, S.A. is an associate company in which the Itaú Group has a stake of 17.5%, 51% of which is held by Banco Itaú Europa. In December 2006, it had total consolidated assets of € 35.6 billion, stockholders' equity of € 1.5 billion and net income of € 308.8 million.

### Banco Itaú Europa

	2006	2005	Variation (%) 2006/2005
Net income (€ million)	52.8	41.7	26.6
Managenal Financial Margin (€ million)	82.3	70.7	16.4
Return on Equity (ROE)	13.9%	12.6%	10.3
Efficiency Ratio	35.8%	34.1%	4.9

## DURATEX

Duratex is the market leader in wood and metal bathroom fixtures products and has a leading position in the porcelain bathroom fixtures sector. It has eight industrial plants (seven in São Paulo and one in Rio Grande do Sul) and uses the most advanced technology in the production of wood and porcelain items and metal bathroom fittings.

The fall in interest rates in 2006, linked to an increase in wages and the greater availability of credit for consumption and home loans, brought Duratex record results. This performance was due to the investments and measures to cut operating costs and expenses made over the last five years.

Duratex's net debt came to R\$ 43.6 million at the end of 2006, corresponding to 3% of stockholders' equity and 10% of EBITDA. This capital structure will change as soon as the new investment program to raise it to a new operational level gets underway.

Duratex carried out a primary issue of common shares in 2006 to capitalize itself for the new cycle of expansion and a secondary issue of preferred shares, which increased its liquidity and helped bring about an appreciation of 124% for the preferred shares. This took Duratex's market capitalization to R\$ 4.2 billion at the end of 2006, 147% higher than in December 2005.

The Wood Division increased shipments by 17% over 2005. Exports came to US\$ 52.2 million, with fiberboard panels representing 82% of this total. The net revenues increased by 17% to R\$ 1,004.4 million. The higher shipments had a positive impact on the dilution of fixed costs, bringing a noticeable improvement in the operating performance. The gross margin rose to 46% from 42% in 2005 and EBITDA by 33% to R\$ 354.4 million, equivalent to an EBITDA/net revenue ratio of 35% compared with 31% in 2005.





Deca's business area lies within the civil construction sector where a housing boom got underway, boosted by the continuous fall in interest rates, the greater availability of credit and longer payback periods for mortgages, and the recent capitalization of a number of companies in the sector through the stock market. There was an increase in 2006 of 9% in shipped volume which amounted to approximately 14 million items. The growth was greater for basic products used in the initial construction phase.

Net revenues rose by 18% to R\$ 484.7 million and EBITDA by 9% to R\$ 103.7 million. The EBITDA/net revenue ratio remained stable, due to the combination of the mix of shipped products and the big rise in the costs of metals, particularly copper, which varied by around 30% in price during the year.



Main Indicators	2006	2005	Variation (%)
			2006/2005
Gross Revenues (R\$ million)	1,965.2	1,708.9	15.0
Net Revenues (R\$ million)	1,489.2	1,270.6	17.0
• Wood Division	1,004.4	860.0	17.0
• Deca Division	484.7	410.8	18.0
Exports (US\$ million)	62.0	62.5	(0.8)
• Wood Division	52.2	56.2	(7.0)
• Deca Division	9.8	6.4	54.0
EBITDA (R\$ million)	458.1	362.6	26.0
• Wood Division	354.4	267.1	33.0
• Deca Division	103.7	95.5	9.0
EBITDA Margin/Net Revenues (%)	31.0	28.5	9.0
Net Income (R\$ million)	226.0	137.1	65.0
Return on Equity (ROE) (%)	18.0	13.5	34.0

## ITAUTEC

**Itautec is a company with a high degree of technological capacity which develops and sells information technology products and solutions and automation on the corporate and domestic markets.**

In 2006, it complemented its operations abroad when it acquired Tallard Technologies, Inc., a company based in Miami, Florida. Tallard operates on the North American and Latin American markets by providing services and selling IBM, Apple and Avaya products. The purchase also led Itautec to start operating in Mexico, Venezuela and Chile and becoming the biggest distributor of IBM products in Latin America.

The value of the transaction could amount to US\$ 16 million, of which US\$ 10.5 million was paid in July 2006 with the balance due by March 2009, through annual payments conditional on future results.

In 2006, gross revenues from Itautec's sales and services came to R\$ 1,644.3 million, registering growth of 41.4% compared with revenues from the remaining operations in 2005. Gross income came to R\$ 281.3 million, bringing a gross margin of 19.2%. Operating expenses came to R\$ 250.5 million, 7.8% lower than in 2005. Net income came to R\$ 50.1 million, bringing a return on average equity of 15.3%.

EBITDA was R\$ 69.9 million, resulting in a margin of 4.8% and an accumulated operating cash generation of R\$ 37.1 million. The increase in volume of operations required investments in working capital, which raised the company's debt level to R\$ 48.5 million.

Main Indicators (R\$ million)	Variation (%)		
	2006	2005	2006/2005
Shipments (1)			
Automation	41.7	25.8	61.6
Information Technology	539.1	302.6	78.2
Gross Revenues	1,644.3	1,163.0	41.4
Net Revenues	1,466.7	1,484.5	(1.2)
EBITDA	69.9	117.1	(40.3)
EBITDA Margin (%)	4.8%	7.9%	-
Net Income	50.1	46.5	7.7
Return on Equity (ROE) (%)	15.3	14.2	-

Sales by segment (R\$ million)	2006	%	2005	%	Variation (%) 2006/2005
Solutions and Automation	235.6	14.3	162.4	14.0	45.1
Information Technology	683.8	41.6	580.2	49.9	17.9
Services	343.1	20.9	291.3	25.0	17.8
<b>Itautec Brazil</b>	<b>1,262.5</b>	<b>76.8</b>	<b>1,033.9</b>	<b>88.9</b>	<b>22.1</b>
Itautec Abroad + Exports	51.2	3.1	40.3	3.5	26.9
Itec + Tallard	330.7	20.1	88.8	7.6	272.3
<b>TOTAL</b>	<b>1,644.3</b>	<b>100.0</b>	<b>1,163.0</b>	<b>100.0</b>	<b>41.4</b>

Revenues from the Information Technology area, which was responsible for 41.6% of consolidated sales in 2006, came to R\$ 683.8 million, 17.9% higher than in 2005. Shipments of desktops and notebooks rose by 76% and 161%, respectively. The company maintained its operations on foreign markets, particularly in Mexico where one of the country's largest banks is in the process of installing the Itautec solution for

the management and optimization of client attendance in more than 1,000 branches. Another outstanding development was the export of more than 400 ATMs, including FULL and TTW (Through the Wall) models, to clients in Europe and Africa.



**Revenues from the Information Technology area, which was responsible for 41.6% of consolidated sales in 2006, came to R\$ 683.8 million, 17.9% higher than in 2005.**

## ELEKEIROZ

Elekeiroz is the only company in South America which has a totally integrated production chain of plasticizers. It is also the only producer of octanol, normal butanol and 2-ethylhexanoic acid and the largest producer of maleic anhydride, plasticizers and isobutanol.

It is the market leader in oxy-alcohols, plasticizers, maleic and phthalic anhydrides in Brazil. It has two operating plants located in Camaçari, Bahia, and Várzea Paulista, in São Paulo state.

In 2006, the Brazilian chemical sector for industrial use grew by 3%. Exports and imports of chemical products rose by 21% and 13%, respectively, and the trade balance showed a deficit of US\$ 8.4 billion. The average international price of petroleum and naphtha rose by 18% in the year and remained high and volatile. This led to the domestic chemical industry's operating margins being squeezed.

Despite the unfavorable scenario, Elekeiroz's total physical shipments rose by 2% over 2005 due to a doubling of exports to 29 countries. In order to improve its industrial assets and reduce its logistical costs, Elekeiroz ended plasticizer production at the Taubaté Complex, in São Paulo, in 2006. The plant was sold in September.

Investments of R\$ 25 million were made in the period. Most were used to conclude the expansion of the aldehydes for alcohol plant – which now has annual capacity of 150,000 tons – and the modernization and

Main Indicators	Variation (%)		
	2006	2005	2006/2005
Shipments ('000 tons)	468.0	459.0	2.0
Gross Revenues (R\$ million)	897.0	838.0	7.0
Net Revenues (R\$ million)	720.0	655.0	11.0
Exports (US\$ million)	142.0	69.0	104.0
Contribution Margin (R\$ million)	143.0	170.0	(16.0)
Operating Result (R\$ million)	18.0	53.0	(67.0)
Operating Cash Generation - EBITDA (R\$ million)	55.0	82.0	(34.0)
EBITDA Margin/Net Revenues (%)	7.6%	12.6%	(40.0)
Net Income (R\$ million)	19.0	43.0	(56.0)
Return on Equity (ROE) (%)	5.6	13.6	(59.0)



automation of the two remaining industrial complexes at Várzea Paulista and Camaçari.

The final results in 2006 were influenced by the fall in the average unit contribution margin, due to sharp increases in raw material and electrical and thermal energy prices which were not passed on to the rest of the production chain.

The recovery of business profitability was more apparent in the fourth quarter in the improvement in the average unit contribution margin of the products. For organic products, which are responsible for 90% of revenues, this margin was

37% higher than in the first three quarters. At the end of the year, the company's market capitalization rose from R\$ 837.5 million to R\$ 994.9 million – an increase of 19%.

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## ITAÚSA EMPREENDIMENTOS

Itaúsa Empreendimentos S.A. has altered its operating approach and is redirecting its activities to focus on providing planning and operational and strategic support to the industrial area. As a result, the leftover assets from its operations, such as the real estate developer, are being sold off. The favorable market conditions should bring this about in 2007.





# ACCOMPLISHING dialogue

The relationship between Itaúsa and the companies under its control with its stakeholders provides a fundamental support in accomplishing sustainability. The Group companies are always making extra efforts to listen, understand and improve the relationship with their internal and external public groups.

EMPLOYEES

SUPPLIERS

CLIENTS



Appreciating the value of human capital is a part of the Itaúsa culture. Every year the Group companies invest in training initiatives for their employees, continuously improve client service and develop partnerships with their suppliers. The advances obtained in 2006 reflect Itaúsa's determination to improve its ability to discuss and interact and strengthen the future of the Group.



## EMPLOYEES

**Itaúsa has a total workforce of 71,774 employees. In 2006 it invested R\$ 71 million in educational, training and development programs. The remuneration of the teams, plus charges and benefits, came to R\$ 4,622 million.**

The social benefits for employees and their dependents came to R\$ 756 million and included supplementary pensions, meals, medical and dental assistance, social assistance services, study grants, leisure activities, sport and culture, loans at subsidized interest rates, insurance, transport vouchers, donations and special grants, amongst others. The main events in 2006 included the following:

### **Programs for Respecting Differences and Social Inclusion:**

Corporate Diversity Program aimed at appreciating the differences among employees and publicizing a global, integrated view of society within the Organization. These consist of the Inclusion of People with Deficiencies, Young Citizen, and Learning and Training for Afro-Brazilians Programs. Itaú hired 288 people with deficiencies in the year.

### **Education, Training and Development Programs:**

Itaú Holding invested around R\$ 66 million in training and development programs. There were more than 216,900 participations in courses, events and training programs. Elekeiroz held more than 35,000 hours of internal development and training programs. Forty-three study grants for higher education and postgraduate courses and the training of technicians in chemistry, totaling R\$ 272,000, were made.

### **Attraction and Integration:**

This included the work Itaú carried out to inform, involve and prepare the BankBoston employees for the changes arising from the acquisition of BankBoston in Brazil and abroad. Elekeiroz's New Talents Program provides internships for students in their last year at university. Many were later hired as employees as part of the process to renew and develop the company's technical and managerial corps.



The social benefits for employees and their dependents came to R\$ 756 million in 2006

**Health and Safety:**

Quality of Life and Preventive Health Programs by Itaú Holding, Itaútec, Duratex and Elekeiroz.

**Culture, Sport and Leisure:**

Holiday camp and country club maintained by the Itaúclub Foundation and Duratex Foundation.

Cultural and sports agreements Foundation.

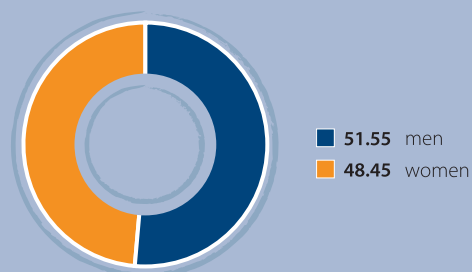
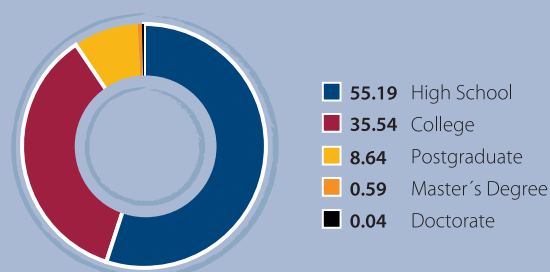
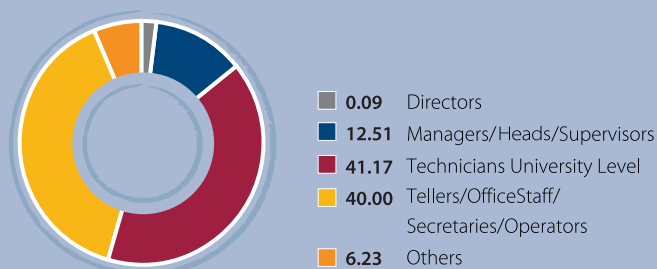
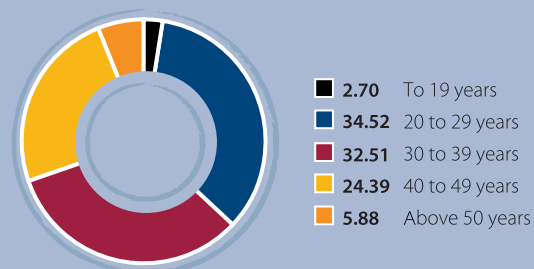
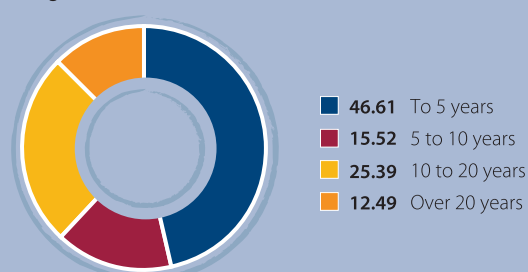
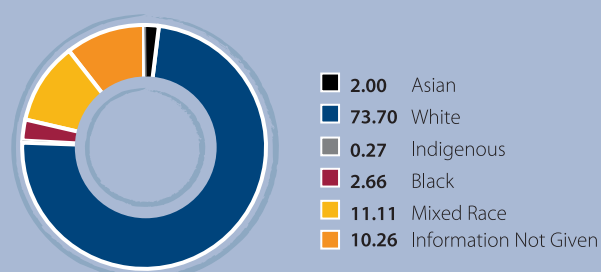
Itaútec Family and Employee Integration Program.

**Retirement:**

Specific initiatives for pensioners. During the year, around 6,200 people took part in the Banco Itaú Healthy Living Program. Another noteworthy event was the Third Phase of Life – A Good Start Program which prepares employees for retirement and has a target public of employees aged from 54 to 62.

**Internal Communication:**

Dialogue channels with employees. The Banco Itaú Talk to the HR Department Center service attends an average of 153,600 calls a year.

**PROFILE OF THE ITAÚSA WORKFORCE****Gender (%)****Educational Level (%)****Function (%)****Age (%)****Length of Service (%)****Race (%)**

## SUPPLIERS

The Itaúsa companies maintain a relationship with their suppliers based on transparency, mutual respect and collaboration, in line with the values which guide the Group's organizational strategy.

Critical assessments and selections are made to identify companies with management policies which respect dignified working conditions, safety standards and the preservation of the environment. Companies which use child labor are barred from becoming partners.

Banco Itaú has around 25,000 registered suppliers, including small and medium-sized concerns, and offers fair, transparent access to those companies which wish to become suppliers. One of the main breakthroughs in 2006 was the establishments of a site for suppliers, aimed at structuring communication and encouraging companies to pre-register.

Elekeiroz is a signatory to the Responsible Activity Program of the Brazilian Chemical Industry Association and only uses transport companies which have the certification known

as SASSMAQ – Assessment in Safety, Health, Environment and Quality. This certification guarantees that the drivers have received special training, guidance on the law related to the transport by road of dangerous products and follow controlled routes, amongst other guidelines. This ensures that client deliveries are made with quality, to fixed deadlines and, above all, in conditions of safety for the companies themselves and the communities through which the loads pass.

Itaúsa is aware of the need for its subsidiaries to exchange experiences as partners and promotes training programs for suppliers of Itautec, Duratex and Elekeiroz. The course covers operating and asset safety issues, the use of protection equipment and the standards established by international certification.

## CLIENTS

**Itaúsa continually encourages and promotes dialogue with its clients. The management culture commits its subsidiaries to listen to clients and learn from them.**

The client support structure of Banco Itaú includes the Itaú Corporate Ombudsman, the final point of appeal for the client to resolve any problems with the Organization, the Itaú Client Phone Support service, the Talk to Us Internet attendance, the Itaú Replies service, which attends clients who have complained to consumer defense bodies, and the Central Bank Attendance Group. These units have the backing of important attendance structures, such as the Service Coordination Department.

One of the most outstanding initiatives in 2006 was the adaptation of Banco Itaú branches to the Accessibility Law which laid down the requirements to improve service to people with deficiencies. As a result, a large part of the branch network now has items adapted for use by people who have difficulties in moving. This resulted in the adaptation of access ramps and bathrooms and placing teller counters and electronic cash machines on the ground floor. Guide dogs can enter the branches and studies are at an advanced stage to install foot-sensitive floors to help blind people find their way around the

service areas. Another step the Service Center took in 2006 was the introduction of sign language training to allow staff to help people with hearing difficulties. This course will be expanded in 2007.

Client attendance at Duratex is split into the Wood and Deca divisions. The company has direct channels of communication with the public (sales, promotion and technical assistance) and the plant in order to make the transmission of information flexible. There are also free telephone and Internet attendance services.

Itautec has a specific channel to attend domestic consumers and the small office and home office sector called "Talk to Itautec". The "Itautec Tele Support" service allows clients to communicate with specialists and obtain help or have questions answered when they are operating or configuring microcomputers and software. There is also a Service Support Area which attends corporate clients by handling groups of people and companies with similar activities and forwarding the questions raised for an immediate solution.





Itaúsa's concern with the quality of attendance has led to the creation of services which are tailor made for every type of public group. Branches which attend clients from the higher income segment are among the examples.

# ACCOMPLISHING THE future

A sustainable organization starts with the establishment of solid bases. At the same time, vision is needed if this sustainability is to come about. The cultural values Itaúsa shares with all the Group companies require the exercise of corporate citizenship. Growth and economic prosperity only exist when there is social and environmental responsibility.





SUSTAINABILITY MANAGEMENT

ENVIRONMENTAL MANAGEMENT

SOCIAL PROJECTS

CULTURAL PROJECTS

MAIN ECONOMIC AND  
SOCIAL DEVELOPMENT  
INDICATORS



Itaúsa and its companies understand the important role which they can and should exercise in helping Brazil to develop economically, socially and environmentally. The Itaú Social Foundation and the Itaú Cultural Institute are, therefore, an integral part of our business. The Group companies are similarly directed to pursue improvements in their processes, measuring the social and environmental impact with the same importance as other decisive factors, such as financial aspects. The Itaúsa Group encourages employees to take part in voluntary activities, help voluntary bodies and take part in community assistance campaigns.

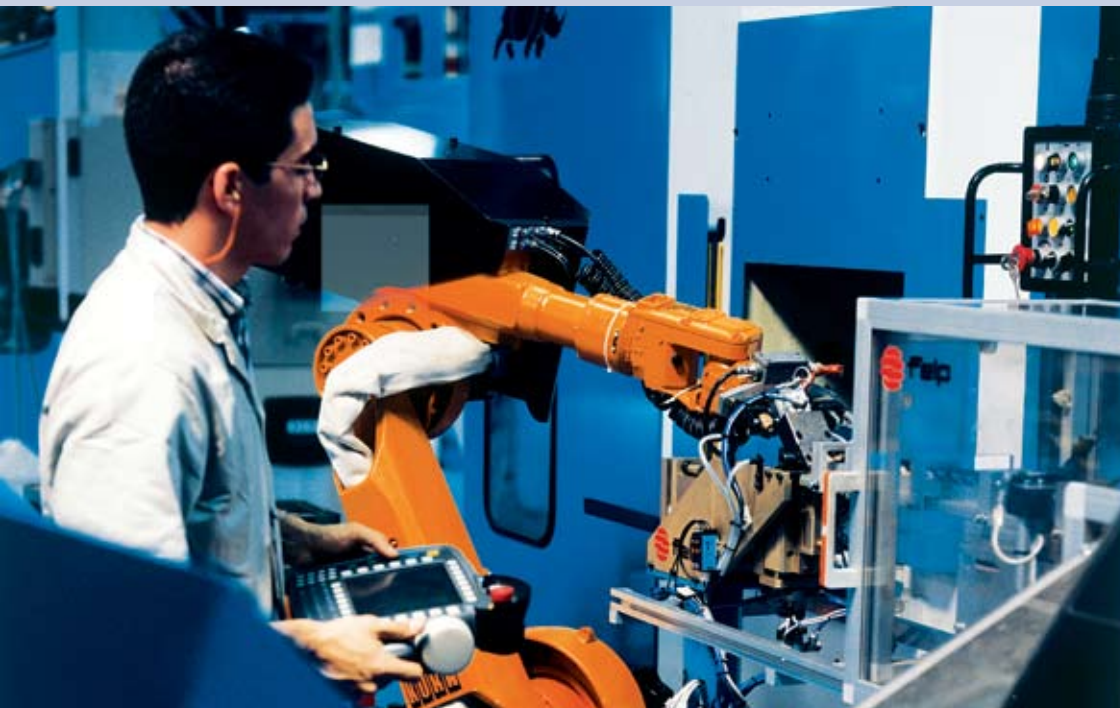


## SUSTAINABILITY MANAGEMENT

To help strengthen communities, Itaúsa and its companies promote social and cultural initiatives all over Brazil and facilitate access to these events by people from all social levels. In 2006, the Itaúsa companies invested R\$114 million in social and cultural projects.

In 2006, Itaú Holding, Banco Itaú, Banco Itaú BBA, Banco Itaú Europa and Banco Itaú Buen Ayre adhered to the revised version of the Equator Principles. These principles are applied to projects of more than US\$ 10 million, as well as to the consultancy and improvement of existing projects which have a significant social and environmental effect. The Itaúsa Group is structured to improve the social and environmental responsibility of its companies. Here are some examples:

- Itaú Holding: Higher Commission of Ethics, Commission to Prevent and Combat Illicit Acts.
- Banco Itaú: Ethics Committee, Executive Social and Environmental Responsibility Committee, Social and Environmental Responsibility Commission and the Diversity Committee.
- Duratex, Itaútec and Elekeiroz: representatives of the three companies pursue synergy and the sharing of best practices through six committees: Corporate Intelligence, Risks and Ethics, Corporate Governance, Talent Management, Operational Excellence and Commercial Excellence.



The best practices are shared among the industrial companies (Duratex, Elekeiroz and Itaútec) through various committees which include representatives of the three companies.

## ENVIRONMENTAL MANAGEMENT

Itaúsa's operations are always undertaken as part of the struggle to preserve the environment. In the industrial area in particular, the Group pursues technological advances in production without abandoning its concern for the environmental impact. The aim in the operational and administration areas is to reduce losses.

Duratex's main initiatives directed at environmental protection include: certification and recertification of the woodland areas, the acquisition of filters and equipment to control atmospheric emissions, the disposal of waste, and the recovery of materials. The company has approximately 90,000 hectares of its own forests to ensure self-sufficiency in the supply of wood. It manages these woodlands in an environmentally responsible way and has ISO 14001 and FSC certification.

Elekeiroz maintains a rigid control over the waste created in the productive process and operates on two fronts: the reduction of emissions and their disposal in line with legal standards and necessary safety precautions. The installation of a catalytic incinerator for burning and using residual gases, the construction of the liquid waste issuer to the treatment station at Jundiá, and the burning of solid waste in industrial kilns are initiatives underway at the Várzea Paulista site which go in this direction. At Camaçari, the investment in lines to capture

escaped gases and burn them in a boiler not only substantially reduced the emissions but also brought big savings in energy. At the same time, the Participant programs undertaken at Elekeiroz through the Energy Conservation, Water Saving, Paper, Plastic and Glass Recycling committees, raised awareness of the rational use of resources among employees and their dependents and the community. Elekeiroz is a signatory to the Responsible Activity Program of the Brazilian Chemical Industry Association and only uses transport companies which have the certification known as SASSMAQ – Assessment in Safety, Health, Environment and Quality.

Itautec is certified in terms of environmental excellence and has the NBR ISO 14000 qualification. In 2006, the company acted to raise aware of consumption, selective collection and recycling. This initiative resulted in more than 1,000 tons of waste products being collected. The "Your PET is Worth a Micro" and "A Can for a Note" projects led employees to collect 115,000 PET bottles and aluminum cans for recycling.



## SOCIAL PROJECTS

**The Itaú Child program, which had the support of Unicef and the Pastoral da Criança children's organization, was launched across Brazil in 2006. It helped 1.8 million children directly and collected around two million children's books.**

Other results from the program were: publicizing the Law Relating to the Child and Adolescent to 53,000 employees, through more than 3,000 branches and to 17 million clients, and publicizing the possibility of directing income tax to Funds for the Rights of Children and Adolescents to these groups.

The Itaú Voluntary Program was created as part of the Group's commitment to social responsibility and aims to encourage employees to become involved in social activities. It is an initiative of the Itaú Social Foundation and Banco Itaú and has the technical coordination of the Voluntary Center of São Paulo. The program is run by the Itaú Volunteer Support Committee which brings together employees from different areas and managerial levels of the Bank. It was set up at the Administrative Center in 2003 and began expanding to the branch network in 2005. In 2006, the program was extended to 79 new municipalities covering around 1,000 branches.

Itaú Solidarity is an initiative of the Itaú Social Foundation and Banco Itaú and aims to make it easier for employees to make donations to projects registered with the Municipal Councils for

the Rights of Children and Adolescent (CMDCA). Itaú Solidarity was present in 17 towns in 2006 and helped 21 projects.

The Itaú Social Foundation is a founder of the "All for Education" project. Through this project Itaú has developed actions and initiatives to help children and adolescents have access to school, continue their lessons and conclude their studies.

Itaú Holding's social investments are guided and coordinated by the Itaú Social Foundation which focuses on improving the quality of education in Brazil's public school network.

To do so, it establishes partnerships, develops and supports social projects, technically and financially, aimed at the personal, social and productive development of new generations. It also implements programs which strengthen organizations committed to social transformation in an institutional way.

In 2006, the Itaú Social Foundation invested R\$ 33 million in 22 of its own projects and supported 144 initiatives by institutions aligned to its goals. The highlights included:

- the 3<sup>rd</sup> Writing the Future Prize, in which 15,461 schools, 33,449 teachers and 1.6 million pupils from the 4<sup>th</sup> and 5<sup>th</sup> series of the Basic Grade in the public school network took part;
- the 7<sup>th</sup> Program to Improve Municipal Education, involving 140 municipalities in the state of São Paulo and 31 in Piauí;
- the National Seminar – Creating Networks for All-Round Education, with the participation of more than 1,300 educators and representatives of NGOs;
- the 2<sup>nd</sup> round of the Program for the Urban Young in the city of São Paulo and the training activities for the 1<sup>st</sup> team of the Urban Young in the city of Rio de Janeiro;
- and the 3<sup>rd</sup> Seminar on the Economic Assessment of Social projects in São Paulo, with the participation of 240 people.

Duratex invested R\$ 2 million in 2006 in social initiatives for communities living near the production plants. The two main focal points were training young people and environmental education. The highlights of Duratex's social initiatives were:

- The Tide Setubal Carpentry School, maintained in partnership with the Senai training agency and the Agudos town hall for the training of joiners and the development of the furniture-making center in the region;
- The Piatan Living Environment Area of Agudos which had more than 6,000 visits in 2006;
- Support for the Municipal Council for the Rights of the Child and Adolescent (CMDCA) in Botucatu and Jundiaí, along with donations to the WCF Brazil Institute, APAE and the Catholic Women's League.
- The "Pursuing the Future" social program which raises the awareness of students in the last year of the medium grade

in the public school network on competitiveness on the job market. This is carried out in the industrial plants.

- The "Education for a Better Future" project which encourages and gives opportunities to workers, particularly those who work on the land, to return to the classroom. The project is developed by Duratex's forestry area and includes lectures, the distribution of application forms, basic reading material and school kits.

In 2006, Elekeiroz was involved in a series of social and training initiatives, the most important of which were:

- lectures on the safety and transport of dangerous products for students of the Technology in Chemical Processes of the Anchieta University Center in Jundiaí, the environmental inspectors of the Municipal Guard and members of the Traffic Secretariat of Várzea Paulista. This initiative provides the community with the knowledge and experience the company has gained in implementing preventive measures in transporting chemical products;
- the Live Well Program which promoted a communal clean-up in Serra do Japi, a conserved region of native wildlife and rare beauty near Jundiaí. It also undertook other educational and environmental awareness campaigns.





## CULTURAL PROJECTS

**The Itaú Cultural Institute has been promoting and publicizing Brazilian culture in Brazil and abroad for around 20 years.**

The Institute's operations are structured along three lines: developing and organizing processes and creating knowledge of Brazilian arts; understanding cultural practices and increasing access to culture, based on them; and promoting social participation. It invested R\$ 28.6 million in 2006. Of this amount, R\$ 21.7 million arose from the Rouanet Law to encourage corporate sponsorship of culture.

Over 200 events were held in all Brazilian states. The events at the Institute's headquarters in São Paulo attracted more than 300,000 people. The highlight was the "Paradoxes of Brazil" exhibition which received more than 64,000 visitors. The "Directions Program" which supports, maps and discloses Brazilian art and intellectual ideas had more than 1,200 projects registered in the Dance, Cinema and Video, and Art and Technology categories.

The five projects selected for the "Cinema and Video 2006-2007 Directions" were shown and meetings were held in 13 Brazilian towns and cities. The Dance segment promoted seminars in 14 places. Another highlight was the fourth "Citizen Wave Program" and the third International Biennial Art and Technology event.

Itaútec's initiatives to encourage culture included the sponsorship of the 2006 season of the São Paulo State Symphony Orchestra (OSESP) and the partnership with the São Paulo Modern Art Museum (MAM). Itaútec took 618 employees, dependents, young people and educators from the community to concerts, using resources made available under the Rouanet law.



**Over 200 events were held in all Brazilian states. The events held at the Institute's headquarters in São Paulo attracted more than 300,000 people.**

## MAIN ECONOMIC AND SOCIAL DEVELOPMENT INDICATORS

### Guidelines of the Brazilian Institute of Social and Economic Analysis (Ibase) – amounts in R\$ thousand

1 - Calculation	2006	2005 (b)
Net revenues (NR)	51,672,724	39,467,798
Operating result (OR)	8,453,817	8,724,959
Gross payroll (GP) (a)	6,134,036	5,033,646

(a) Excluding fringe benefits

(b) Figures altered according to the reclassification made in the published accounting statements (explanatory note 20).

2 - Internal Social Indicators	2006			2005 (b)		
	Amount	% of GP	% of NR	Amount	% of GP	% of NR
Food	341,297	5.56%	0.66%	279,273	5.55%	0.71%
Mandatory social charges (c)	1,129,522	18.41%	2.19%	1,017,107	20.21%	2.58%
Private pension plans	66,810	1.09%	0.13%	33,374	0.66%	0.08%
Health	187,641	3.06%	0.36%	173,892	3.46%	0.44%
Health and safety at work	4,690	0.08%	0.01%	3,003	0.06%	0.01%
Education	15,507	0.25%	0.03%	7,574	0.15%	0.02%
Transport	36,927	0.60%	0.07%	34,105	0.68%	0.09%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Training and Development	56,072	0.91%	0.11%	52,468	1.04%	0.13%
Day care and child assistance	16,637	0.27%	0.03%	15,973	0.32%	0.04%
Profit or results sharing	997,655	16.26%	1.93%	720,000	14.30%	1.82%
Other benefits	42,778	0.70%	0.08%	48,526	0.96%	0.12%
Total – Internal Social Indicators	2,895,537	47.20%	5.60%	2,385,295	47.38%	6.05%

(c) Social charges/INSS/lapas.

<b>3 - External Social Indicators</b>	<b>Amount</b>	<b>% of OR</b>	<b>% of NR</b>	<b>Amount</b>	<b>% of OR</b>	<b>% of NR</b>
Education	29,324	0.35%	0.06%	23,862	0.27%	0.06%
Culture	36,933	0.44%	0.07%	28,274	0.32%	0.07%
Health and sanitation	1,908	0.02%	0.00%	2,418	0.03%	0.01%
Sport	373	0.00%	0.00%	47	0.00%	0.00%
Recreation and entertainment	0	0.00%	0.00%	1,144	0.01%	0.00%
Child day care	0	0.00%	0.00%	5	0.00%	0.00%
Food	19	0.00%	0.00%	31	0.00%	0.00%
Others	45,190	0.53%	0.09%	24,258	0.28%	0.06%
<b>Total contributions to society</b>	<b>113,747</b>	<b>1.35%</b>	<b>0.22%</b>	<b>80,039</b>	<b>0.93%</b>	<b>0.20%</b>
Taxes (excluding social charges) (d)	6,140,787	72.64%	11.88%	5,491,872	62.94%	13.91%
<b>Total – External social indicators</b>	<b>6,254,534</b>	<b>73.98%</b>	<b>12.10%</b>	<b>5,571,911</b>	<b>63.86%</b>	<b>14.11%</b>

(d) Adopt the same as the indicators

<b>4 - Environmental Indicators</b>	<b>Amount</b>	<b>% of OR</b>	<b>% of NR</b>	<b>Amount</b>	<b>% of OR</b>	<b>% of NR</b>
Related to company's operations	21,780	0.26%	0.04%	19,929	0.23%	0.05%
In programs and/or external projects	1,850	0.02%	0.01%	13,558	0.16%	0.03%
<b>Total environmental investments</b>	<b>23,630</b>	<b>0.28%</b>	<b>0.05%</b>	<b>33,487</b>	<b>0.38%</b>	<b>0.09%</b>

5 - Workforce Indicators	2006	2005
Nº. of employees at the end of the year	71,774	62,128
Nº. of employees hired during the year	15,132	11,971
Turnover rate	15,32%	–
Nº. of outsourced employees	NA	–
Nº. of trainees	1,266	1,182
Nº. of employees aged over 45	9,501	8,389
Nº. of women employees	34,760	29,370
% of management positions held by women	36.59%	33.19%
Nº. of black/mixed race employees	9,879	8,112
% of management positions held by black/mixed race employees	4.22%	5.10%
Nº. of handicapped employees or employees with special needs	1,755	1,627

6 - Information on corporate citizenship activities	2006	Goals 2007
Ratio between the highest and lowest remuneration within the company	NA	–
Total number of accidents at work	823	–
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 to 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 employee participation in voluntary work programs, the companies:	Organize and encourage	Will organize and encourage



	2006	2005
Total added value to be distributed (R\$'000):	R\$ 17,310,595	R\$ 15,482,627
Distribution of Added Value (DAV):		
	27.2% Government	35.3% Government
	32.8% Employees	30.2% Employees
	14.9% Shareholders	12.4% Shareholders
	0.7% Third Parties	1.1% Third Parties
	24.4% Retained by the company	21.0% Retained by the company

Statement of Added Value	2006	%	2005	%
Sales of Products and Services Net of Cost of Materials, Services from Third Parties and Others (a)	10,649,107	-	9,374,811	-
Result of Financial Intermediation (b)	12,739,004	-	11,760,167	-
Result of Operations with Insurance, Pensions and Capitalization (c)	1,124,827	-	796,625	-
Other Operating Revenues/Costs (d)	(7,202,343)	-	(6,448,976)	-
Added Value (e = a + b + c + d)	17,310,595	-	15,482,627	-
Remuneration to Employees (f) (*)	5,683,436	32.8	4,672,784	30.2
Remuneration to Government (g)	4,705,907	27.2	5,470,202	35.3
Remuneration of Financing (h)	125,270	0.7	169,725	1.1
Remuneration to Shareholders (i)	2,570,751	14.9	1,913,510	12.4
Majority Shareholders	1,301,953	7.5	891,786	5.8
Minority Shareholders	1,268,798	7.3	1,021,724	6.6
Reinvestment of profits (j)	4,225,231	24.4	3,256,406	21.0
Majority Shareholders	3,183,678	18.4	1,405,387	9.1
Minority Shareholders	1,041,553	6.0	1,851,019	12.0
Distribution of Added Value (k = f + g + h + i + j)	17,310,595	100.0	15,482,627	100.0

(\*) Does not include state pension charges.

# BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

## **Board of Directors**

### **Chairman**

Olavo Egydio Setubal

### **Deputy Chairman**

Maria de Lourdes Egydio Villela

### **Members**

Alfredo Egydio Arruda Villela Filho

José Carlos Moraes Abreu

Paulo Setúbal

## **Executive Board**

### **Chief Executive Officer and General Director**

Olavo Egydio Setubal

### **Executive Vice Presidents**

Jairo Cupertino

Roberto Egydio Setubal

### **Executive Directors**

Henri Penchas

Renato Roberto Cuoco

## **Fiscal Council**

### **Chairman**

José Marcos Konder Comparato

### **Members**

Artemio Bertholini

Paulo Ricardo Moraes Amaral

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Should you have any questions, criticisms, suggestions or want extra copies of the Annual Report, send an e-mail to the following address: [relacoes\\_investidores@itausa.com.br](mailto:relacoes_investidores@itausa.com.br)

Our special thanks go to all those who allowed us to use their pictures in this Report.

# ITAÚSA

FINANCIAL STATEMENTS **2006**



## ITAÚSA – INVESTIMENTOS ITAÚ S.A.

**CONSOLIDATED BALANCE SHEET**

(In thousands of Reais)

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

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

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

## ITAÚSA – INVESTIMENTOS ITAÚ S.A.

**CONSOLIDATED STATEMENT OF INCOME**

(In thousands of Reais)

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Operating Revenues</b>	<b>51,672,724</b>	<b>39,467,798</b>
Sales of products and services	12,554,562	11,006,545
Insurance, pension plan and capitalization	8,198,973	6,843,848
Financial	19,378,434	14,170,695
Insurance, pension plan and capitalization (Note 11c)	2,117,128	1,893,555
Securities	8,547,410	4,973,050
Equity in earnings of affiliates	294,367	53,958
Other operating revenues (Note 13e)	581,850	526,147
<b>Operating Expenses</b>	<b>(43,218,907)</b>	<b>(30,742,839)</b>
Cost of products and services	(2,641,442)	(2,434,182)
Insurance, pension plan and capitalization	(7,074,146)	(6,047,223)
Equity	(6,231,066)	(3,401,976)
Administrative	(9,799,776)	(8,247,345)
Management fees	(234,120)	(208,808)
Financial	(10,147,803)	(5,030,389)
Financial expenses on technical provisions for pension plan and capitalization (Note 11c)	(1,704,078)	(1,510,000)
Other operating expenses (Note 13f)	(5,386,476)	(3,862,916)
<b>Operating Income</b>	<b>8,453,817</b>	<b>8,724,959</b>
<b>Non-operating Income (Note 13g)</b>	<b>520,780</b>	<b>(521,924)</b>
<b>Income Before Taxes on net income and Profit Sharing</b>	<b>8,974,597</b>	<b>8,203,035</b>
<b>Income Tax and Social Contribution (Note 14a I)</b>	<b>(1,476,156)</b>	<b>(2,519,122)</b>
Due on operations for the period	(2,559,202)	(2,146,876)
Related to temporary differences	1,083,046	(372,246)
<b>Profit Sharing</b>	<b>(702,459)</b>	<b>(513,997)</b>
Employees – Law 10,101 of 12/19/2000	(527,841)	(372,217)
Officers - Statutory - Law 6,404 of 12/15/1976	(174,618)	(141,780)
<b>Net Income Relating to Minority Interest in Subsidiaries</b>	<b>(2,310,351)</b>	<b>(2,872,743)</b>
<b>Net Income of Parent Company</b>	<b>4,485,631</b>	<b>2,297,173</b>
Net income relating to minority interest in subsidiaries	2,310,351	2,872,743
<b>Net Income of the Itaúsa Group</b>	<b>6,795,982</b>	<b>5,169,916</b>
Number of Outstanding Shares – in thousands	3,177,929	3,176,014
Net Income of Parent Company per Thousand Shares – R\$	1,411.50	723.29
Book Value of Parent Company per Thousand Shares – R\$	4,041.09	3,071.10
<b>Elimination of the Effects of The Bkb Acquisition (Notes 2 and 21c)</b>	<b>(936,896)</b>	<b>–</b>
<b>Net Income of Parent Company Without the Effects of the Bkb Acquisition</b>	<b>3,548,735</b>	<b>2,297,173</b>
<b>Net Income per Share – R\$</b>	<b>1,116.68</b>	<b>723.29</b>

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

(In thousands of Reais)

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

## ITAÚSA – INVESTIMENTOS ITAÚ S.A.

**BALANCE SHEET**

(In thousands of Reais)

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



## ITAÚSA – INVESTIMENTOS ITAÚ S.A.

**STATEMENT OF INCOME**

(In thousands of Reais)

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Operating Revenues</b>	<b>3,731,666</b>	<b>3,181,202</b>
Financial	–	13,841
Securities	181,769	570,889
Equity in earnings of subsidiaries (Note 15a I)	3,547,756	2,593,477
Other operating revenues (Note 13e)	2,141	2,995
<b>Operating Expenses</b>	<b>(129,090)</b>	<b>(138,249)</b>
Equity	(879)	(886)
Administrative	(24,266)	(20,359)
Management fees	(5,449)	(4,925)
Other operating expenses (Note 13f)	(98,496)	(112,079)
<b>Operating Income</b>	<b>3,602,576</b>	<b>3,042,953</b>
<b>Non-operating Income (Note 13g)</b>	<b>1,984,937</b>	<b>(532,514)</b>
<b>Income Before Taxes on Net Income and Profit Sharing</b>	<b>5,587,513</b>	<b>2,510,439</b>
<b>Income Tax and Social Contribution (Note 4n and 14a I)</b>	<b>85,262</b>	<b>(144,819)</b>
Due on operations for the period	(14,881)	(70,761)
Related to temporary differences	100,143	(74,058)
<b>Profit Sharing</b>	<b>(4,100)</b>	<b>(3,914)</b>
Officers - Statutory - Law 6,404 of 12/15/1976	(4,100)	(3,914)
<b>Net Income</b>	<b>5,668,675</b>	<b>2,361,706</b>
Number of Outstanding Shares (in Thousands) (Note 16)	3,177,929	3,176,014
Net Income per Thousand Shares – R\$	1,783,76	743,61
Book Value per Thousand Shares – R\$	4,564,49	3,222,32
<b>Elimination of the Effects of the Bkb Acquisition (Notes 2 and 21c)</b>	<b>(1,924,590)</b>	<b>–</b>
<b>Net Income Without the Effects of the Bkb Acquisition</b>	<b>3,744,085</b>	<b>2,361,706</b>
<b>Net Income per Share – R\$</b>	<b>1,178,15</b>	<b>743,61</b>

## ITAÚSA – INVESTIMENTOS ITAÚ S.A.

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE 16)

(In thousands of Reais)

	Capital	Capital reserves		
		Monetary correction Law 8,200	Premium on subscription of shares	Options for tax incentives
<b>At December 31, 2004</b>	<b>3,800,000</b>	<b>25,013</b>	<b>1,453</b>	<b>1,094</b>
Prior years' adjustments	-	-	-	-
Share subscription - domestic	100,000	-	-	-
Premium on issuance of shares	-	-	328	-
Change of adjustment to market value - subsidiaries	-	-	-	-
Reversal/realization of reserves	-	-	-	-
Capital increase with reserves	1,100,000	-	-	-
Cancellation of treasury shares	-	-	-	-
Purchase of treasury shares	-	-	-	-
Options for tax incentives	-	-	-	535
Net income for the period	-	-	-	-
Appropriations:				
Legal reserve	-	-	-	-
Statutory reserve	-	-	-	-
Interest on capital	-	-	-	-
<b>At December 31, 2005</b>	<b>5,000,000</b>	<b>25,013</b>	<b>1,781</b>	<b>1,629</b>
Share subscription - domestic	100,000	-	-	-
Premium on issuance of shares	-	-	182	-
Change of adjustment to market value - subsidiaries	-	-	-	-
Reversal/realization of reserves	-	-	-	-
Capital increase with reserves	100,000	-	(1,781)	-
Cancellation of treasury shares	-	-	-	-
Purchase of treasury shares	-	-	-	-
Net income for the period	-	-	-	-
Appropriations:				
Legal reserve	-	-	-	-
Unrealized profits	-	-	-	-
Statutory reserve	-	-	-	-
Interest on capital	-	-	-	-
<b>At December 31, 2006</b>	<b>5,200,000</b>	<b>25,013</b>	<b>182</b>	<b>1,629</b>

Revaluation reserves	Revenue reserves			Adjustment to Market Value – Securities and Derivatives	Treasury shares	Retained earnings	Total
	Legal	Unrealized profits	Statutory				
50,673	470,730	–	4,794,026	244,820	(93,087)	–	9,294,722
–	–	–	(101,244)	–	–	–	(101,244)
–	–	–	–	–	–	–	100,000
–	–	–	–	–	–	–	328
–	–	–	–	(95,934)	–	–	(95,934)
(1,281)	–	–	–	–	–	1,281	–
–	–	–	(1,100,000)	–	–	–	–
–	–	–	(93,087)	–	93,087	–	–
–	–	–	–	–	(434,191)	–	(434,191)
–	–	–	–	–	–	–	535
–	–	–	–	–	–	2,361,706	2,361,706
–	118,085	–	–	–	–	(118,085)	–
–	–	–	1,353,116	–	–	(1,353,116)	–
–	–	–	–	–	–	(891,786)	(891,786)
49,392	588,815	–	4,852,811	148,886	(434,191)	–	10,234,136
–	–	–	–	–	–	–	100,000
–	–	–	–	–	–	–	182
–	–	–	–	(52,195)	–	(18,278)	(70,473)
(6,074)	–	–	–	–	–	6,074	–
–	–	–	(98,219)	–	–	–	–
–	–	–	(434,191)	–	434,191	–	–
–	–	–	–	–	(124,945)	–	(124,945)
–	–	–	–	–	–	5,668,675	5,668,675
–	283,434	–	–	–	–	(283,434)	–
–	–	239,650	–	–	–	(239,650)	–
–	–	–	3,831,434	–	–	(3,831,434)	–
–	–	–	–	–	–	(1,301,953)	(1,301,953)
43,318	872,249	239,650	8,151,835	96,691	(124,945)	–	14,505,622

## ITAÚSA – INVESTIMENTOS ITAÚ S.A.

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

(In thousands of Reais)

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

ITAÚSA – INVESTIMENTOS ITAÚ S.A.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended december 31, 2006 and 2005 (In thousands of Reais)

### NOTE 1 – OPERATIONS

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

### NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

### NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS

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

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

I – In ITAÚSA, goodwill recorded in subsidiaries, mainly originated from the acquisition of BankBoston S.A. operations in Brazil, Chile and Uruguay, from the partnership to set up the Financeira Itaú CBD and Americanas Itaú and from the acquisition of part of the shares of BPI S.A., is being amortized based on the expected future profitability (10 years) or by the realization of investments, in order to:



a) avoid an unnecessary decrease in its Stockholders' Equity for operating limits computation purposes; b) avoid an unnecessary capital increase; and c) obtain better compliance with market accounting practices.

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

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

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

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

(1) Listed company.

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

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

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

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

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

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

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

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

## b) Securities

**I** – In ITAÚSA and non-financial subsidiaries (Industrial Area) are recorded at cost of acquisition restated and adjusted to reflect the market value, when this is lower.

**II** – In financial subsidiaries, insurance, pension plan, security and capitalization companies, and its subsidiaries (Financial Services Area), recorded at acquisition cost restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular Letter 3,068, of November 8, 2001 and SUSEP Circular Letter 314, of December 27, 2005. Securities are classified in the following categories:

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

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

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

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

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

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

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

**d) Loan, Lease and Other Credit Operations (Operations with Credit Granting Characteristics)** – These transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index, and are recorded on the accrual basis until 60 days overdue in financial companies. After the 60th day, income is recognized upon the effective receipt of installments.

**e) Allowance for Loan Losses** - The balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution 2,682 of December 21, 1999, among which are:

- Provisions are recorded from the date loans are granted, based on the client's rating and on the periodic quality evaluation of clients and industries and not only in the event of default;
- Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

**f) Inventories** - These are valued at the average acquisition or production cost, which is lower than replacement costs or realizable values and, when applicable, decreased by the provision for obsolescence. Imports in transit are stated at the accumulated cost of each import.

**g) Other assets** - These assets are mainly comprised by assets held for sale relating to real estates available for sale, own real estate not in use or received as payment in kind which are adjusted to market value through the set-up of a provision, according to current regulations.

**h) Prepaid Expenses** – These refer to the disbursements the benefit of which will result in earnings in future periods.

**i) Investments** - In subsidiary and affiliated companies, investments are accounted for under the equity method. The consolidated financial statements of foreign branches and subsidiaries are adapted to comply with Brazilian accounting practices and converted into reais. Other investments are recorded at cost, restated up to December 31, 1995, and adjusted to market value by setting up a provision in accordance with current standards.

**j) Fixed assets** - These assets are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995. For insurance, pension plan and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports.

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

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

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

**k) Deferred charges** - Deferred organization and expansion expenses mainly represent leasehold improvements and acquisition of software, which are amortized on a straight-line basis over their respective contractual terms, limited to ten and five years, respectively.

**l) Technical Provisions of Insurance, Pension Plan and Capitalization** – provisions are recognized according to the technical notes approved by SUSEP and criteria established by CNSP Resolution 120 of December 24, 2004.

#### I – Insurance:

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

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

#### II – Pension Plan and Individual life insurance with living benefits:

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

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

#### III – Capitalization:

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

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

#### I – Contingent Assets and Liabilities

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

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

Escrow deposits are restated in accordance with the current legislation.

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

#### II – Legal Liabilities – Tax and Social Security

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

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

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

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

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

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

## NOTE 5 – INTERBANK INVESTMENTS

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

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

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

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

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

**a) Summary**

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

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

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

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

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

**b) Derivative Financial Instruments**

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

The derivatives negotiated are purchased for three basic purposes:

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

Most derivative contracts traded with clients in Brazil are swap and future contracts, which are registered at the Brazilian Mercantile & Futures Exchange (BM&F) or at the Clearing House for the Custody and Financial Settlement of Securities (CETIP). BM&F future contracts involving



interbank rates and U.S. dollars are mainly used to lock the financing rates offered to customers with maturity or currency mismatches between their obligations and the resources used to fund them. ITAÚSA carries out transactions overseas with futures, forwards, options, swaps and credits with registration mainly in the Chicago, New York and London Exchanges.

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

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

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

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

Under regular conditions, the exchange prices are the best indicators of the fair value of the financial instruments. However, not all instruments have liquidity or quotes and, in this case, it is necessary to adopt present value estimates and other valuation techniques.

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

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

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

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

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

Derivative contracts fall due as follows (in days):

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

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

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

Credit derivatives

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

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

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

### a) Summary

#### I – By type of operations

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

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

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

(3) Recorded in Memorandum Accounts.

## II – By business sector

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

## b) Allowance for loan losses

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

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

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

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

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

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

## c) Recovery and renegotiation of credits

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

	01/01 to 12/31/2006	01/01 to 12/31/2005
Net increase for the period	(6,447,640)	(3,716,278)
Recoveries	943,018	889,024
Renegotiation	268,218	380,594
Receipt	674,800	508,430
<b>Result of allowance for loan losses</b>	<b>(5,504,622)</b>	<b>(2,827,254)</b>

## II – Renegotiated credits

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

## NOTE 8 – INVENTORIES

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

## NOTE 9 – FOREIGN EXCHANGE PORTFOLIO

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

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

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

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

(2) Recorded in Other Liabilities

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

### a) Composition of the Technical Provisions

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

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

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

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

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

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



**b) Assets Guaranteeing Technical Provisions - SUSEP**

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

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

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

**c) Results of Operations**

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

**NOTE 12 – CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES - TAX AND SOCIAL SECURITY**

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

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

**b) Contingent Liabilities:****Calculation criteria:**

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

- Collective (lawsuits related to claims considered similar and usual and the amounts of which are not considered significant): according to the statistical references per group of lawsuits, type of legal body (Small Claims Court or regular Court) and claimant; or

- Individual (lawsuits related to claims considered unusual on the amounts of which are considered significant): at the claimed indemnity amount, based on the evidence presented and on the evaluation of legal advisors – which considers case law, legal opinions raised, evidence produced in the records and the judicial decisions already issued – relating to the risk level of loss of lawsuits.

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

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

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

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

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

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

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

**Contingencies classified as possible:** not recognized in the accounting books and are represented by Civil Lawsuits amounting to R\$ 155,747 and Tax and Social Security Lawsuits amounting to R\$ 2,109,815. The principal characteristics of these lawsuits are described below:

- CPMF (Tax on Bank Account Outflows) in Customer Operations – R\$ 387,944: refers to tax assessment notices issued for collection of tax credit related to CPMF on operations carried out with customers. The decision from the Taxpayers' Council or the Superior Chamber of Tax Appeals of the Ministry of Finance is pending.
- IR/CS (Income Tax and Social Contribution) on disposal of investments: R\$ 321,342: refers to tax assessment notice issued due to tax effects on disposal of investments. The lower court's decision is pending.
- IR (Income Tax)/Allowance for Loan Losses – R\$ 281,062: calculated by adopting the Regulatory Instruction (IN) 76/87 and the CMN Resolution 1,748/90, thus rejecting the IN 80/93, which reduced the percentage from 1.5% to 0.5% for realization of the Allowance for Loan Losses in base year 1993. The bank is questioning the impossibility of applying the rule to events occurred in the fiscal year when it was enacted (principle of anteriority). A suspension was awarded for the bank's appeal, however, the judgment by the Federal Regional Court of the 3rd Region is pending.
- Social Security Contribution on Profit Sharing and Results Exceeding the Collective Bargaining Agreement – R\$ 174,754: refers to the Debt Entry Tax Notice issued based on the levy of social security contribution on the payment of profit sharing and results. A decision from the appellate court is pending.
- ISS (Service Tax) – Leasing – R\$ 126,668: the bank is questioning the constitutionality of the requirement, since: a) capital lease is a type of lease of chattels; b) the referred operations are financial leases, in which there is no service provision and therefore they cannot be taxed by ISS, under penalty of violation of articles 156 III of the Federal Constitution of 1988 and 110 of the National Tax Code. Should the tax levy be confirmed, it shall be due at the company's principal place of business, under article 12, "a" of Decree-Law 406/68.
- ISS – Banking Institutions – R\$ 123,338: refers to tax assessments notices issued by municipalities for collection of ISS on amounts recorded in several accounts, on the grounds of being service revenue. An administrative final decision or tax foreclosure is pending.
- Apportionment of Net Assets by Book Value – R\$ 114,039: refers to the tax assessment notice issued due to the deduction of capital loss computed in the winding-up and liquidation of investments. A notice on the decision from the appellate court is pending.

- Social Security Contribution on Sole Bonus – R\$ 77,393: refers to Debt Entry Tax Notices issued based on the levy of social security contribution on sole bonus paid to the employees. The lower court's decision is pending.

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

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

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

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

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

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

## NOTE 13 – BREAKDOWN OF ACCOUNTS

### a) Other Sundry Receivables

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

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

### b) Other Assets

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

**c) Prepaid expenses**

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

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

**d) Other Sundry Liabilities**

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

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

**e) Other Operating Revenues**

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

**f) Other Operating Expenses**

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

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

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

**g) Non-operating Income**

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

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

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

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

**NOTE 14 – TAXES****a) Composition of expenses for taxes and contributions**

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

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Due on Operations for the Period</b>		
<b>Income before income tax and social contribution</b>	<b>8,974,597</b>	<b>8,203,035</b>
<b>Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (Note 4n), respectively</b>	<b>(3,051,363)</b>	<b>(2,789,032)</b>
<b>Increase/Decrease to Income Tax and Social Contribution charges arising from:</b>		
<b>Permanent (Additions) Exclusions</b>	<b>1,427,253</b>	<b>227,921</b>
Investments in affiliates	100,085	18,346
Foreign exchange variation on investments abroad	(172,043)	(317,110)
Interest on capital	822,179	574,302
Dividends, interest on external debt bonds and tax incentives	74,514	63,917
Gains (Losses) on equity interests	660,027	(181,312)
Other	(57,509)	69,778



continues

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Due on Operations for the Period</b>		
<b>Temporary (Additions) Exclusions</b>	<b>(1,046,379)</b>	<b>205,558</b>
Allowance for loan losses	(770,217)	(252,001)
Excess (insufficiency) of depreciation of capital lease	923,633	603,669
Adjustment to market value of trading securities and derivative financial instruments, and adjustments from operations in futures markets	71,835	194,602
Interest on capital	(292,580)	(102,967)
Legal liabilities – tax and social security, contingent liabilities and restatement of escrow deposit	58,997	(111,783)
Income on sale of permanent asset items and rights	67,615	(350)
Goodwill on purchase of investments	(1,068,025)	(23,382)
Other non-deductible provisions	(37,637)	(102,230)
<b>(Increase) Offset on tax losses/negative social contribution basis</b>	<b>111,287</b>	<b>208,677</b>
<b>Expenses for Income Tax and Social Contribution</b>	<b>(2,559,202)</b>	<b>(2,146,876)</b>
<b>Related to temporary differences</b>		
Increase (reversal) for the period	946,979	(403,630)
Prior periods increase (reversal)	136,067	31,384
<b>Income (expenses) from deferred taxes</b>	<b>1,083,046</b>	<b>(372,246)</b>
<b>Total income tax and social contribution</b>	<b>(1,476,156)</b>	<b>(2,519,122)</b>

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

## II – Composition of tax expenses:

	01/01 to 12/31/2006			01/01 to 12/31/2005		
	On Sales of Products and Services (*)	On Other Revenues (Note 13f)	Total	On Sales of Products and Services (*)	On Other Revenues (Note13f)	Total
PIS and COFINS	(292,854)	(1,644,726)	(1,937,580)	(311,223)	(1,439,807)	(1,751,030)
ISS	(15,125)	(310,857)	(325,982)	(13,536)	(279,406)	(292,942)
IPI	(158,453)	–	(158,453)	(155,299)	–	(155,299)
ICMS	(332,803)	–	(332,803)	(338,949)	–	(338,949)
CPMF	–	(328,336)	(328,336)	–	(251,099)	(251,099)
Outros	(33,015)	(117,540)	(150,555)	(12,279)	(92,012)	(104,291)
<b>Total (Note 4n)</b>	<b>(832,250)</b>	<b>(2,401,459)</b>	<b>(3,233,709)</b>	<b>(831,286)</b>	<b>(2,062,324)</b>	<b>(2,893,610)</b>

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

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

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

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

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

**b) Deferred tax assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

### c) Taxes and social security contributions

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

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

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

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

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

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

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

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

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

**NOTE 15 – PERMANENT ASSETS****a) Investments****I – Interest in subsidiaries - ITAÚSA**

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

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

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

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

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

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

## II – Composition of investments

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

## III – Composition of equity in earnings of affiliates

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



## b) Fixed Assets, Intangible and Deferred Charges

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

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

## NOTE 16 – STOCKHOLDERS' EQUITY - ITAÚSA

## a) Capital

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

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

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

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

(\*) Own shares purchased under the authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market.

We detail below the costs of shares repurchased in the period as well as the average cost of treasury shares and their market price at 12/31/2006:

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

#### b) Dividends

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

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

#### I – Calculation

Net income	5,668,675	
Adjustments		
(-) Legal reserve	(283,434)	
Dividend calculation basis	5,385,241	
Dividends/interest on capital payable	1,346,310	25.00%
(-) Unrealized revenue reserve (*)	239,650	
(=) Mandatory minimum dividend	1,106,660	

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

#### II – Provision of Interest on Capital

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

**c) Revenue reserves**

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

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

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

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

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

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

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

**NOTE 17 – RELATED PARTIES**

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

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

The unconsolidated related parties are the following:

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

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

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

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

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

## NOTE 18 – FINANCIAL INSTRUMENTS - MARKET VALUE

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

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

	Book value		Market	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Interbank investments	31,472,706	22,915,760	31,489,449	22,942,664
Securities and derivative financial instruments	47,210,312	33,865,595	47,397,660	34,403,858
Additional provision (exceeding minimum required)				
Adjustment of available-for-sale securities				
Adjustment of held-to-maturity securities				
Loan and lease operations	76,717,663	56,528,393	76,820,757	56,681,637
Investment in Banco BPI S.A.	693,729	483,933	2,216,793	1,307,463
Funds raised by subsidiaries	118,506,243	86,593,242	118,485,593	86,592,655
Securitization of foreign payment orders	1,531,716	1,285,335	1,574,803	1,288,389
Subordinated debts	4,566,390	4,584,421	4,610,518	4,641,785
Treasury shares	1,248,352	1,735,604	1,937,761	2,140,715
<b>Total unrealized</b>				

	Unrealized income (loss) (1)			
	Result		Stockholders' equity	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Interbank investments	16,743	26,904	16,743	26,904
Securities and derivative financial instruments	390,026	990,079	187,348	538,263
Additional provision (exceeding minimum required)	–	370,000	–	370,000
Adjustment of available-for-sale securities	175,160	434,561	–	–
Adjustment of held-to-maturity securities	214,866	185,518	187,348	168,263
Loan and lease operations	103,094	153,244	103,094	153,244
Investment in Banco BPI S.A.	1,523,064	823,530	1,523,064	823,530
Funds raised by subsidiaries	20,650	587	20,650	587
Securitization of foreign payment orders	(43,087)	(3,054)	(43,087)	(3,054)
Subordinated debts	(44,128)	(57,364)	(44,128)	(57,364)
Treasury shares	683,598	293,419	689,409	405,111
<b>Total unrealized</b>	<b>2,649,960</b>	<b>2,227,345</b>	<b>2,453,093</b>	<b>1,887,221</b>

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

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

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

## NOTE 19 – BENEFITS TO EMPLOYEES

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

### a) Supplementary retirement benefits:

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

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

(1) Defined benefit plan.

(2) Variable contribution plan.

(3) Defined contribution plan.

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

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

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

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

#### b) Post-employment benefits:

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

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

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

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

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

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

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

	01/01 to 12/31/2006			01/01 to 12/31/2005		
	Assets	Actuarial liabilities	Surplus	Assets	Actuarial liabilities	Surplus
Present value - beginning of the period	9,327,392	(8,128,429)	1,198,963	8,685,202	(7,235,424)	1,449,778
Ajuste efetuados no Período (1)	–	–	–	(309,730)	194,011	(115,719)
Expected return on assets/ Cost of current service + interest	1,141,336	(1,022,386)	118,950	1,040,964	(893,415)	147,549
Benefits paid	(396,282)	396,282	–	(379,960)	379,960	–
Contributions of sponsors/participants	56,085	–	56,085	63,328	–	63,328
Gains/(losses) in the period (2)/(3)	639,988	82,135	722,123	227,588	(573,561)	(345,973)
Present value - end of the period	10,768,519	(8,672,398)	2,096,121	9,327,392	(8,128,429)	1,198,963

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

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

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

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

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

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



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

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

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

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

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

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

## NOTE 20 – RECLASSIFICATION FOR COMPARISON PURPOSES

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

	Prior Balances	Reclassifications	Current Balances
<b>Current Assets and Long-term Receivables</b>	<b>150,716,791</b>	<b>1,193,469</b>	<b>151,910,260</b>
<b>Securities and Derivative Financial Instruments</b>	<b>33,895,563</b>	<b>(29,968)</b>	<b>33,865,595</b>
Derivative financial instruments	3,245,976	(29,968)	3,216,008
<b>Other Receivables</b>	<b>19,283,347</b>	<b>1,223,437</b>	<b>20,506,784</b>
Foreign exchange portfolio	6,513,942	1,193,469	7,707,411
Sundry	9,045,859	29,968	9,075,827
<b>Permanent Assets</b>	<b>4,428,812</b>	<b>–</b>	<b>4,428,812</b>
<b>Fixed Assets</b>	<b>3,321,602</b>	<b>(4,284)</b>	<b>3,317,318</b>
Fixed Assets	7,802,476	(10,514)	7,791,962
(Accumulated Depreciation)	(4,699,363)	6,230	(4,693,133)
<b>Intangible</b>	<b>–</b>	<b>6,205</b>	<b>6,205</b>
<b>Deferred Charges</b>	<b>342,792</b>	<b>(1,921)</b>	<b>340,871</b>
Organization and expansion expenses	857,603	(3,879)	853,724
(Accumulated amortization)	(514,811)	1,958	(512,853)
<b>Total Assets</b>	<b>155,145,603</b>	<b>1,193,469</b>	<b>156,339,072</b>
<b>Current and Long-term Liabilities</b>	<b>136,264,813</b>	<b>1,193,469</b>	<b>137,458,282</b>
<b>Derivative Financial Instruments</b>	<b>2,455,932</b>	<b>(47,879)</b>	<b>2,408,053</b>
<b>Taxes and Social Security Contributions</b>	<b>5,720,758</b>	<b>(280,216)</b>	<b>5,440,542</b>
<b>Other Liabilities</b>	<b>18,862,002</b>	<b>1,486,113</b>	<b>20,348,115</b>
Foreign exchange portfolio	6,634,460	1,193,469	7,827,929
Sundry	5,638,196	328,095	5,966,291
<b>Total Liabilities and Stockholders' Equity</b>	<b>155,145,603</b>	<b>1,193,469</b>	<b>156,339,072</b>
<b>Statement of Income for the Period</b>			
<b>Operating Income</b>	<b>39,400,371</b>	<b>67,427</b>	<b>39,467,798</b>
Equity in earnings of affiliates	(13,469)	67,427	53,958
<b>Operating Expenses</b>	<b>(30,415,601)</b>	<b>(327,238)</b>	<b>(30,742,839)</b>
Cost of products and services	(2,428,939)	(5,243)	(2,434,182)
Other operating expenses	(2,557,226)	(321,996)	(2,879,222)
<b>Operating Income</b>	<b>8,984,770</b>	<b>(259,811)</b>	<b>8,724,959</b>
<b>Non-operating Result</b>	<b>36,507</b>	<b>(558,431)</b>	<b>(521,924)</b>
<b>Income Tax and Social Contribution</b>	<b>(2,566,852)</b>	<b>47,730</b>	<b>(2,519,122)</b>
Related to temporary additions	(419,976)	47,730	(372,246)
<b>Extraordinary Result</b>	<b>(770,512)</b>	<b>770,512</b>	<b>–</b>
<b>Net Income of Itaúsa Conglomerate</b>	<b>5,169,916</b>	<b>–</b>	<b>5,169,916</b>

## NOTE 21 – ADDITIONAL INFORMATION

### a) Insured Assets

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

### b) Balances of foreign currency

The balances in Reais linked to foreign currency were:

	31/12/2006	31/12/2005
Permanent foreign investments	8.961.493	6.761.094
Net amount of other assets and liabilities indexed to foreign currency, including derivatives	(12.742.596)	(10.526.633)
<b>Net foreign exchange position</b>	<b>(3.781.103)</b>	<b>(3.765.539)</b>

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

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

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

### d) Statement of cash flows

#### I – ITAÚSA CONSOLIDATED

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Adjusted net income</b>	<b>18,847,154</b>	<b>12,281,589</b>
Net income	4,485,631	2,297,173
Adjustment to net income:	14,361,523	9,984,416
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(441,939)	(173,508)
Allowance for loan losses	6,447,640	3,718,117
Results from operations with subordinated debts	272,627	208,174
Results from securitization of foreign payment orders	(47,445)	(159,871)
Change in technical provision for insurance, pension plan and capitalization	3,226,568	2,663,853
Depreciation and amortization	760,603	708,559
Amortization of goodwill	3,111,934	–
Adjustment to legal liabilities – tax and social security	533,359	(39,780)
Adjustment to provision for contingent liabilities	(311,337)	(77,783)
Provision for corporate restructuring	–	75,000
Deferred taxes	(1,083,046)	372,246
Equity in earnings of affiliates	(294,367)	(53,958)
Income from held-to-maturity securities	(71,314)	(106,536)
Minority interest result	2,310,351	2,872,743
Other	(52,111)	(22,840)

	01/01 to 12/31/2006	01/01 to 12/31/2005
<b>Changes in assets and liabilities</b>	<b>(48,444,369)</b>	<b>(25,446,243)</b>
(Increase) Decrease in interbank investments	(8,556,946)	(3,128,063)
(Increase) Decrease in securities and derivative financial instruments (assets/liabilities)	(13,497,867)	(4,304,620)
(Increase) Decrease in interbank accounts of subsidiaries	(738,511)	(2,864,004)
(Increase) Decrease in loan, lease and other credit operations	(26,687,368)	(15,890,655)
(Increase) Decrease in inventories	(24,458)	49,257
(Increase) Decrease in other receivables and assets	(3,481,057)	(860,215)
(Increase) Decrease in foreign exchange operations	131,071	(125,534)
(Increase) Decrease in prepaid expenses	69,611	(530,914)
(Decrease) Increase in technical provisions for insurance, pension plan and capitalization	1,170,349	952,608
(Decrease) Increase in social contribution and tax and other liabilities	3,162,320	1,230,824
(Decrease) Increase in deferred income	8,487	25,073
<b>Operating Activities – Net cash provided by/ (invested)</b>	<b>(29,597,215)</b>	<b>(13,164,654)</b>
Interest on capital/Dividends received	45,892	45,154
Funds from interest received and redemption of held-to-maturity securities	409,254	1,701,259
Sale of investments	6,787	24,979
Sale of fixed assets	85,185	65,492
Purchase of held-to-maturity securities	(10,073)	(9,965)
Purchase of investments	(976,768)	(33,102)
Goodwill on purchase of investments	(3,111,934)	–
Purchase of fixed assets and forest reserves	(934,557)	(611,746)
Deferred charges	(351,448)	(144,837)
Changes in minority interest	4,341,799	(1,114,217)
<b>Investment Activities – Net cash provided by/ (invested)</b>	<b>(495,863)</b>	<b>(76,983)</b>
Increase (Decrease) in funds obtained by subsidiaries – foreign currency	1,022,448	(835,371)
Increase (Decrease) in funds obtained by subsidiaries – local currency	13,574,124	9,500,647
Increase (Decrease) in funds obtained by subsidiaries – open market	17,316,429	5,929,860
Increase (Decrease) in borrowings – foreign currency	22,649	(60,486)
Increase (Decrease) in borrowings – local currency	17,017	(6,555)
Increase (Decrease) in credit card operations	1,573,699	1,628,682
Increase (Decrease) in securitization of foreign payment orders	293,826	(457,821)
Increase (Decrease) in subordinated debts	(290,658)	(389,093)
Interest on capital paid to minority stockholders	(935,311)	(822,100)
Subscription of shares	100,000	100,000
Premium on subscription of shares	182	328
Purchase of own shares	(124,945)	(434,191)
Interest on capital paid	(937,923)	(753,766)
<b>Financing Activities – Net cash provided by/ (invested)</b>	<b>31,631,537</b>	<b>13,400,134</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents, Net</b>	<b>1,538,459</b>	<b>158,497</b>
At the beginning of the period	2,193,878	2,035,381
At the end of the period	3,732,337	2,193,878

## II – ITAÚSA

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

## III – Statement of added value

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

(\*) Does not include social security contributions.

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders  
Itaúsa - Investimentos Itaú S.A.

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

São Paulo, February 26, 2007

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Ricardo Baldin  
Contador CRC 1SP110374/O-0

## INDEPENDENT AUDITORS' REPORT

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

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

São Paulo, February 26, 2007

Orlando Octávio de Freitas Júnior  
Engagement Partner  
BDO Trevisan Auditores Independentes

## OPINION OF THE FISCAL COUNCIL

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

São Paulo, 26 de fevereiro de 2007

José Marcos Konder Comparato  
President

Paulo Ricardo Moraes Amaral  
Member

Artemio Bertholini  
Member











ITAÚSA  
Investimentos Itaú S.A.

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