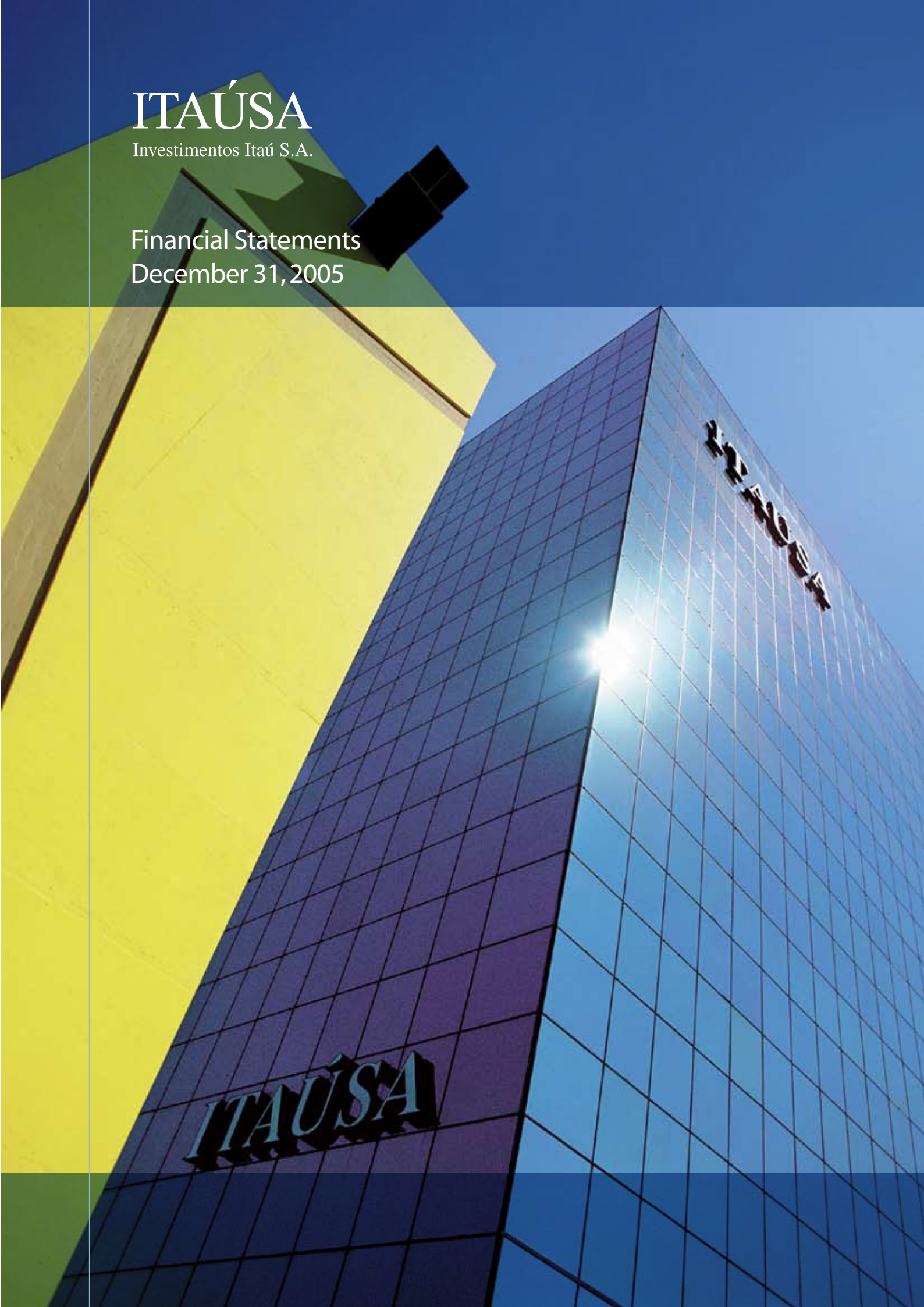


# ITAÚSA

Investimentos Itaú S.A.

Financial Statements  
December 31, 2005





## ITAÚSA INVESTIMENTOS ITAÚ S.A.

### MANAGEMENT REPORT – 2005

#### To our Stockholders

We present our Management Report and financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries for the year 2005, in accordance with the regulations established by the Brazilian Corporate Law and the Brazilian Securities Commission (CVM). These financial statements have been approved by the Fiscal Council.

#### THE ECONOMY

The economic growth in 2005 should be lower than the growth posted in 2004. In an environment of stringent monetary policy and slow increase in the average real salary, there was a slowdown in investments and in demand; however, the solid performance of exports supported the growth of the Brazilian economy. On the other hand, the Broad Consumer Price Index (IPCA) showed inflation of 5.69% in 2005, as compared to 7.60% in 2004, thus showing convergence toward the target of 4.5% in 2006.

In 2005, the appreciation of the Real was approximately 16% in nominal terms and over 25% in real terms in relation to the US dollar. Nevertheless, Brazil's total external debt decreased from US\$ 220 billion in December 2004 to approximately US\$ 188 billion at the end of 2005, being noteworthy the early payment of the debt owed to the IMF amounting to US\$ 15.8 billion. Exports increased from US\$ 96.5 billion in 2004 to US\$ 118.3 billion in 2005. The Central Bank adopted a policy of reinforcing the level of international reserves, totaling US\$ 57 billion.

The declining trend in 2004 of the debt/GDP ratio halted in 2005, which was characterized by the stabilization of public indebtedness at 51.7% of the GDP. The policy to strengthen the debt profile, however, continued, with a larger share of fixed debt and a smaller share of debt indexed to foreign currency.

Credit to individuals increased 29.7%. Credit to businesses, in turn, had a lower increase, 11.6%; however, there was a large increase in other financing instruments, such as issue of shares, foreign funding, and debentures registered at the CVM.

Demand deposits increased 7.7% in real terms when comparing December 2005 to December 2004. Time deposits increased 27% in real terms, while savings deposits remained at the same levels as 2004.

The industrial activity followed the slowdown in the economy and posted a growth lower than that of 2004. In 2005, the industrial production increased 3.1%, while in 2004 such growth amounted to 8.3%. The maintenance of real interest rates at high levels was one of the reasons for the stagnation of the economic activity. The greater flexibility in the monetary policy in the second half of 2005 helped the economy to return to the path of growth in the last months of the year. In relation to foreign sales, the growth in exports impeded the aggravation of the economic slowdown.

Among the categories of use, consumer durables posted the highest growth – 11.4%. Capital goods and intermediate goods increased 3.6% and 1.0%, respectively. Semi- and non-durable goods increased 4.6% in 2005, being the only category of use to post a growth higher than that of 2004. This increase is a result of the increase in salaries during the year. The growth in credit and the launching of new loan products have also contributed to keep consumer goods growth rates at high levels. When comparing 2005 to 2004, the wood industry decreased 4.5%; the office machinery and IT equipment sector increased 17.3%; electronics material, communication devices and equipment increased 14.2%; the furniture sector increased 0.5%; and the sundry chemical products sector decreased 1.3%.

## MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R\$ thousand

	Parent company		Minority stockholders		Conglomerate	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004
<b>Total net income</b>	<b>2,297,173</b>	<b>1,962,392</b>	<b>2,872,743</b>	<b>2,106,997</b>	<b>5,169,916</b>	<b>4,069,389</b>
Recurring net income	2,964,473	2,646,772	2,975,955	2,686,890	5,940,428	5,333,662
Extraordinary results	(667,300)	(684,380)	(103,212)	(579,893)	(770,512)	(1,264,273)
Stockholders' equity	9,753,844	8,879,419	9,010,494	8,319,458	18,764,338	17,198,877
<b>Return on average equity</b>	<b>24.41</b>	<b>23.81</b>	<b>32.74</b>	<b>27.39</b>	<b>28.43</b>	<b>25.54</b>
Dividends/Interest on own capital	891,786	696,775	1,021,724	777,832	1,913,510	1,474,607

## MAIN FINANCIAL INDICATORS

	12/31/2005	12/31/2004	Change %
<b>Results per thousand shares - in R\$</b>			
Net income	723.29	608.58	18.85
Book value	3,071.10	2,753.68	11.53
Price per common share (ON) (1)	7,520.00	4,578.75	64.24
Price per preferred share (PN) (1)	7,462.38	4,509.52	65.48
Market capitalization (2) - in thousands of R\$	23,770,045	14,624,742	62.53

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

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

## MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

R\$ thousand

	Year	FINANCIAL SERVICES AREA	INDUSTRIAL AREA			CONSOLIDATED / CONGLOMERATE (1)
		Banco Itaú Holding Financeira S.A.Consolidated	Duratex S.A.	Itautec Philco S.A.	Elekeiroz S.A.	
Total assets	2005	151,241,430	1,947,056	723,218	547,029	155,145,603
	2004	130,338,643	1,812,552	949,165	492,463	134,232,984
Operating revenue (2)	2005	35,240,897	1,270,577	1,484,518	655,448	39,400,371
	2004	30,063,311	1,188,226	1,502,491	703,971	33,775,017
Net income	2005	5,251,334	137,085	46,502	43,110	5,169,916
	2004	3,775,616	125,293	22,527	70,839	4,069,389
Stockholders' equity	2005	15,559,656	1,050,872	312,886	317,646	18,764,338
	2004	13,971,082	990,436	326,990	287,436	17,198,877
Annualized return (Net income/ Stockholders' equity) (%) (3)	2005	35.28%	13.46%	14.19%	14.13%	28.43%
	2004	29.23%	13.05%	7.02%	27.18%	25.54%
Permanent assets	2005	2,874,830	1,181,271	107,469	265,758	4,428,812
	2004	3,118,823	1,156,683	169,860	225,074	4,627,885
Investments in the period	2005	794,955	108,307	31,287	62,016	989,685
	2004	2,015,902	139,343	32,299	29,876	2,173,204
Internal fund generation (4)	2005	9,678,735	221,313	120,287	69,459	9,800,592
	2004	9,587,404	212,741	107,876	96,985	10,016,024
Dividends paid /provisioned	2005	1,853,356	46,343	13,072	14,118	1,913,510
	2004	1,372,564	58,110	8,715	20,414	1,474,607
Personnel expenses	2005	4,428,350	261,583	263,889	53,343	5,033,646
	2004	3,573,445	240,415	259,275	55,092	4,146,613
Voluntary benefits	2005	285,072	17,569	6,784	5,173	314,578
	2004	258,065	14,704	6,883	5,503	285,183
Number of employees	2005	51,036	5,890	4,381	796	62,128
	2004	45,316	5,951	5,261	787	57,343
Taxes paid and provisioned	2005	4,692,436	289,683	131,263	31,560	5,491,872
	2004	3,549,405	253,818	134,634	31,472	4,211,927

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

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

- Banco Itaú Holding Financeira S.A.: totality of Income from financial intermediation, Income from services rendered, Income from insurance premiums, Capitalization and Pension plans and other Operating Income.
- Duratex S.A., Itautec Philco S.A. and Elekeiroz S.A.: taking into consideration Net revenue from sales of products and/or services.

(3) Based on average equity, obtained by the arithmetic mean of the opening/quarterly and closing balances of equity

(4) Covers resources arising from operations:

- plus expenses from 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 debts from insurance operations and deferred selling expenses from insurance, pension plan and capitalization.

## FINANCIAL SERVICES AREA

### Banco Itaú Holding Financeira

Itaú's consolidated net income for the year amounted to R\$ 5,251 million, a growth of 39.1% as compared to the previous year.

Consolidated stockholders' equity totaled R\$ 15,560 million as of December 31, 2005, an 11.4% increase as compared to December 2004. Consequently, Itaú achieved a return on average equity (ROE) of 35.3% p.a. in 2005, a substantial improvement over the ratio of 29.2% obtained in 2004.

Total assets amounted to R\$ 151,241 million, a growth of 16.0% as compared to 2004. The return on total average assets (ROA) reached 3.7% p. a., an increase as compared to the 3.0% posted in 2004.

Itaú's strategic decision of strengthening the commercial activities of segments that have historically presented a modest performance, such as consumer credit and credit to very small, small and medium-sized companies, resulted in a solid expansion of its credit portfolio and changed the dynamics of its revenues throughout 2005.

### Credit Portfolio Development

R\$ millions

	2005	2004	Change %	
			Balance	%
<b>Non-mandatory loans</b>	<b>63,215</b>	<b>48,752</b>	<b>14,463</b>	<b>29.7</b>
<b>Individuals</b>	<b>28,691</b>	<b>18,272</b>	<b>10,419</b>	<b>57.0</b>
Credit card	7,216	5,150	2,066	40.1
Personal loans	10,320	6,926	3,394	49.0
Vehicles	11,155	6,196	4,959	80.1
<b>Businesses</b>	<b>34,524</b>	<b>30,480</b>	<b>4,044</b>	<b>13.3</b>
Corporations	21,740	20,762	978	4.7
Very small/small and medium-sized companies	12,784	9,718	3,066	31.6
<b>Mandatory loans</b>	<b>4,541</b>	<b>4,524</b>	<b>17</b>	<b>0.4</b>
Rural	2,653	2,627	26	1.0
Mortgage	1,888	1,897	(9)	(0.5)
<b>Total</b>	<b>67,756</b>	<b>53,276</b>	<b>14,480</b>	<b>27.2</b>

The loan portfolio, including guarantees and sureties, reached R\$ 67,756 million, an increase of 27.2% as compared to the previous year.

The portfolio of credit to individuals grew 57.0% during the year, amounting to R\$ 28,691 million in the end of the year. We highlight the performance of the vehicle loan, personal loan and credit card segments, which posted growths of 80.1%, 49.0% and 40.1%, respectively, in the year.

The credit portfolio comprising very small, small and medium-sized companies grew 31.6% in the year, totaling R\$ 12,784 million. Finally, the corporate credit segment totaled R\$ 21,740 million, posting an increase of 4.7% as compared to the previous year.

The revenue from services was also benefited by the new business dynamics associated with individual customers, account and non-account holders. Itaú kept a strict focus on cost management in 2005. In this period, it managed the need of making higher expenses not related to interest but to the structuring and consolidation of strategic initiatives represented by Itaucred and Orbitall operations, with processes and goals of cost streamlining and control that were implemented in recent years. As a result, Itaú reached high levels of productivity, evidenced by the development of its efficiency ratio, which reached 50.3%, as compared to 53.9% in 2004, even though we consider the costs associated with recent strategic initiatives.

Itaú employed 51,036 people at the end of 2005, an increase of 5,720 new employees, because of the expansion of its business, mainly in the consumer credit segment. Itaú's total service network totaled 4,348 units, comprising branches, service centers, and electronic service centers in companies as well as Taií stores, in addition to 22 thousand ATM units.

Itaú's investments in technology enabled a total of 2.6 billion transactions to be carried out through self-service automation, including ATMs, telephone calls, fax machines, Internet, automatic debit systems, and purchases with debit cards.

In 2005, the Itaú Vision was reviewed, and a new Code of Ethics was developed with the participation of representatives from all areas of the Bank.

In 2005, Itaú's ratings were raised by major international rating agencies: in the category of Financial Strength by Moody's and Individual, by Fitch Ratings. As a result, Itaú is the best Brazilian bank ranked in such categories, thus reflecting the Bank's strong financial performance associated with improvements in operating efficiency and solid profitability.

Itaú Holding was also recognized as the best Brazilian bank by Euromoney and Global Finance magazines, and the most ethical and best managed bank among top banks in Latin America by Latin Finance/Management & Excellence magazine.

In 2005, Itaú's preferred shares appreciated 46.5% and common shares, 47.0%. Accordingly, the market capitalization of Itaú, calculated based on the average price of preferred shares in December, reached R\$ 62,980 million in the end of the year.

Finally, one of the Bank's main intangible assets, the Itaú brand, has also appreciated in 2005, being once again considered the most valuable of Brazil. The value of Itaú brand is US\$ 1,342 million, an 11.7% increase as compared to 2004, according to the British consulting company Interbrand.

## Itaúsa Europa Investimentos

Itaúsa Europa Investimentos, the holding company that concentrates the conglomerate's banking investments in Europe, posted in 2005 net income of € 41.8 million and assets of € 2.9 billion, increases of 39.2% and 18.9%, respectively, in relation to 2004.

In 2005, Banco Itaú Europa, based in Lisbon, with a branch in London, a branch office in the Island of Madeira, and subsidiaries in the Cayman Islands and Luxembourg, strengthened its position in the international corporate segment, supporting the investments of multinational companies in Brazil and offering differentiated structures of international funding to Itaú's client base in Brazil comprising large and middle market companies.

Consolidated assets totaled € 2,916.2 million, a 19.8% increase as compared to 2004, while total assets under management, which includes own assets, irrevocable commitments and guarantees and managed assets, reached approximately € 6 billion.

In assets, we highlight the performance of corporate loan transactions, which reached € 1,062.7 million and were mainly composed of structured products, mostly associated with the financing of Brazilian exports. Itaú Europa has been operating in concert with the market segmentation structure dynamics of Itaú, by increasing its corporate client base, offering structured foreign trade and capital market products, and supporting the investments of European companies in Brazil.

Itaú Europa's consolidated net income reached € 42.2 million, a growth of 40.8% in relation to the € 30.0 million posted in 2004, while the banking product amounted to € 70.7 million – 47.4% higher than that posted in 2004. This result confirms, in addition to the stable contribution from the financial margin, the outstanding performance in the capital market, treasury and international private banking areas and the interest held in Banco BPI.

The return on average equity reached 12.6% and the efficiency ratio, 34.1%, while the solvency ratio (BIS Ratio), higher than 20%, is clearly above the 8% required by the banking supervision rules of Portugal and the European Union.

The Bank's investment grade status (Baa1 by Moody's and BBB+ by Fitch Ratings) has provided significant support for the diversification of funding through the issuance of medium- and long-term Eurobonds in the international capital market. At the end of 2005, the total amount of syndicated loans and securities issued in international markets by Itaú Europa reached € 966.1 million, taking into consideration that during the year it carried out several issuances which in total exceeded € 550 million, including the issuance of subordinated debt with a term of 10 years amounting to € 100 million. This transaction's success was also due to the support of the Bank's capital market desk in London.

The contribution of Banco Itaú Europa Luxemburgo to Itaú Europa's activities represented 27.4% and 21.5% of the overall banking output and net results, respectively, of Itaú Europa. Itaú Europa Luxemburgo maintained its policy of expanding its private client base, increasing and strengthening the range of products, funds, investment options and advisory services. At the end of 2005, managed assets exceeded US\$ 2.5 billion, with over 1,500 active clients.

Banco Itaú Europa holds 51% of the share that the Itaúsa Conglomerate owns in Banco BPI, which increased from 16.1% to 16.4% in the beginning of 2006. Banco BPI is the fourth largest Portuguese financial complex, and recorded consolidated assets of € 30.1 billion, stockholders' equity of € 1,492.8 million and net income of € 251 million at the end of 2005. Banco BPI achieved a significant improvement in its ratios, considering that the ROE increased to 23.5%, the solvency ratio grew from 9.8% in 2004 to 11.5% in 2005, and the efficiency ratio changed from 61.7% to 57.8%.



## INDUSTRIAL AND REAL ESTATE AREA

### Duratex

In 2005, the consolidated net revenues of Duratex reached R\$ 1,270.6 million, an increase of 7% over 2004. Exports totaled US\$ 62.5 million, an increase of 9% as compared to 2004. The operating cash generation, under the EBITDA concept, totaled R\$ 362.6 million, corresponding to an EBITDA margin of 28.5%, 13% higher than in 2004. Net income totaled R\$ 137.1 million, a 9% increase over 2004, resulting in a return of 13,46% on average stockholders' equity.

This performance is a result of cost and operating expense reduction initiatives and the improvement in the sales mix. The increased efficiency in inventory management had a positive impact on working capital and operating cash generation, which totaled R\$ 312.6 million, 63% higher than in 2004.

The net debt of Duratex totaled R\$ 357.1 million at the end of 2005, corresponding to 34% of stockholders' equity. The net debt/EBITDA ratio was 0.98, confirming the low financial leverage of the Company.

The Wood Division recorded a decrease of 1% in shipments as compared to 2004. The profitability of this division, taking into consideration that 20% of its revenue refers to exports, was hindered by the appreciation of real in relation to dollar. Accordingly, although the net revenue grew 7%, totaling R\$ 860.0 million, with the improvement of mix and prices, the operating performance measured by EBITDA improved by 4%, totaling R\$ 267.1 million. The EBITDA/net revenue ratio kept unchanged at 31% in relation to 2004. Exports reached US\$ 56.2 million, with fiberboard panels accounting for US\$ 41.3 million. In 2005, this Division launched 84 patterns and finishing accessories.

At the Deca Division, despite the 7% drop in volume shipped in relation to 2004, internal measures focused on cost and operating expense cutting and product repositioning permitted a strong improvement in operational results. The EBITDA grew 47%, totaling R\$ 95.5 million at the end of 2005. The EBITDA/net revenue ratio totaled 23%. This result is significant considering the net revenue growth of 8%, totaling R\$ 410.6 million.

Exports totaled US\$ 6.4 million, posting a growth of 36%. We highlight the exports of sanitary porcelain fixtures, which amounted to US\$ 4.7 million. As part of the strategy to divulge its brand abroad, Duratex participated in the main fairs of the industry, particularly the Kitchen and Bath fair in Las Vegas. In order to meet market demands, this division developed 35 special products and increased its base of commercial representatives. In the second half, it entered into an agreement for providing sanitary porcelain fixtures, based on the Order for Engineering Manufacturing (OEM) system, with a major company of this industry. This agreement's purpose is the sale of porcelain fixtures to the U.S. market and will be effective for two years, considering that this term can be extended. It is expected to generate sales amounting to approximately US\$ 3.6 million in 2006 and to reach US\$ 6.8 million per year as from 2007.

In 2005, the Deca Division launched 115 metal sanitary metal fixtures and 24 sanitary porcelain fixtures. Deca received several recognitions, of which we highlight the Pini and Anamaco Awards for its sanitary metal and porcelain fixtures, the Top Marcas Award and the Best Product Award granted by Revista Revenda & Construção to the Vogue Line's porcelain fixtures and Hydra Valve's metal fixtures.

### Itautec

In 2005, the gross revenue from sales and services of Itautec reached R\$ 1,691.4 million. The net income amounted to R\$ 46.5 million, a 106.4% increase as compared to 2004, representing a return on average stockholders' equity of 14.19%. The return on investment capital (ROIC) was 15.6%.

Gross revenue comprised R\$ 1,554.1 million from the domestic market and R\$ 137.3 million from the foreign market.

The EBITDA totaled R\$ 117.1 million, resulting in an EBITDA margin of 7.9%. The accumulated operating cash generation amounted to R\$ 181.1 million.

At the end of 2005, cash and cash equivalents and investments totaled R\$ 152.3 million and short and long-term financing reached R\$ 141.5 million.

Investments amounted to R\$ 111.0 million in the year, of which R\$ 48.6 million were invested in technology development.

In the Information Technology segment, composed of PCs and notebooks, sales of such products grew 49.4% and 22.6%, respectively.

Itautec launched a line of Servers comprising a broad range of types and options in line with the demand of the Brazilian market, with options for small and medium-sized companies. With this new line, the volume shipped grew 57.3% as compared to 2004.

In the Service area, the improvement in the operations focused on banking automation, business automation and self-service segments, in addition to the significant growth in Help-Desk operations, were fundamental to the growth of 18.6% in revenue.

The volume of products related to the Banking Automation segment dropped 53.9% in relation to 2004.

In the Business Automation segment, the volume grew 46.5%, especially in the fourth quarter. We highlight the sales of printers, tax-invoice printers (ECF) with thermal printing technology and recording of tax data in memory and Servers for stores of major retail chains.

The Self-Service market grew 26.2%, of which it is worth noting the SIGA (Integrated System of Service Management), which proved to be an effective solution for the Business and Banking Automation segments.

The Banking Automation segment accounted for 41% of exports, and self-service products, 34%, while the remaining 25% refers to software and business automation products.

In 2005, the business offices in Argentina and Mexico were opened.

#### Corporate Restructuring

As approved at the Extraordinary General Meeting of Stockholders held on July 29, 2005, the split-off of Itautec Philco S.A. was carried out, and a portion of its stockholders' equity was paid-in to incorporate Companhia Brasileira de Componentes S.A. – CIABRACO, the company to which the operations of memory and PCB encapsulation were transferred.

As provided for the Agreement for the Promise of Purchase and Sale entered into on August, 8, 2005, Gradiente Eletrônica S.A. purchased the assets related to the Philco operations (trademark, property, equipment and inventories). This transaction totaled R\$ 63.6 million, with accounting effects on Itautec's income statement corresponding to a profit of R\$ 3 million. On January 31, Gradiente paid the last installment provided for by such agreement, thus fully settling the liabilities arising therein.

#### Subsequent events

At the Stockholders' General Meeting, held on January 19, 2006, the change of the company's name was approved; accordingly, Itautec Philco S.A. – Grupo Itautec Philco became Itautec S.A. – Grupo Itautec. In this same occasion, the transfer of its head office was approved from Rua Javari nº 1155, Distrito Industrial, in the City of Manaus (AM), to Rua Santa Catarina nº 1, Prédio 2, Parque São Jorge, in the City of São Paulo (SP), and, consequently, the change relating to the newspapers in which the company shall publish its legal matters was approved as well.

#### Elekeiroz

In the chemical industry, the appreciation of the real was harmful to the domestic market, in view of the import of finished products mainly from China, and to the foreign market, due to the lack of attractive margins. The revenue in reais of the industrial use chemical products sector decreased 3% in the domestic market, an unprecedented event in the last ten years. The 45% and 25% rise in the international annual average prices of oil and naphtha caused significant increases in the petrochemical raw materials in the domestic market.

Elekeiroz total shipments decreased 5% in the year. The shipments of organic products decreased 14%, while the inorganic ones increased 4%. The organic products related to plasticizers posted a decrease of 19%. Among the factors that caused this reduction, the smaller availability of alcohols, due to the shutdown for maintenance of plants, should be emphasized. Exports decreased 43% in 2005, from 10% to 6% of the company's shipments. This result arises from the smaller supply of competitive raw materials.

Among the activities carried out in the Camaçari industrial complex, in the State of Bahia, the following should be highlighted:

- the new 2-ethyl hexanoic acid production unit with capacity of 10 thousand tons/year that uses own technology and idle equipment of the unit, the operations of which started in May;
- the new special boiler to burn liquid and gas wastes from production processes, which reduces the organic effluents to be treated and generates part of the steam consumed in the industrial plant;
- the streamlining, modernization, automation and expansion to 49 thousand annual tons of the plasticizers unit, completed in November, that permits safer operation, with greater productivity and less generation of effluents;
- the modernization, automation and expansion to 142 thousand tons/year of aldehydes of the oxo-alcohol plants, carried out during the shutdown for maintenance, which permits a better usage of these assets;
- the studies for reactivation with expansion and modernization of the maleic anhydride plant of the industrial unit.

The investments made at the Camaçari unit depend on the financial support of the Brazilian Development Bank – BNDES and Banco do Nordeste do Brasil – BNB. In 2005, R\$ 50 million were made available. In April, Elekeiroz performed, by means of incorporation of reserves, a capital increase in the amount of R\$ 25.0 million, as required by the BNDES.

At the Várzea Paulista unit, the following is noteworthy: the completion of the first expansion phase of the Polyester Resins plant; the technological strategic alliance with DSM Composite Resins AG, which permitted Elekeiroz to introduce new applications into market segments which demand more differentiated products; and investments in operating, safety and productivity improvements in other plants.

Together with Petrobrás, the first stage of the studies for implementation of a unit for acrylic acid, acrylates and super absorbing polymers was concluded. The beginning of the second stage is scheduled for the first quarter of 2006.

In the table below, we present the main performance indicators of Elekeiroz:

*R\$ million*

	2005	2004	Change %
Gross revenue	838	886	(5.4)
Net revenue	655	704	(7.0)
Export revenue	69	111	(37.8)
Operating result	53	93	(43.0)
Net profit	43	71	(39.4)
Net equity	318	287	10.8
EBITDA	82	126	(34.9)
Annualized return on average stockholders' equity (%)	14.1	27.2	-

### Itaúsa Empreendimentos

In 2005, the real estate sector posted the best result in the last five years. The increase in credit contributed to the growth of the number of units sold.

The construction of Ville Belle Époque, a residential condominium with luxury apartments, developed in partnership with Construtora Líder, was completed in the fourth quarter. 80% of the development units have already been sold.

The construction of Jardins do Portal residential condominium, developed in partnership with Construtora Líder, was completed and the units were delivered in the fourth quarter. The development was totally sold.

The Place Saint Germain, a private condominium of prime houses in the Alto da Boa Vista district, was developed in partnership with AK Realty. The construction is in the final phase.

The search for new office spaces was positive, reducing the vacancy rate in the sector. This result adversely affected the improvement in rental prices.

The constant improvement of the store mix of Raposo Shopping stores has provided growth in sales, in line with the performance of the retail sector.

## HUMAN CAPITAL MANAGEMENT

Human capital management is a constant point of attention of the Itaú Conglomerate, which in the aggregate employed 62,128 at the end of 2005. In the period, investments in education, training and development programs totaled R\$ 60 million. Personnel compensation, including charges and benefits, totaled R\$ 3,966 million. The social benefits given to the employees and their dependants totaled R\$ 694 million and encompass supplementary retirement, meals, health and dental care, social assistance services, scholarships, leisure, sports and cultural activities, loans at subsidized interest rates, insurance, transportation vouchers, donations and special grants.

## SUSTAINABILITY AND CORPORATE GOVERNANCE

In 2005, Itaú's companies continued to implement corporate governance practices that aim at generating value to the several stakeholders to which it relates.

Once again, Itaú was selected as one of the companies that make up the Dow Jones Sustainability World Index (DJSWI), and it is the only Latin American bank in this Index that evaluates companies' corporate sustainability.

Itaú and Itaúsa were selected to be part of the theoretical portfolio of the Business Sustainability Index of Bovespa (ISE). ISE was created as a benchmark for socially responsible investments and to encourage good practices in the Brazilian business environment.

In Itaú, the Compensation Committee was created with the purpose of defining the compensation policy for the senior management of Itaú and its subsidiaries. In addition, the Material Information Disclosure Committee and the Securities Trading Committee were upgraded to statutory status at the Annual General Meeting of Stockholders held in 2005.

Duratex joined the Level 1 of Differentiated Corporate Governance Practices of the São Paulo Stock Exchange (Bovespa). In June, it carried out a 1:200 reverse split of its shares. This transaction resulted in a trading unit and minimum lot that are more accessible to non-corporate investors.

In 2005, six Committees were formed with the participation of executives from the industrial companies of Itaúsa Conglomerate – Duratex, Itaútec and Elekeiroz. The Corporate Intelligence, Risks and Ethics, Corporate Governance, Talent Management, Operating Excellence and Commercial Excellence Committees aim at disseminating the best practices adopted by the Conglomerate's industrial companies, promoting the capture of synergies, reducing costs and adding value to the shareholders.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Important initiatives reflected Itaú's concern for social and environmental responsibility. Among the main initiatives we highlight the creation of the Social and Environmental Responsibility Executive Committee and Commission, which are responsible for determining and implementing the Bank's social and environmental responsibility policy. Another initiative worth mentioning is the adoption of a methodology that includes social and environmental assessment criteria when evaluating the financing projects of medium-sized companies.

In 2005, Itaú launched the Corporate Liaison Office to widen its customer services network. It also launched the campaign "O Itaú quer ouvir você" ("Itaú wants to hear from you"), with the purpose of stimulating and divulging the communication channels to customers, continued the program of "conscious use of credit", and launched socially responsible products such as PIC Natureza.

With respect to social and cultural investments, the initiatives of Fundação Itaú Social and Instituto Itaú Cultural are worth mentioning. The programs of Instituto Itaú Cultural totaled R\$ 26 million. The Rumos (Directions) Program received over 1,500 applications for Visual Arts and Cultural and Art Education. Noteworthy are also the "O Corpo na Arte Contemporânea Brasileira" (The Body in Brazilian Contemporary Art) and "Cinético Digital" exhibits, which were visited by over 130 thousand people. Fundação Itaú Social invested R\$ 22 million in own projects and over 100 partnerships and sponsorships of institutions which have social initiatives that are aligned with its principles. Noteworthy are the sixth edition of the Itaú-Unicef Award, with 1,682 participant projects and the first edition of the Itaú Support to Entrepreneurs Award, with applications of 44 Civil Society Organizations of Public Interest (OSCIPs) that work with micro credit.

Among the Duratex's initiatives, noteworthy is the Tide Setubal Cabinetry School, maintained in partnership with Senai (National Service for Industrial Apprenticeship) and the Local Government of Agudos (SP), with the purpose of preparing woodworkers and developing a furniture manufacturing center in the region. Other Company actions which should be mentioned are: the Área de Vivência Ambiental Piatan (Piatan Environment Experience Area) in Agudos, which received over 6,600 visits in 2005; the Programa de Voluntariado Embarque Nessa ("Board Here Volunteer Program"), which, in 2005, focused on education through actions for reducing the illiteracy level in Brazil; and the Programa Planeta Água, Mata Atlântica e Paisagens (Water Planet, Atlantic Forest and Landscapes Program), addressing the environmental awareness of children from 8 to 12 years old.

Regarding Duratex's actions focused on the environment, the following are noteworthy: certification and recertification of forest areas, purchase of filters, atmospheric emission control equipment, and expenditures for the destination of wastes and recovery of materials. The Company owns approximately 90 thousand hectares of land with pine and eucalyptus forests, to assure self-sufficiency and sustainability in the supply of wood.

With respect to Itaútec, we highlight the donation of microcomputers and notebooks to the São Paulo Symphony Orchestra through the tax incentives provided for by the Rouanet Law. In addition, the Company will sponsor the 2006 season of the Orchestra. In order to promote environmental awareness among its employees, clients, local community and visitors of the Piqueri Park, Itaútec distributed 6,500 wild flower seeds to highlight the arrival of spring.

At Elekeiroz, the installation of a special boiler, already in operation at the Camaçari plant, should be emphasized. This initiative made it possible to collect and send for burning all emissions of heavy liquid effluents and gases. By burning these wastes, thus helping to preserve the environment, the boiler generates part of the steam required to operate the plants, with savings for the whole system. At the Várzea Paulista plant, a post-reactor is being implemented at the phthalic-anhydride plant, which will increase the conversion of raw material into products, reduce to zero the gas emissions, and improve the final quality of the finished product.

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

The policy of Itaúsa – Investimentos Itaú S.A., its subsidiary companies and group companies for the engagement of non-audit services from our current independent auditors is based on internationally accepted principles of preserving the independence of the auditor. According to these principles, an auditor cannot: (a) audit his or her own work, (b) perform management functions or (c) act as an advocate for the client.

During the period, PricewaterhouseCoopers Auditores Independentes was engaged by Banco Itaú Holding Financeira S.A. to provide audit related services to enable compliance with the rules set forth by the Sarbanes Oxley Act, Section 404, in the amount of R\$ 1,764,000, which represents 11.0% of total fees.

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

#### **ACKNOWLEDGEMENTS**

We thank our shareholders for their support and trust, which we seek to repay by obtaining differentiated results. We also thank our companies' clients for their loyalty and we reinforce our commitment to offer high-quality products and services. We express our special thanks to our employees for their work and effort, which have provided us with the sustainable growth of our business.

**(Approved at the Meeting of the Board of Directors on March 6, 2006)**

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

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-chairman**

MARIA DE LOURDES EGYDIO VILLELA

#### **Members**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JOSÉ CARLOS MORAES ABREU

PAULO SETUBAL

### **FISCAL BOARD**

#### **President**

JOSÉ MARCOS KONDER COMPARATO

#### **Members**

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA

#### **Accountant**

REGINALDO JOSÉ CAMILO

CT-CRC-1SP - 114.497/O – 9

### **EXECUTIVE BOARD**

#### **President and Chief Executive Officer**

OLAVO EGYDIO SETUBAL

#### **Managing Vice-Presidents - Executive**

JAIRO CUPERTINO

ROBERTO EGYDIO SETUBAL

#### **Executive Directors**

HENRI PENCHAS

LUIZ DE CAMPOS SALLES

### **SECURITIES TRADING COMMITTEE**

HENRI PENCHAS

ALFREDO EGYDIO ARRUDA VILLELA FILHO

PAULO SETUBAL

### **MATERIAL INFORMATION DISCLOSURE COMMITTEE**

HENRI PENCHAS

ALFREDO EGYDIO ARRUDA VILLELA FILHO

PAULO SETUBAL

## BANCO ITAÚ HOLDING FINANCEIRA S.A.

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-Chairmen**

ALFREDO EGYDIO ARRUDA VILLELA FILHO  
 JOSÉ CARLOS MORAES ABREU  
 ROBERTO EGYDIO SETUBAL

#### **Members**

ALCIDES LOPES TÁPIAS  
 CARLOS DA CAMARA PESTANA  
 FERNÃO CARLOS BOTELHO BRACHER  
 HENRI PENCHAS  
 JOSÉ VILARASAU SALAT  
 MARIA DE LOURDES EGYDIO VILLELA  
 PERSIO ARIDA  
 ROBERTO TEIXEIRA DA COSTA  
 SERGIO SILVA DE FREITAS  
 TEREZA CRISTINA GROSSI TOGNI

### **EXECUTIVE BOARD**

#### **Chief Executive Officer**

ROBERTO EGYDIO SETUBAL

#### **Senior Vice-President**

HENRI PENCHAS

#### **Executive Vice-Presidents**

ALFREDO EGYDIO SETUBAL  
 CANDIDO BOTELHO BRACHER

#### **Legal Counsel**

LUCIANO DA SILVA AMARO

#### **Executive Directors**

RODOLFO HENRIQUE FISCHER  
 SÍLVIO APARECIDO DE CARVALHO

#### **Managing Directors**

JACKSON RICARDO GOMES  
 MARCO ANTONIO ANTUNES  
 VILSON GOMES DE BRITO

#### **Deputy Managing Director**

WAGNER ROBERTO PUGLIESI

### **INTERNATIONAL ADVISORY BOARD**

ROBERTO EGYDIO SETUBAL  
 ARTUR EDUARDO BROCHADO DOS SANTOS SILVA  
 CARLOS DA CAMARA PESTANA  
 FERNÃO CARLOS BOTELHO BRACHER  
 HENRI PENCHAS  
 JOSÉ CARLOS MORAES ABREU  
 JULIO LAGE GONZALEZ  
 MARIA DE LOURDES EGYDIO VILLELA  
 ROBERTO TEIXEIRA DA COSTA  
 RUBENS ANTONIO BARBOSA  
 SERGIO SILVA DE FREITAS

### **ADVISORY BOARD**

FERNANDO DE ALMEIDA NOBRE NETO  
 LÍCIO MEIRELLES FERREIRA  
 LUIZ EDUARDO CAMPELLO

### **COMPENSATION COMMITTEE**

#### **President**

OLAVO EGYDIO SETUBAL

#### **Members**

CARLOS DA CAMARA PESTANA  
 FERNÃO CARLOS BOTELHO BRACHER  
 JOSÉ CARLOS MORAES ABREU  
 ROBERTO EGYDIO SETUBAL  
 ROBERTO TEIXEIRA DA COSTA

### **AUDIT COMMITTEE**

#### **President**

CARLOS DA CAMARA PESTANA

#### **Effective Members**

ALCIDES LOPES TÁPIAS  
 TEREZA CRISTINA GROSSI TOGNI

### **SECURITIES TRADING COMMITTEE**

ALCIDES LOPES TÁPIAS  
 ALFREDO EGYDIO ARRUDA VILLELA FILHO  
 ALFREDO EGYDIO SETUBAL  
 ANTONIO CARLOS BARBOSA DE OLIVEIRA  
 HENRI PENCHAS  
 MARIA ELIZABETE VILAÇA LOPES AMARO  
 ROBERTO TEIXEIRA DA COSTA  
 SÍLVIO APARECIDO DE CARVALHO

### **MATERIAL INFORMATION DISCLOSURE COMMITTEE**

ALCIDES LOPES TÁPIAS  
 ALFREDO EGYDIO ARRUDA VILLELA FILHO  
 ALFREDO EGYDIO SETUBAL  
 ANTONIO CARLOS BARBOSA DE OLIVEIRA  
 ANTÔNIO JACINTO MATIAS  
 HENRI PENCHAS  
 MARIA ELIZABETE VILAÇA LOPES AMARO  
 ROBERTO TEIXEIRA DA COSTA  
 SÍLVIO APARECIDO DE CARVALHO  
 TEREZA CRISTINA GROSSI TOGNI

### **FISCAL BOARD**

#### **President**

GUSTAVO JORGE LABOISSIERE LOYOLA

#### **Members**

FERNANDO ALVES DE ALMEIDA  
 IRAN SIQUEIRA LIMA

## DURATEX S.A.

### BOARD OF DIRECTORS

#### Chairman

OLAVO EGYDIO SETUBAL

#### Vice-Chairmen

LAERTE SETUBAL FILHO  
MARIA DE LOURDES EGYDIO VILLELA  
PAULO SETUBAL

#### Members

ALFREDO EGYDIO ARRUDA VILLELA FILHO  
JAIRO CUPERTINO  
JOSÉ CARLOS MORAES ABREU  
OLAVO EGYDIO SETUBAL JÚNIOR

### FISCAL BOARD

#### President

PAULO RICARDO MORAES AMARAL

#### Members

IRAN SIQUEIRA LIMA  
WILTON DE MEDEIROS DAHER

### BOARD OF DIRECTORS

#### President

PAULO SETUBAL

#### Executive Managing Vice-Presidents

GUILHERME ARCHER DE CASTILHO  
PLINIO DO AMARAL PINHEIRO (\*)  
RAUL PENTEADO  
(\*) Investor Relations Director

#### Executive Directors

CARLOS ALBERTO TENÓRIO NOBRE  
ENRIQUE JUDAS MANUBENS  
JOSÉ ROBERTO REFINETTI GUIDI  
MÁRIO COLOMBELLI FILHO

#### Directors

ALEXANDRE COELHO NETO DO NASCIMENTO  
ANTONIO JOAQUIM DE OLIVEIRA  
ANTONIO MASSINELLI  
FLÁVIO DIAS SOARES

## ITAUTEC PHILCO S.A. - GRUPO ITAUTEC PHILCO

### BOARD OF DIRECTORS

#### Chairman

OLAVO EGYDIO SETUBAL

#### Vice-Chairman

JOSÉ CARLOS MORAES ABREU

#### Members

ALFREDO EGYDIO ARRUDA VILLELA FILHO  
JAIRO CUPERTINO  
PAULO SETUBAL  
RENATO ROBERTO CUOCO  
RICARDO EGYDIO SETUBAL

### EXECUTIVE BOARD

#### Chief Executive Officer

PAULO SETUBAL

#### Manager Director

GUILHERME ARCHER DE CASTILHO

#### Executive Managing Vice-Presidents

CLÁUDIO VITA FILHO  
JESUS FRANCISCO RAMON BARREIRO BOELLE  
RAUL PENTEADO DE OLIVEIRA NETO  
RICARDO EGYDIO SETUBAL

#### Executive Director

WILTON RUAS DA SILVA

#### Managing Director

JOSÉ RENATO SÁTIRO SANTIAGO

## ELEKEIROZ S.A.

### BOARD OF DIRECTORS

#### Chairman

OLAVO EGYDIO SETUBAL

#### Vice-Chairmen

ALFREDO EGYDIO ARRUDA VILLELA FILHO  
JOSÉ CARLOS MORAES ABREU  
PAULO SETUBAL

#### Members

CESAR CALVO HUIDOBRO  
EDGARDO DE AZEVEDO SOARES NETO  
RAUL PENTEADO DE OLIVEIRA NETO  
REINALDO RUBBI

### EXECUTIVE BOARD

#### Chief Executive Officer

PAULO SETUBAL

#### Managing Director

REINALDO RUBBI

#### Directors

CARLOS CALVO SANZ  
JULIÃO DE SOUZA ESCUDERO  
RICARDO JOSÉ BARALDI



## ITAÚSA EUROPA - INVESTIMENTOS SGPS LDA.

### **MANAGING BOARD**

ALMIR VIGNOTO (Delegate Manager)  
CARLOS DA CAMARA PESTANA  
HENRI PENCHAS  
JOSÉ CARLOS MORAES ABREU  
JOSÉ FRANCISCO CLARO  
MARIA DE LOURDES EGYDIO VILLELA  
OLAVO EGYDIO SETUBAL  
PAULO SETUBAL NETO  
ROBERTO EGYDIO SETUBAL

## BANCO ITAÚ EUROPA, S.A.

### **BOARD OF DIRECTORS**

#### **Chairman**

ROBERTO EGYDIO SETUBAL

#### **Vice-Chairman**

CARLOS DA CAMARA PESTANA

#### **Board Members**

ALFREDO EGYDIO SETUBAL  
ALMIR VIGNOTO  
CANDIDO BOTELHO BRACHER  
HENRI PENCHAS  
JEAN MARTIN SIGRIST JÚNIOR  
JORGE ALBERTO O. V. JARDIM GONÇALVES  
JOSÉ FRANCISCO CLARO  
RENATO ROBERTO CUOCO  
ROBERTO MASSARU NISHIKAWA

### **EXECUTIVE COMMISSION OF THE BOARD OF DIRECTORS**

#### **President**

ALMIR VIGNOTO

#### **Board Members**

JOSÉ FRANCISCO CLARO  
JORGE ALBERTO O. V. JARDIM GONÇALVES  
JEAN MARTIN SIGRIST JÚNIOR  
ROBERTO MASSARU NISHIKAWA

### **FISCAL BOARD**

#### **President**

JOSÉ MATA SOUSA MENDES

#### **Board Members**

JOÃO MANUEL RICARDO CATARINO  
PRICEWATERHOUSECOOPERS & ASSOCIADOS, SOCIEDADE  
DE REVISORES OFICIAIS DE CONTAS, LDA.

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

(In thousands of reais)

ASSETS	12/31/2005	12/31/2004
<b>Current assets</b>	<b>116,247,503</b>	<b>101,660,453</b>
<b>Cash and cash equivalents</b>	<b>2,193,878</b>	<b>2,035,381</b>
<b>Interbank investments (Notes 4a and 5)</b>	<b>22,085,184</b>	<b>19,147,670</b>
<b>Securities and derivative financial instruments (Notes 4b, 4c and 6)</b>	<b>25,778,767</b>	<b>21,207,032</b>
Securities	10,296,725	9,992,499
Derivative financial instruments	2,584,174	1,703,281
Guarantor Resources of Technical Provision - Funds quotas of PGBL/VGBL (Note 11b)	10,214,972	6,917,731
Guarantor Resources of Technical Provision - Other securities (Note 11b)	2,682,896	2,593,521
<b>Interbank accounts of subsidiaries</b>	<b>13,344,128</b>	<b>10,616,762</b>
<b>Loan, leasing operations and other credits (Notes 4d, 4e and 7)</b>	<b>36,896,491</b>	<b>31,160,853</b>
Operations with Credit Assignment Characteristics	40,237,298	32,721,041
(-) Allowance for loan losses	(3,340,807)	(1,560,188)
<b>Inventories (Notes 4f and 8)</b>	<b>457,846</b>	<b>507,103</b>
Products	439,039	488,202
Real estate	18,807	18,901
<b>Other credits</b>	<b>14,605,699</b>	<b>16,303,764</b>
Foreign exchange portfolio (Note 9)	6,513,942	9,154,031
Tax credits (Note 15b)	2,390,304	1,711,056
Sundry (Note 13a)	5,790,591	5,525,471
(-) Allowance for loan losses (Note 4e and 7b)	(89,138)	(86,794)
<b>Other assets (Notes 4g and 13b)</b>	<b>283,287</b>	<b>269,911</b>
<b>Prepaid expenses (Notes 4h and 13c)</b>	<b>602,223</b>	<b>411,977</b>
<b>Long-term receivables</b>	<b>34,469,288</b>	<b>27,944,646</b>
<b>Interbank investments (Notes 4a and 5)</b>	<b>830,576</b>	<b>640,027</b>
<b>Securities and derivative financial instruments (Notes 4b, 4c and 6)</b>	<b>8,116,796</b>	<b>8,708,194</b>
Securities	6,514,498	7,514,026
Derivative financial instruments	661,802	316,079
Guarantor Resources of Technical Provision - Other securities (Note 11b)	940,496	878,089
<b>Interbank accounts of subsidiaries</b>	<b>362,834</b>	<b>261,497</b>
<b>Loan, leasing operations and other credits (Notes 4d, 4e and 7)</b>	<b>19,631,902</b>	<b>13,192,658</b>
Operations with Credit Assignment Characteristics	20,398,271	14,686,025
(-) Allowance for loan losses	(766,369)	(1,493,367)
<b>Other credits</b>	<b>4,677,648</b>	<b>4,629,925</b>
Foreign exchange portfolio (Note 9)	-	5,263
Tax credits (Note 15b)	1,422,380	1,659,371
Sundry (Note 13a)	3,255,268	2,965,291
<b>Other assets (Notes 4g and 13b)</b>	<b>-</b>	<b>3,481</b>
<b>Prepaid expenses (Notes 4h and 13c)</b>	<b>849,532</b>	<b>508,864</b>
<b>Permanent assets (Note 16)</b>	<b>4,428,812</b>	<b>4,627,885</b>
<b>Investments (Notes 4i and 16a)</b>	<b>764,418</b>	<b>928,451</b>
Investment in affiliates	589,620	775,225
Other investments	174,798	153,226
<b>Fixed assets (Notes 4j and 16b)</b>	<b>3,321,602</b>	<b>3,399,342</b>
Property for own use	7,802,476	7,494,336
Leased properties	120,478	138,082
Forest reserves	98,011	88,769
(Accumulated depreciation)	(4,699,363)	(4,321,845)
<b>Deferred assets (Notes 4k and 16b)</b>	<b>342,792</b>	<b>300,092</b>
Costs with organization and expansion	857,603	770,805
(Accumulated amortization)	(514,811)	(470,713)
<b>TOTAL ASSETS</b>	<b>155,145,603</b>	<b>134,232,984</b>

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

(In thousands of Reais)

LIABILITIES	12/31/2005	12/31/2004
<b>Current liabilities</b>	<b>86,783,477</b>	<b>83,459,327</b>
<b>Funds raised by subsidiaries (Notes 4a and 10)</b>	<b>60,770,859</b>	<b>58,116,784</b>
Foreign currency	3,369,250	5,352,777
Domestic currency	47,131,633	42,258,548
Open market	10,269,976	10,505,459
<b>Subordinated debts (Notes 4a and 10)</b>	<b>72,744</b>	<b>67,456</b>
<b>Financial instruments and derivatives (Notes 4c e 6)</b>	<b>2,077,470</b>	<b>1,091,296</b>
<b>Borrowings (Notes 4a and 10)</b>	<b>278,153</b>	<b>473,156</b>
Foreign currency	119,229	299,677
Domestic currency	158,924	173,479
<b>Statutory and social contributions</b>	<b>1,743,297</b>	<b>1,363,604</b>
<b>Taxes and social security contributions (Note 15c)</b>	<b>1,981,419</b>	<b>1,457,421</b>
<b>Other liabilities</b>	<b>16,095,720</b>	<b>17,344,531</b>
Foreign exchange portfolio (Note 9)	6,634,460	9,400,086
Credit card operations	5,304,011	3,675,329
Securitization of foreign payment orders (Notes 4a and 10)	105,306	526,710
Sundry (Note 13d)	4,051,943	3,742,406
<b>Interbank accounts of subsidiaries</b>	<b>1,042,933</b>	<b>1,078,234</b>
<b>Technical provisions for insurance, pension plan and capitalization (Notes 4l and 11a)</b>	<b>2,720,882</b>	<b>2,466,845</b>
<b>Long-term liabilities</b>	<b>49,481,336</b>	<b>33,483,401</b>
<b>Funds raised by subsidiaries (Notes 4a and 10)</b>	<b>25,822,383</b>	<b>13,881,322</b>
Foreign currency	5,059,940	3,911,784
Domestic currency	9,004,141	4,376,579
Open market	11,758,302	5,592,959
<b>Subordinated debts (Notes 4a and 10)</b>	<b>4,511,677</b>	<b>4,697,884</b>
<b>Financial instruments and derivatives (Notes 4c e 6)</b>	<b>378,462</b>	<b>114,403</b>
<b>Borrowings (Notes 4a and 10)</b>	<b>344,541</b>	<b>216,579</b>
Foreign currency	162,204	42,242
Domestic currency	182,337	174,337
<b>Taxes and social security contributions (Note 15c)</b>	<b>3,739,339</b>	<b>2,737,871</b>
<b>Other liabilities</b>	<b>2,766,282</b>	<b>3,279,114</b>
Foreign exchange portfolio (Note 9)	-	5,260
Securitization of foreign payment orders (Notes 4a and 10)	1,180,029	1,376,317
Sundry (Note 13d)	1,586,253	1,897,537
<b>Technical provisions for insurance, pension plan and capitalization (Notes 4l and 11a)</b>	<b>11,918,652</b>	<b>8,556,228</b>
<b>Deferred income</b>	<b>116,452</b>	<b>91,379</b>
<b>Minority interest</b>	<b>9,010,494</b>	<b>8,319,458</b>
<b>Stockholders' equity from parent company (Note 17)</b>	<b>9,753,844</b>	<b>8,879,419</b>
Capital (Note 17a)	5,000,000	3,800,000
Capital reserves	28,423	27,560
Revaluation reserves	49,392	50,673
Revenue reserves	4,961,334	4,849,453
Adjustment to market value - securities and derivatives (Notes 4b, 4c and 6a)	148,886	244,820
(-) Treasury shares	(434,191)	(93,087)
<b>Stockholders' equity of the Itaúsa conglomerate</b>	<b>18,764,338</b>	<b>17,198,877</b>
<b>TOTAL LIABILITIES</b>	<b>155,145,603</b>	<b>134,232,984</b>

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**CONSOLIDATED STATEMENT OF INCOME**

(In thousands of Reais)

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>OPERATING REVENUE</b>	<b>39,400,371</b>	<b>33,775,017</b>
Sales of products and services	11,006,545	9,405,211
Insurance, pension plan and capitalization (Note 11c)	6,843,848	6,368,403
Financial	14,170,695	10,066,082
Financial revenues of insurance, pension plan and capitalization (Note 11c)	1,893,555	1,293,016
Securities	4,973,050	6,222,412
Equity in the earnings of subsidiaries (Note 16aIII)	(13,469)	109,341
Other operating revenues (Note 13e)	526,147	310,552
<b>OPERATING EXPENSES</b>	<b>(30,415,601)</b>	<b>(25,898,239)</b>
Cost of products and services	(2,428,939)	(2,414,212)
Insurance, pension plan and capitalization (Note 11c)	(6,047,223)	(5,587,954)
Equity	(3,401,976)	(1,495,272)
Administrative	(8,247,345)	(6,989,653)
Management fees	(208,808)	(142,332)
Financial	(5,030,389)	(5,311,129)
Financial expenses on technical provisions for pension plan and capitalization (Note 11c)	(1,510,000)	(967,065)
Other operating expenses (Note 13f)	(3,540,921)	(2,990,622)
<b>OPERATING INCOME</b>	<b>8,984,770</b>	<b>7,876,778</b>
<b>NON-OPERATING RESULT (Note 13 g)</b>	<b>36,507</b>	<b>20,958</b>
<b>INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING</b>	<b>9,021,277</b>	<b>7,897,736</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Notes 4n and 15aI)</b>	<b>(2,566,852)</b>	<b>(2,175,910)</b>
Due on operations for the period	(2,146,876)	(1,558,785)
Deferred related to temporary differences	(419,976)	(617,125)
<b>EXTRAORDINARY RESULT ( NOTE 14)</b>	<b>(770,512)</b>	<b>(1,264,273)</b>
Parent company	(667,300)	(684,380)
Relating to minority interest in subsidiaries	(103,212)	(579,893)
<b>PROFIT SHARING</b>	<b>(513,997)</b>	<b>(388,164)</b>
Employees - Law 10,101 of 12/19/2000 (Note 21d)	(372,217)	(292,168)
Directors - Statutory - Law 6,404 of 12/15/1976	(141,780)	(95,996)
<b>NET INCOME RELATING TO MINORITY INTEREST IN SUBSIDIARIES</b>	<b>(2,872,743)</b>	<b>(2,106,997)</b>
<b>NET INCOME OF PARENT COMPANY</b>	<b>2,297,173</b>	<b>1,962,392</b>
Net income relating to minority interest in subsidiaries	2,872,743	2,106,997
<b>NET INCOME OF ITAÚSA CONGLOMERATE</b>	<b>5,169,916</b>	<b>4,069,389</b>
NUMBER OF OUTSTANDING SHARES - in thousands (Note 17a)	3,176,014	3,224,559
NET INCOME OF PARENT COMPANY PER THOUSAND SHARES - R\$	723.29	608.58
BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES - R\$	3,071.10	2,753.68

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

( In thousands of Reais )

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>A- FINANCIAL RESOURCES WERE PROVIDED BY</b>	<b>22,289,350</b>	<b>10,862,738</b>
NET INCOME FOR THE YEAR	2,297,173	1,962,392
Items not representing movement of net working capital		
Minority interest	2,872,743	2,106,997
Depreciation and amortization	708,559	718,927
Equity in the earnings of subsidiaries, net of received dividends	58,623	(51,586)
Extraordinary result in subsidiary and affiliated companies	132,572	1,442,394
Allowance for losses	2,731	(7,259)
Foreign exchange variation of permanent assets	(27,093)	13,106
ADJUSTED NET INCOME	6,045,308	6,184,971
<b>FINANCIAL RESOURCES FROM STOCKHOLDERS</b>	<b>100,328</b>	<b>159,112</b>
Capital increase	100,000	158,500
Premiums on share subscription	328	612
<b>FINANCIAL RESOURCES FROM THIRD PARTIES</b>	<b>16,143,714</b>	<b>4,518,655</b>
Increase in long-term liabilities	16,028,170	4,506,527
Cost of disposed permanent assets	65,492	44,255
Cost of investment disposals	24,979	30,786
Write-offs and transfers of deferred assets	-	5,624
Change in deferred income	25,073	(68,537)
<b>B- FINANCIAL RESOURCES WERE USED FOR</b>	<b>11,026,450</b>	<b>4,186,950</b>
Increase in long-term receivables	6,478,913	224,540
Adjustment to market value - securities and derivatives - subsidiary companies	95,934	42,726
Purchased properties and other assets	611,746	627,483
Investments in the period	33,102	40,798
Increase in deferred assets	144,837	106,006
Goodwill on the acquisition of investments	200,000	1,398,917
Acquisition of shares to be held in treasury	434,191	138,763
Dividends paid to minority stockholders	1,021,724	777,832
Dividends proposed	891,786	696,775
Change in minority stockholders, net	1,114,217	133,110
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)</b>	<b>11,262,900</b>	<b>6,675,788</b>
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL</b>	<b>11,262,900</b>	<b>6,675,788</b>
<b>At the beginning of the year</b>	<b>18,201,126</b>	<b>11,525,338</b>
Current assets	101,660,453	89,959,199
Current liabilities	83,459,327	78,433,861
<b>At the end of the year</b>	<b>29,464,026</b>	<b>18,201,126</b>
Current assets	116,247,503	101,660,453
Current liabilities	86,783,477	83,459,327

## ITAÚSA - INVESTIMENTOS ITAÚ S.A.

## BALANCE SHEET

(In thousands of Reais)

ASSETS	12/31/2005	12/31/2004
<b>Current assets</b>	<b>1,211,452</b>	<b>1,017,113</b>
Cash and cash equivalents	128	193
Securities	384,617	491,191
Interest on own capital	620,050	423,408
Taxes to offset	205,788	101,090
Other assets	869	1,231
<b>Long-term receivables</b>	<b>10,920</b>	<b>98,678</b>
Securities	32	31
Loans granted	-	91,630
Other assets	10,888	7,017
<b>Permanent assets</b>	<b>9,888,523</b>	<b>8,775,581</b>
Investments		
Investments in subsidiaries (Note 16a)	9,874,798	8,760,886
Other investments	4,122	4,225
Fixed assets	9,603	10,470
<b>TOTAL ASSETS</b>	<b>11,110,895</b>	<b>9,891,372</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>868,005</b>	<b>591,490</b>
Dividends payable	640,082	514,075
Tax and social security	224,175	72,945
Other liabilities	3,748	4,470
<b>Long-term liabilities</b>	<b>8,754</b>	<b>5,160</b>
Tax liabilities	8,754	5,160
<b>Stockholders' equity (Note 17)</b>	<b>10,234,136</b>	<b>9,294,722</b>
Capital (Note 17a)	5,000,000	3,800,000
Capital reserves	28,423	27,560
Revaluation reserves	49,392	50,673
Revenue reserves (Note 17c)	5,441,626	5,264,756
Adjustment to market value - securities and derivatives (Notes 4b, 4c and 6a)	148,886	244,820
(-) Treasury shares	(434,191)	(93,087)
<b>TOTAL LIABILITIES</b>	<b>11,110,895</b>	<b>9,891,372</b>

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

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>OPERATING INCOME</b>	<b>3,231,215</b>	<b>2,730,809</b>
Financial	13,841	18,004
Securities	570,889	250,433
Investment in subsidiaries (Note 16a)	2,643,490	2,459,846
Other operating income	2,995	2,526
<b>OPERATING EXPENSES</b>	<b>(138,249)</b>	<b>(97,175)</b>
Equity	(886)	(903)
Administrative	(20,359)	(20,994)
Management fees	(4,925)	(4,631)
Other operating expenses	(112,079)	(70,647)
<b>OPERATING RESULT</b>	<b>3,092,966</b>	<b>2,633,634</b>
<b>NON-OPERATING RESULT</b>	<b>3,047</b>	<b>(13,555)</b>
<b>INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING</b>	<b>3,096,013</b>	<b>2,620,079</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Nota 15a)</b>	<b>(144,819)</b>	<b>(13,036)</b>
Due on operations for the period	(70,761)	(13,036)
Relating to temporary differences	(74,058)	-
<b>EXTRAORDINARY RESULT (Note 14)</b>	<b>(585,574)</b>	<b>(114,871)</b>
<b>PROFIT SHARING</b>	<b>(3,914)</b>	<b>(3,558)</b>
Directors - Statutory - Law 6,404 of 12/15/1976	(3,914)	(3,558)
<b>NET INCOME</b>	<b>2,361,706</b>	<b>2,488,614</b>
NUMBER OF OUTSTANDING SHARES (In thousands) (Note 17)	3,176,014	3,224,559
NET INCOME PER THOUSAND SHARES (R\$)	743.61	771.77
BOOK VALUE PER THOUSAND SHARES (R\$)	3,222.32	2,882.48

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE 17)**  
*( In thousands of Reais )*

	Capital	Capital reserves			Revaluation reserves	Revenue reserves		Adjustment to market value - securities and derivatives	Treasury shares	Retained earnings	Total
		Monetary correction - Law 8200	Premium on subscription of shares	Options for tax incentives		Legal	Statutory				
<b>At December 31, 2003</b>	<b>3,500,000</b>	<b>25,013</b>	<b>841</b>	<b>1,094</b>	<b>51,917</b>	<b>346,299</b>	<b>3,362,893</b>	<b>287,546</b>	<b>(50,343)</b>	<b>-</b>	<b>7,525,260</b>
Acquisition of shares to be held in treasury	-	-	-	-	-	-	-	-	(138,763)	-	(138,763)
Capitalization of reserves - EGM on April 26, 2004	141,500	-	-	-	-	-	(141,500)	-	-	-	-
Cancellation of treasury shares - EGM on April 26, 2004	-	-	-	-	-	-	(96,019)	-	96,019	-	-
Capital increase by subscription of shares - EGMS on April 26, 2004 and June 28, 2004	158,500	-	612	-	-	-	-	-	-	-	159,112
Change in the year in adjustment to market value - subsidiaries	-	-	-	-	-	-	-	(42,726)	-	-	(42,726)
Reversal/realization of reserves	-	-	-	-	(1,244)	-	-	-	-	1,244	-
Net income for the year	-	-	-	-	-	-	-	-	-	2,488,614	2,488,614
Appropriations:											
Legal reserve	-	-	-	-	-	124,431	-	-	-	(124,431)	-
Statutory reserve	-	-	-	-	-	-	1,668,652	-	-	(1,668,652)	-
Interest on own capital	-	-	-	-	-	-	-	-	-	(696,775)	(696,775)
<b>At December 31, 2004</b>	<b>3,800,000</b>	<b>25,013</b>	<b>1,453</b>	<b>1,094</b>	<b>50,673</b>	<b>470,730</b>	<b>4,794,026</b>	<b>244,820</b>	<b>(93,087)</b>	<b>-</b>	<b>9,294,722</b>
Prior years' adjustments at March 31, 2005	-	-	-	-	-	-	(101,244)	-	-	-	(101,244)
Capitalization of reserves - EGM on April 29, 2005	1,100,000	-	-	-	-	-	(1,100,000)	-	-	-	-
Cancellation of treasury shares - EGM on April 29, 2005	-	-	-	-	-	-	(93,087)	-	93,087	-	-
Acquisition of shares to be held in treasury	-	-	-	-	-	-	-	-	(434,191)	-	(434,191)
Capital increase by subscription of shares - EGMS on April 29, 2005 and June 30, 2005	100,000	-	328	-	-	-	-	-	-	-	100,328
Options for tax incentives	-	-	-	535	-	-	-	-	-	-	535
Change in the year in adjustment to market value - subsidiaries	-	-	-	-	-	-	-	(95,934)	-	-	(95,934)
Reversal/realization of reserves	-	-	-	-	(1,281)	-	-	-	-	1,281	-
Net income for the year	-	-	-	-	-	-	-	-	-	2,361,706	2,361,706
Appropriations:											
Legal reserve	-	-	-	-	-	118,085	-	-	-	(118,085)	-
Statutory reserve	-	-	-	-	-	-	1,353,116	-	-	(1,353,116)	-
Interest on own capital	-	-	-	-	-	-	-	-	-	(891,786)	(891,786)
<b>At December 31, 2005</b>	<b>5,000,000</b>	<b>25,013</b>	<b>1,781</b>	<b>1,629</b>	<b>49,392</b>	<b>588,815</b>	<b>4,852,811</b>	<b>148,886</b>	<b>(434,191)</b>	<b>-</b>	<b>10,234,136</b>



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

( In thousands of Reais)

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>A- FINANCIAL RESOURCES WERE PROVIDED BY</b>	<b>1,464,971</b>	<b>990,983</b>
NET INCOME FOR THE YEAR	2,361,706	2,488,614
Items not representing movement of net working capital:		
Depreciation and amortization	886	942
Equity in the earnings of subsidiaries, net of received dividends	(1,726,742)	(1,772,612)
Extraordinary result in subsidiary companies	585,574	114,871
Allowance for losses	111	(570)
Goodwill amortization	3,341	599
ADJUSTED NET INCOME	1,224,876	831,844
<b>FINANCIAL RESOURCES FROM STOCKHOLDERS</b>	<b>100,328</b>	<b>159,112</b>
Capital increase	100,000	158,500
Premiums on share subscription	328	612
<b>FINANCIAL RESOURCES FROM THIRD PARTIES</b>	<b>139,767</b>	<b>27</b>
Increase in long-term liabilities	3,594	-
Cost of investment disposals	43,174	11
Decrease in long-term receivables	87,757	-
Write-offs of fixed assets in use	5	16
Prior years' adjustments	4,702	-
Tax incentives	535	-
<b>B- FINANCIAL RESOURCES WERE USED FOR</b>	<b>1,547,147</b>	<b>858,678</b>
Increase in long-term receivables	-	17,684
Purchased properties and other assets	24	105
Investments in the period	221,146	3,347
Acquisition of shares to be held in treasury	434,191	138,763
Dividends proposed	891,786	696,775
Decrease in long-term liabilities	-	2,004
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL (A-B)</b>	<b>(82,176)</b>	<b>132,305</b>
<b>INCREASE (DECREASE) IN NET WORKING CAPITAL</b>	<b>(82,176)</b>	<b>132,305</b>
<b>At the beginning of the year</b>	<b>425,623</b>	<b>293,318</b>
Current assets	1,017,113	811,283
Current liabilities	591,490	517,965
<b>At the end 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

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

(In thousands of Reais)

**NOTE 1 – OPERATIONS**

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

**NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS**

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

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

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

**NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS**

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

The difference in net income and stockholders' equity between ITAÚSA and ITAÚSA CONSOLIDATED (Note 17d) results from the elimination of unrealized profits arising from the transactions between consolidated companies, the corresponding taxes of which were deferred, and from the adoption of different criteria on the amortization of goodwill on the acquisition of investments and constitution of tax credits.

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

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

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

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

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

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

		Holding (%)	
		12/31/2005	12/31/2004
<b>FINANCIAL SERVICES AREA</b>			
Banco Itaú Holding Financeira S.A.	(1)	48.41	47.01
Banco Itaú S.A.		48.41	47.01
Banco Itaú-BBA S.A.		46.35	45.02
Banco Itaured Financiamentos S.A.		48.41	47.01
Banco Fiat S.A.		48.41	47.01
Banco Itaú Buen Ayre S.A.		48.41	47.01
Banco Itaú Europa Luxembourg S.A.		89.88	89.60
Banco Itaú Europa, S.A.		89.92	89.65
Itaú Bank, Ltd		48.41	47.01
Cia. Itauleasing de Arrendamento Mercantil		48.41	47.01
Itaú Corretora de Valores S.A.		48.41	47.01
Financeira Itaú CBD S.A. - Crédito, Financiamento e Investimento	(2)	24.20	23.51
Financeira Americanas Itaú S.A - Crédito, Financiamento e Investimento	(3)(4)	24.20	-
Itaú Seguros S.A. and subsidiaries		48.41	47.01
Itaú Vida e Previdência S.A.		48.41	47.01
Cia. Itaú de Capitalização		48.41	47.01
Itaucard Financeira S.A. – Crédito, Financiamento e Investimento		48.41	47.01
Credicard Banco S.A.	(4)	24.21	23.51
Orbitall Serviços e Processamento e Informatização Comercial S.A. and subsidiary		48.41	47.01
Redecard S.A.	(4)	15.46	15.02
Fiat Administradora de Consórcios Ltda		48.41	47.01
Itaú Administradora de Consórcios Ltda		48.41	47.00
Akbar Marketing e Serviços, LDA and subsidiaries		46.35	45.01
Afinco Américas Madeira, SGPS, Sociedade Unipessoal, LDA and subsidiaries		48.41	47.01
Itaúsa Export S.A. and subsidiaries		88.53	88.22
Serasa S.A.	(4)	15.68	15.16
<b>INDUSTRIAL AREA</b>			
Duratex S.A.	(1)	47.76	47.61
Itautec Philco S.A.	(1)	94.22	94.22
Elekeiroz S.A.	(1)	96.52	96.41
Itaúsa Empreendimentos S.A.		100.00	100.00

(1) Listed company.

(2) Investment made on 08/09/2004 and approved to operate by BACEN on 04/05/2005. As of 09/30/2005, this Company was fully consolidated with CVM authorization, as its business is managed by Banco Itaú Holding Financeira S.A.

(3) Investment made on 04/27/2005 to enable the partnership between Banco Itaú S.A. and Lojas Americanas S.A. (LASA).

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

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

**a) Interbank investments, remunerated restricted credits – Brazilian Central Bank (BACEN), remunerated deposits, funds obtained in the open market, funds from acceptance and issuance of securities, borrowings and onlendings and other receivables and payables** - Transactions subject to monetary correction or foreign exchange rates and operations with fixed charges are recorded at current value, calculated "pro rata die" based on the variation of the contracted index and interest rates.

**b) Securities**

1. In ITAÚSA and non-financial affiliates (Industrial Area) are recorded at cost of acquisition restated and adjusted to reflect the market value, when this is lower.
2. In financial affiliates, insurance, pension plan security and capitalization companies, and its affiliates (Financial Services Area) recorded at acquisition cost restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Resolution Circular 3,068, of November 8, 2001 and SUSEP Resolution 295 of June 14, 2005. They are classified in the following categories.
  - trading securities – securities acquired to be actively and frequently traded, are adjusted to market value, as a contra-entry to the results for the period;
  - securities available for sale – securities that are neither intended for negotiation nor maintained through their maturity. They are adjusted to their market value as a contra-entry to an account disclosed in stockholders' equity; and
  - securities held to maturity – securities, except for non-redeemable shares, for which there is the intention and financial capacity of the institution to hold them in the portfolio up to their maturity, recorded only at restated cost of acquisition or market value upon the transfer of the other category, not being adjusted to market value.

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

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

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

**c) 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 Resolution 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 exposure to global risks) are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statement of income.

The derivatives used for protection against risk exposure or to modify the characteristics of assets and liabilities which might be highly associated to changes in market value in relation to the market value of the item being protected, both at the beginning or throughout the duration of the contract, and which are deemed as relevant 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 actual hedged amount 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 non-hedged amount is recorded directly in the statement of income.

- d) Loan, leasing operations and other credits (operations with credit assignment characteristics) –** These are recorded at current value, calculated "pro rata die" based on the variation of the contracted index and effective interest rate, being restated with accrued income up to the 60th day of overdue in the case of financial companies, taking into consideration in the case of property financing the current value of the falling due contract installments.
- e) Allowance for loan losses** - The balance of the allowance for loan losses was recorded based on an analysis of the credit risk in the loan portfolio, in amounts considered sufficient to cover loan losses according to the rules determined by BACEN Resolution 2,682 of December 21, 1999, for the financial affiliates, among which are:
- Provisions necessary are recorded from the date of the loan disbursements, based on the client risk classification, due to periodic analysis of the quality of the client and the industry and not just in the event of default;
  - Based exclusively on delinquency, write-offs of credit operations against loss can be made 360 days after the due date of the credit or 540 days for transactions that mature after a period of 36 months. Other factors related to analysis of the quality of the client/loan may generate write-offs before these periods.
- 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** – Mainly composed of assets not in use corresponding to own properties available for sale and also received as payment in kind, being adjusted to market value through provisions set up based on current rules.
- h) Prepaid expenses** - These refer to the investments that will result in earnings in future periods.
- i) Investments** - In subsidiary and affiliated companies, investments are accounted for under the equity method. The financial statements of foreign branches and affiliates are adapted to comply with Brazilian accounting policies and converted into Reais. Other investments are recorded at cost, restated up to December 31, 1995, being adjusted to market value through provisions set up based on current rules.
- j) Fixed assets** - These are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995. For insurance, private pension and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports.

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 the usual useful life, considering a reduction of 30% in the useful life of the asset, if in accordance with the conditions set forth in Ordinance No. 113/1988 issued by the Ministry Finance. Receivables are recorded in lease receivable at the contractual amount, as a contra entry to unearned income accounts. The recognition in income will occur on the consideration collection date.

Depreciation is calculated using the straight-line method, based on monetarily correct 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:

Buildings 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 the straight-line basis over the respective rental periods, limited to ten and five years, respectively.

- l) Technical provisions for insurance, pension plan and capitalization** - Technical provisions are set up according to the technical notes approved by SUSEP and criteria established by National Council of Private Insurances (CNSP) Resolution 120 of December 24, 2004.

**I - Insurance:**

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

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

**II - Supplementary pension plan and individual life insurance:**

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

- Provision for Benefits to Regulate and Redemptions and/or Other amounts to Regularize – refer to amounts still not regulated up to the balance sheet date;
- Provision for events incurred but not reported (IBNR) – set up in relation to the estimated amount of events incurred but not reported;
- Mathematical Provisions for Benefits Granted and Benefits to be Granted – correspond to commitments assumed with participants, but which benefits are not being used, and those receiving the benefits;
- Provision for insufficient contribution – set up in case of insufficient mathematical provisions.

**III - Capitalization:**

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

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

**I- Labor contingencies:**

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

**II- Civil contingencies:**

These are set up upon judicial notice and adjusted monthly:

- at the moving average of payment of lawsuits ended in the last 12 months plus the average cost of fees paid for lawsuits related to claims considered similar and usual and whose amount is not considered relevant; or
- at the claimed indemnity amount, on the evidence presented based on the evaluation of legal advisors – which considers jurisprudence, legal opinions raised, evidence produced in the records and the judicial decisions to be issued – relating to the risk level of loss of lawsuits related to claims considered unusual or whose amount is considered significant.



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

### III- Tax and social security contingencies:

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

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

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

Income tax	15.00%
Additions income tax	10.00%
Social Contribution	9.00%
PIS (*)	1.65%
COFINS (*)	7.60%
ISS	Up to 5.00%
CPMF	0.38%

*(\*) For Itaúsa and its non-financial subsidiaries that comply with non-cumulative calculation basis, PIS/COFINS rate levied on the financial income of these companies, except for the financial income arising from interest on own capital, was reduced to zero as from August 2004. For financial and similar companies the PIS and COFINS rates are 0.65% and 4%, respectively.*

**NOTE 5 - INTERBANK INVESTMENTS**

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

	Book value	
	12/31/2005	12/31/2004
<b>Investment in the open market</b>	<b>12,709,922</b>	<b>10,860,376</b>
<b>Funded position (*)</b>	<b>8,186,337</b>	<b>4,557,417</b>
<b>Financed position</b>	<b>4,523,585</b>	<b>6,302,959</b>
With free movement	198,635	207,846
Without free movement	4,324,950	6,095,113
<b>Investment in the open market - guarantor resources of technical provisions - SUSEP</b>	<b>429,101</b>	<b>202,646</b>
<b>Interbank deposits</b>	<b>9,776,737</b>	<b>8,724,675</b>
<b>TOTAL</b>	<b>22,915,760</b>	<b>19,787,697</b>

(\*) Includes R\$ 5,054,172 (R\$ 812,215 at 12/31/2004) relating to the investment in the open market in which securities are restricted to guarantee transactions at the Commodities and Futures Exchange (BM&F).

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

We present 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 impacted on		Market value	
		Result	Stockholders' equity	12/31/2005	12/31/2004
<b>Itaúsa and Industrial Area</b>					
Securities	756,909	-	-	756,909	681,824
Derivative financial instruments (assets)	10,332	-	-	10,332	57,817
<b>Subtotal</b>	<b>767,241</b>	<b>-</b>	<b>-</b>	<b>767,241</b>	<b>739,641</b>
<b>Financial Services Area (1)</b>					
Trading securities (2)	17,465,095	51,410	-	17,516,505	13,670,705
Securities available for sale	10,378,327	-	434,561	10,812,888	10,425,296
Securities held to maturity (3)	1,933,285	-	-	1,933,285	3,518,041
Derivative financial instruments (assets)	2,766,556	469,088	-	3,235,644	1,961,543
<b>Subtotal</b>	<b>32,543,263</b>	<b>520,498</b>	<b>434,561</b>	<b>33,498,322</b>	<b>29,575,585</b>
Deferred taxes			(154,087)		
Adjustments of securities reclassified to securities held to maturity			17,255		
<b>Total adjustment to market value</b>			<b>297,729</b>		
<b>Additional provision (exceeding minimum required)</b>				<b>(370,000)</b>	<b>(400,000)</b>
<b>Total Securities and Derivative Financial Instruments (assets)</b>	<b>33,310,504</b>	<b>520,498</b>		<b>33,895,563</b>	<b>29,915,226</b>
Derivative financial instruments - Itaúsa and Industrial Area	19,683	-	-	19,683	32,463
Derivative financial instruments - Financial Area	2,178,744	257,505	-	2,436,249	1,173,236
<b>Total derivative financial instruments (liabilities)</b>	<b>2,198,427</b>	<b>257,505</b>		<b>2,455,932</b>	<b>1,205,699</b>
<b>Minority interest</b>			<b>(148,843)</b>		
<b>Amount separately disclosed in Stockholders' equity of ITAÚSA</b>			<b>148,886</b>		

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

(2) Includes portfolios of PGBL and VGBL pension plans, in the amount of R\$ 10,214,972 (R\$ 6,917,731 as of 12/31/2004), owned by customers responsible for the risks, and recorded as marketable securities in compliance with SUSEP requirements, in contra entry against liabilities, in Technical Provision for Pension Plan.

(3) Securities classified in this category if evaluated to market value, would present a positive adjustment of R\$ 168,263 (positive adjustment in the amount of R\$ 220,285 as of 12/31/2004)

**b) Derivative Financial Instruments** - The globalization of markets in the last years has resulted in a high level of sophistication in the financial products used. As a result of this process, there was an increasing demand for derivative financial instruments to manage market risks mainly arising from fluctuations in interest and exchange rates and assets prices. Accordingly, the subsidiaries of ITAÚSA are fully involved in the operation of derivative markets, either in complying with the growing needs of clients, or in the performance of its risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

The derivatives traded by the Bank are purchased for two basic purposes:

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

Most derivative contracts traded with clients in Brazil are swap and future contracts, which are registered at the Commodities and Futures Exchange (BM&F) or at the Clearing House for the Custody and Financial Settlement of Securities (CETIP). BM&F future contracts involving interbank rates and U.S. dollars are mainly used to fix the financing rates offered to clients with maturities or in currency which are mismatched with the resources used to fund these operations. ITAÚSA carries out transactions overseas with futures contracts, forwards, options and swaps, with registration mainly in the stock exchanges of Chicago, New York and London.

The main risk factors of the derivatives assumed by ITAÚSA as of December 31, 2005 were related to the foreign exchange rate, interest rate, U.S. dollar and reference rate Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to maximize the relation risk and return, even under high volatility situations.

Under regular conditions, the stock exchange prices are the best indicators of the fair value of the financial instruments. However, not all instruments have liquidity or quotes and, in this case, it is necessary to adopt current value estimates and other valuation techniques. To obtain these market values, the following criteria were adopted:

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

The positions of these financial instruments have their notional values recorded in memorandum accounts and the adjustments/premiums in balance sheet accounts.

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

	MEMORANDUM ACCOUNT NOTIONAL VALUE		BALANCE SHEET ACCOUNT RECEIVABLES/ (RECEIVED) (PAYABLE) PAID	ADJUSTMENT TO MARKET VALUE	MARKET VALUE	
	12/31/2005	12/31/2004	12/31/2005	12/31/2005	12/31/2005	12/31/2004
<b>Futures contracts</b>	<b>88,229,522</b>	<b>63,249,300</b>	<b>17,911</b>	<b>-</b>	<b>17,911</b>	<b>36,241</b>
Purchase commitments	51,389,406	24,863,342	(22,474)	-	(22,474)	(3,915)
Commitments to sell	36,840,116	38,385,958	40,385	-	40,385	40,156
<b>Swap contracts</b>			<b>367,520</b>	<b>147,208</b>	<b>514,728</b>	<b>705,285</b>
Asset position	34,544,965	31,431,775	1,054,857	213,473	1,268,330	1,227,898
Liability position	34,177,445	30,746,862	(687,337)	(66,265)	(753,602)	(522,613)
<b>Option contracts</b>	<b>76,392,027</b>	<b>33,312,226</b>	<b>(80,543)</b>	<b>67,663</b>	<b>(12,880)</b>	<b>(105,212)</b>
Purchase commitments - purchased position	10,704,880	11,527,193	147,644	65,951	213,595	47,136
Commitments to sell - purchased position	26,172,324	3,045,946	71,087	152,961	224,048	107,897
Purchase position - sold position	11,858,228	14,133,167	(204,598)	(202,734)	(407,332)	(45,402)
Commitments to sell - sold position	27,656,595	4,605,920	(94,676)	51,485	(43,191)	(214,843)
<b>Term contracts</b>			<b>243,982</b>	<b>441</b>	<b>244,423</b>	<b>166,404</b>
Purchase receivable			40,000	-	40,000	11,479
Purchase payable			(40,000)	-	(40,000)	-
Sales receivable			252,566	441	253,007	154,925
Sales deliverable			(8,584)	-	(8,584)	-
<b>Other derivative financial instruments</b>	<b>12,727,150</b>	<b>4,878,098</b>	<b>47,502</b>	<b>(3,729)</b>	<b>43,773</b>	<b>47,184</b>
Asset position	7,057,619	2,693,136	1,210,734	36,262	1,246,996	470,025
Liability position	5,669,531	2,184,962	(1,163,232)	(39,991)	(1,203,223)	(422,841)
		<b>ASSET</b>	<b>2,776,888</b>	<b>469,088</b>	<b>3,245,976</b>	<b>2,019,360</b>
		<b>LIABILITY</b>	<b>(2,198,427)</b>	<b>(257,505)</b>	<b>(2,455,932)</b>	<b>(1,205,699)</b>
		<b>TOTAL</b>	<b>578,461</b>	<b>211,583</b>	<b>790,044</b>	<b>813,661</b>
<b>Derivative instruments fall due as follows (in days):</b>						
<b>Clearing</b>	<b>0 - 30</b>	<b>31 - 180</b>	<b>181 -365</b>	<b>Over 365</b>	<b>12/31/2005</b>	<b>12/31/2004</b>
<b>Futures</b>	14,346,509	53,036,679	9,852,112	10,994,222	88,229,522	63,249,300
<b>Swaps</b>	5,304,099	10,928,196	6,839,001	10,418,812	33,490,108	30,186,642
<b>Options</b>	12,247,028	57,986,527	6,141,036	17,436	76,392,027	33,312,226
<b>Others</b>	3,496,283	3,256,461	1,742,067	4,232,339	12,727,150	4,878,098

## NOTE 7 - LOAN, LEASING OPERATIONS AND OTHER CREDITS - FINANCIAL SERVICES AREA

## a) Summary

## I) By type of operation

	12/31/2005	12/31/2004
Loan operations	43,748,181	36,329,840
Capital lease operations	8,291,822	3,931,372
Credit card operations	7,268,850	5,161,848
Advances on exchange contracts (1)	1,210,036	1,841,961
Other credits (2)	116,680	142,045
<b>Total</b>	<b>60,635,569</b>	<b>47,407,066</b>
Endorsements and sureties (3)	7,120,718	5,868,306
<b>Total with endorsements and sureties</b>	<b>67,756,287</b>	<b>53,275,372</b>

(1) Includes advances on exchange contracts and income receivable from advances. Recorded in Other Liabilities/Exchange Portfolio.

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

(3) Recorded in memorandum accounts.

## II) By business sector

	12/31/2005	12/31/2004
<b>Public sector</b>	<b>1,335,928</b>	<b>1,025,542</b>
<b>Private sector</b>	<b>59,299,641</b>	<b>46,381,524</b>
Corporations	28,861,612	26,200,608
Individuals	30,438,029	20,180,916
<b>Total</b>	<b>60,635,569</b>	<b>47,407,066</b>

## b) Allowance for Loan Losses

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Opening balance</b>	<b>(3,053,555)</b>	<b>(3,162,967)</b>
Balance from institutions acquired	-	(59,395)
Net increase for the period	(3,716,278)	(1,581,638)
Write-Offs (1)	2,662,657	1,750,445
<b>Closing balance</b>	<b>(4,107,176)</b>	<b>(3,053,555)</b>
Minimum required allowance (2)	(2,737,176)	2,053,555
Additional allowance (3)	(1,370,000)	(1,000,000)

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

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

(3) Refers to provision in excess of the minimum required, recorded based on the conservative criteria adopted by management, in accordance with good banking practices, in order to cover any unexpected losses resulting from strong reversal of the economic crisis.

As of December 31, 2005, the provision balance in relation to loan portfolio is equivalent to 6.8% (6.4% as of December 31, 2004).

## c) Recovery and Renegotiation of Credits

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

	01/01 to 12/31/2005	01/01 to 12/31/2004
Net charge for the period	(3,716,278)	(1,581,638)
Recoveries	889,024	654,388
Renegotiation	380,594	134,685
Receipt	508,430	519,703
<b>Result of allowance for loan losses</b>	<b>(2,827,254)</b>	<b>(927,250)</b>

## II) Renegotiated credits

	12/31/2005	12/31/2004
Renegotiated credits	1,369,674	858,133
Allowance for loan losses	(559,701)	(345,591)
(%)	40.9	40.3

**NOTE 8 - INVENTORIES**

	12/31/2005	12/31/2004
<b>Products</b>	<b>439,039</b>	<b>488,202</b>
Raw material	183,443	200,182
Work in process	25,614	23,687
Finished products	164,270	194,680
Storeroom	65,712	69,653
<b>Real estate</b>	<b>18,807</b>	<b>18,901</b>
<b>Total</b>	<b>457,846</b>	<b>507,103</b>

**NOTE 9 - FOREIGN EXCHANGE PORTFOLIO**

	12/31/2005	12/31/2004
<b>ASSETS - OTHER CREDITS</b>	<b>6,513,942</b>	<b>9,159,294</b>
Exchange purchase pending settlement - foreign currency (*)	2,941,560	4,438,399
Foreign currency bills exchange and term document - foreign currency	2,023	2,742
Exchange sale rights - domestic currency	3,689,537	4,823,012
(-) Advances received - domestic currency	(119,178)	(104,859)
<b>LIABILITIES - OTHER LIABILITIES</b>	<b>6,634,460</b>	<b>9,405,346</b>
Exchange sales pending settlement - foreign currency	3,670,077	4,744,202
Exchange purchase liabilities - domestic currency (*)	2,961,643	4,656,100
Other	2,740	5,044
<b>MEMORANDUM ACCOUNTS</b>	<b>85,399</b>	<b>60,950</b>
Outstanding import credits - foreign currency	59,424	44,371
Confirmed export credits - foreign currency	25,975	16,579

(\*) Net value of advances on exchange contracts included in the Loan Portfolio.



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

	12/31/2005	12/31/2004
<b>Foreign currency</b>	<b>8,429,190</b>	<b>9,264,561</b>
Funds from acceptance and issuance of securities	3,505,309	3,429,508
Borrowings and onlendings (1)	4,923,881	5,835,053
<b>Domestic currency</b>	<b>56,135,774</b>	<b>46,635,127</b>
Deposits	50,447,930	41,950,759
Funds from acceptance and issuance of securities	1,455,453	1,455
Borrowings and onlendings	4,232,391	4,682,913
<b>Securitization of foreign payment orders (2)</b>	<b>1,285,335</b>	<b>1,903,027</b>
<b>Funds obtained in the open market</b>	<b>22,028,278</b>	<b>16,098,418</b>
Own portfolio	17,507,927	9,793,624
Third-party portfolio	4,520,351	6,097,387
Free portfolio	-	207,407
<b>Subordinated debts</b>	<b>4,584,421</b>	<b>4,765,340</b>
Bank Deposit Certificates	1,960,304	1,783,670
Debentures	632,412	628,291
Euronotes	1,058,865	1,303,646
Redeemable preferred shares	932,840	1,049,733
<b>Total</b>	<b>92,462,998</b>	<b>78,666,473</b>

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

(2) Recorded in Other Liabilities.

**NOTE 11 - INSURANCE, PENSION AND CAPITALIZATION OPERATIONS****a) Composition of Technical Provisions**

	12/31/2005	12/31/2004
<b>Insurance</b>	<b>1,268,240</b>	<b>1,124,416</b>
Unearned premiums	700,428	615,734
Claims to settle	348,644	334,100
Incurred but not reported claims	161,615	142,999
Premium deficiency - Health (1)	34,906	16,192
Premium deficiency - Others	11,908	2,017
Mathematical provision of benefits to grant	7,913	11,714
Financial surplus	1,055	982
Benefits to resolve	886	678
Redemptions and other unresolved amounts	885	-
<b>Life and Pension</b>	<b>12,260,056</b>	<b>8,853,863</b>
Unearned premiums	244,037	217,123
Claims to settle	36,589	31,792
Incurred but not reported claims	41,566	40,078
Mathematical provisions of benefits to grant	11,438,954	8,172,714
Mathematical provisions of benefits granted	89,315	71,017
Financial surplus	238,677	172,013
Financial variation	83,626	85,026
Risk variation	18,985	11,225
Insufficient contribution (2)	41,815	43,707
Redemptions and other unresolved amounts	16,492	7,490
Premium deficiency	7,280	-
Unexpired risks	1,266	1,236
Benefits to resolve	1,427	442
Administrative	27	-
<b>Capitalization</b>	<b>1,111,238</b>	<b>1,044,794</b>
Mathematical provisions for redemptions	1,021,332	949,617
Contingencies	74,896	80,910
Raffles pending/payable	15,010	14,267
<b>TOTAL</b>	<b>14,639,534</b>	<b>11,023,073</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 provision was conservatively estimated and supplemented to R\$ 549,000 in the financial statements filed with the SEC (Securities and Exchange Commission), as of December 31, 2004, enough to cover eventual deficits until the termination of plans in 2099.*

*To maintain the economic and financial balance of health care plans, approval was requested from ANS (National Health Agency) for plan restructuring, as well as for price adjustments, which authorization is pending. With the purpose of covering the existing imbalance, a capital increase considered sufficient to provide funds for the health insurance segment was carried out.*

*Existing accounting differences between the local and USGAAP practices are substantially compensated for purposes of covering of estimated values.*

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

## b) Guarantor Resources of Technical Provisions - SUSEP

	INSURANCE		LIFE AND PENSION		CAPITALIZATION		TOTAL	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Interbank investments - open market	87,285	30,176	171,046	69,232	170,770	103,238	429,101	202,646
Securities and derivative financial instruments	937,133	814,521	11,943,230	8,618,325	958,001	956,495	13,838,364	10,389,341
Funds Quotas of PGBL/VGBL (1)	-	-	10,214,972	6,917,731	-	-	10,214,972	6,917,731
Other	937,133	814,521	1,728,258	1,700,594	958,001	956,495	3,623,392	3,471,610
Public	225,866	200,469	693,229	950,857	120,071	124,112	1,039,166	1,275,438
Private	711,267	614,052	1,035,029	749,737	837,930	832,383	2,584,226	2,196,172
Credit Rights (2)	262,019	250,519	199,648	180,720	-	-	461,667	431,239
Real estate	-	40,488	-	-	-	-	-	40,488
<b>TOTAL</b>	<b>1,286,437</b>	<b>1,135,704</b>	<b>12,313,924</b>	<b>8,868,277</b>	<b>1,128,771</b>	<b>1,059,733</b>	<b>14,729,132</b>	<b>11,063,714</b>

(1) Securities portfolio of the PGBL and VGBL pension plans owned by the clients and recorded as securities, in accordance with SUSEP chart of accounts, as a contra entry to liabilities in the Technical Provisions for Pension Plan account.

(2) Recorded in Other Credits - Insurance Premiums Receivable.

## c) Result of Operations

	INSURANCE		LIFE AND PENSION		CAPITALIZATION		TOTAL	
	01/01 to 12/31/2005	01/01 to 12/31/2004	01/01 to 12/31/2005	01/01 to 12/31/2004	01/01 to 12/31/2005	01/01 to 12/31/2004	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Income from financial operations</b>	<b>159,710</b>	<b>143,496</b>	<b>116,004</b>	<b>85,801</b>	<b>107,841</b>	<b>96,654</b>	<b>383,555</b>	<b>325,951</b>
Financial income from insurance, pension plan and capitalization operations	160,227	143,496	1,550,278	993,225	183,050	156,295	1,893,555	1,293,016
Financial expenses from insurance, pension plan and capitalization operations	(517)	-	(1,434,274)	(907,424)	(75,209)	(59,641)	(1,510,000)	(967,065)
<b>Result of Insurance, Life Insurance and Pension Plan and Capitalization Operations</b>	<b>333,315</b>	<b>324,187</b>	<b>294,547</b>	<b>245,958</b>	<b>168,763</b>	<b>210,304</b>	<b>796,625</b>	<b>780,449</b>
Premiums and contributions revenues	1,915,933	1,662,183	3,963,857	3,714,628	798,233	855,795	6,678,023	6,232,606
Changes in technical provisions	(111,323)	(103,996)	(1,957,161)	(2,207,918)	(625,101)	(645,491)	(2,693,585)	(2,957,405)
Expenses with claims	(1,140,757)	(1,008,067)	(117,484)	(88,656)	-	-	(1,258,241)	(1,096,723)
Selling expenses	(380,847)	(282,953)	(23,337)	(23,004)	-	-	(404,184)	(305,957)
Expenses with benefits and redemptions	-	-	(1,567,759)	(1,143,843)	-	-	(1,567,759)	(1,143,843)
Other income and expenses	50,309	57,020	(3,569)	(5,249)	(4,369)	-	42,371	51,771
<b>TOTAL</b>	<b>493,025</b>	<b>467,683</b>	<b>410,551</b>	<b>331,759</b>	<b>276,604</b>	<b>306,958</b>	<b>1,180,180</b>	<b>1,106,400</b>

**NOTE 12 – PROVISIONS AND CONTINGENT LIABILITIES**

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

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

	01/01 to 12/31/2005			01/01 to 12/31/2004	
	Labor	Civil	Other	Total	Total
<b>Opening balance</b>	<b>1,068,382</b>	<b>736,720</b>	<b>259,483</b>	<b>2,064,585</b>	<b>1,848,910</b>
Balance from the acquisition of investments	997	546	-	1,543	44,941
Foreign exchange differences	-	-	(9,497)	(9,497)	(6,973)
Net change reflected in result	296,590	335,197	(28,731)	603,056	625,748
Payments	(462,574)	(174,586)	(61,354)	(698,514)	(448,041)
<b>Closing balance (1)</b>	<b>903,395</b>	<b>897,877</b>	<b>159,901</b>	<b>1,961,173</b>	<b>2,064,585</b>
<b>Deposits in guarantee (2)</b>	<b>483,192</b>	<b>228,259</b>	<b>-</b>	<b>711,451</b>	<b>670,167</b>

(1) Note 13d;

(2) Note 13a.

The Provisions for Tax and Social Security Contingencies and the related deposits in guarantee are shown in Note 15c III and d.

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

## NOTE 13 - DETAIL OF ACCOUNTS

## a) Other Credits - Sundry

	12/31/2005	12/31/2004
<b>Deposits in guarantee for provision for contingencies</b>	<b>2,726,534</b>	<b>2,120,632</b>
Tax and social security (Note 15dl)	2,015,083	1,450,465
Labor (Note 12)	483,192	519,125
Civil (Note 12)	228,259	151,042
Social contribution to be offset – Provisional Measure 2,158, of August 24, 2001 (Note 15bl)	1,125,971	1,277,434
Negotiation and intermediation of securities	939,860	341,782
Taxes and contributions to be offset	1,324,327	1,296,596
Trade notes receivable	588,185	680,583
Insurance premium receivable	714,179	646,989
Income receivable	595,818	584,930
Deposits in guarantee for foreign fund raising program	220,853	497,854
<b>Sundry debtors</b>	<b>424,332</b>	<b>431,639</b>
Domestic	352,155	248,000
Foreign	72,177	183,639
Sundry	385,800	612,323
<b>Total</b>	<b>9,045,859</b>	<b>8,490,762</b>

## b) Other Assets

	12/31/2005	12/31/2004
Non-operating assets	346,109	384,532
(-) Provision for devaluations	(87,650)	(111,274)
Others	24,828	134
<b>Total</b>	<b>283,287</b>	<b>273,392</b>

## c) Prepaid expenses

	12/31/2005	12/31/2004
Technical cooperation agreement (*)	1,031,020	553,385
Commissions	184,726	219,278
Advertising	161,395	103,053
Other	74,614	45,125
<b>TOTAL</b>	<b>1,451,755</b>	<b>920,841</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, 2005, the balance basically comprises R\$ 477,410 related to the agreement entered into on September 16, 2005 with the Municipal Government of São Paulo and R\$ 332,279 (R\$ 374,061 at December 31, 2004) related to the agreements entered into with the State Governments of Rio de Janeiro, Minas Gerais and Goiás.

In this year, the subsidiary Banco Itaú S.A. (ITAÚ) recorded a provision amounting to R\$ 78,887, related to the agreement entered into with the State Government of Paraná, as the State Decree 5,434 annulled such agreement, transferring the services to other financial institutions. ITAÚ filed an appeal in relation to this annulment.

**d) Other Liabilities - Sundry**

	12/31/2005	12/31/2004
<b>Provisions for Contingencies (Note 12)</b>	<b>1,961,173</b>	<b>2,064,585</b>
Labor	903,395	1,068,382
Civil	897,877	736,720
Other	159,901	259,483
Collection and payment of taxes	206,185	264,791
Negotiation and intermediation of securities	892,574	545,223
Personnel	454,217	398,385
Liabilities related to insurance companies	212,019	220,586
Suppliers	111,381	134,503
Agreement for rendering of services AOLA (Note 21c)	-	177,751
<b>Sundry creditors</b>	<b>1,095,394</b>	<b>1,151,385</b>
Domestic	1,038,258	911,872
Foreign	57,136	239,513
Provisions and sundry credits	705,253	682,734
<b>Total</b>	<b>5,638,196</b>	<b>5,639,943</b>

**e) Other Operating Revenues**

	01/01 to 12/31/2005	01/01 to 12/31/2004
Reversal of operating provisions	122,125	53,541
Recovery of charges and expenses	91,703	67,008
Commissions	48,895	36,659
Equity result in subsidiaries, not derived from net income	7,426	27,531
Rents	8,086	9,509
Exchange variation	31,235	61,428
Other	216,677	54,876
<b>Total</b>	<b>526,147</b>	<b>310,552</b>

**f) Other Operating Expenses**

	01/01 to 12/31/2005	01/01 to 12/31/2004
Tax expenses (Note 15all)	2,062,324	1,502,446
Provision for contingencies		
Tax and social security	74,438	33,184
Civil	358,280	343,118
Operating expenses from industrial companies	306,145	317,067
Sales - credit card	246,842	181,819
Claims	187,487	56,932
Other	305,405	556,056
<b>Total</b>	<b>3,540,921</b>	<b>2,990,622</b>

In Itaúsa it refers basically to tax expenses with PIS and COFINS in the amount of R\$103,737 (R\$66,453 from January 1 to December 31, 2004).

**g) Non-operating Result**

	01/01 to 12/31/2005	01/01 to 12/31/2004
(Provision)/reversal of non-operating provisions	16,244	31,310
Non-operating equity result	(1,843)	(16,942)
Capital gains/ (losses) and Other	22,106	6,590
<b>Total</b>	<b>36,507</b>	<b>20,958</b>

**NOTE 14 – EXTRAORDINARY RESULT**

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

	Individual	Parent Company	Minority	Conglomerate
<b>Amortization of goodwill</b>	-	(94,387)	(85,181)	(179,568)
Related to agreements and partnerships (1)	-	(93,685)	(106,315)	(200,000)
Banco BPI S.A. (SIC - Sociedade Independente de Comunicação S.A.)	-	46,294	21,134	67,428
Banco Itaú Holding Financeira S.A (2a)	-	(46,996)	-	(46,996)
<b>Other segregated results</b>	(597,693)	(597,693)	(40,981)	(638,674)
Non-operating loss - Itaú Holding - acquisition of treasury shares(2b)(3)	(535,561)	(535,561)	-	(535,561)
Provision for corporate restructuring (4)	(35,645)	(35,645)	(39,355)	(75,000)
Provision for losses - Companhia Brasileira de Componentes (5)	(26,487)	(26,487)	(1,626)	(28,113)
<b>Tax effects</b>	12,119	24,780	22,950	47,730
<b>TOTAL</b>	<b>(585,574)</b>	<b>(667,300)</b>	<b>(103,212)</b>	<b>(770,512)</b>

(1) Related to the association between the subsidiary Banco Itaú Holding Financeira S.A (ITAÚ HOLDING) and Lojas Americanas S.A (LASA), aiming at establishing a partnership for the formation of a new financial company - FAI - Financeira Americana Itaú S.A. - Crédito, Financiamento e Investimento and the acquisition of the promoting company Facilita Serviços e Propaganda S.A. (FACILITA), which will act exclusively in the structuring and sale of financial products and services to LASA clients;

(2) Corresponds to effects of acquiring ITAÚ HOLDING's capital stock from Caja de Ahorros Y Pensiones de Barcelona (LA CAIXA), as disclosed in the significant event on 06/07/2005, comprising: (a) goodwill from the direct acquisitions by ITAÚSA; and (b) non-operating loss on the equity investment, arising from the acquisition of own shares for maintenance in treasury by the subsidiary ITAÚ HOLDING.

(3) Includes non-operating loss on the equity investment amounting to R\$ 68,396, arising from the acquisition of own shares by the subsidiary ITAÚ HOLDING.

(4) Refers to the expense to implement the New Agreement for Management of Credicard (disclosed in the Significant Event by Banco Itaú Holding Financeira S.A., on 02/01/2005) and other corporate restructuring in the conglomerate.

(5) Refers to the provision set up by the subsidiary in order to adjust to market value the inventories and fixed assets records, in view of the discontinuation of the PCB production.

## NOTE 15 - TAXES

## a) Composition of expenses with taxes and contributions

l) Charges with Income Tax and Social Contribution on operations for the period related to temporary additions and exclusions are as follows:

Due on Operations for the Period	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Income before Income Tax and Social Contribution</b>	<b>9,021,277</b>	<b>7,897,736</b>
<b>Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (*) respectively</b>	<b>(3,067,234)</b>	<b>(2,685,230)</b>
<b>Increase/decrease in income Tax and Social Contribution charges arising from:</b>		
<b>Permanent (Inclusions) Exclusions</b>	<b>383,511</b>	<b>657,669</b>
Investments in affiliates	(4,580)	37,176
Foreign exchange variation of overseas investments	(317,110)	30,408
Interest on own capital	574,302	498,328
Dividends, interest on external debt bonds and tax incentives	63,916	23,421
Other	66,983	68,336
<b>Temporary (Inclusions) Exclusions</b>	<b>328,170</b>	<b>341,950</b>
Allowance for loan losses	(252,001)	268,058
Excess (Insufficiency) of depreciation of leasing operations	603,669	124,186
Adjustment to market value of trading securities and derivative financial instruments, and adjustments from operations in futures markets	194,602	77,641
Interest on own capital	(33,468)	(110,425)
Labor provisions, civil and tax contingencies and other	(184,632)	(17,510)
<b>(Increase) Offset on tax losses/Negative social contribution basis</b>	<b>208,677</b>	<b>126,826</b>
<b>Expenses with Income Tax and Social Contribution</b>	<b>(2,146,876)</b>	<b>(1,558,785)</b>
<b>Related to Temporary Differences</b>		
Increase (reversal) for the period	(451,360)	(455,221)
Prior periods increase (reversal)	31,384	(161,904)
<b>Income (expenses) of deferred taxes</b>	<b>(419,976)</b>	<b>(617,125)</b>
<b>Total income tax and social contribution</b>	<b>(2,566,852)</b>	<b>(2,175,910)</b>

(\*) According to Note 4n.

In Itaúsa, income tax and social contribution expenses, including those arising from temporary differences, are basically originated from interest on own capital received/receivable from subsidiaries, net of amounts paid/declared to stockholders and appreciation of securities, as mentioned in item III.



## II) Composition of tax expenses:

	01/01 to 12/31/2005			01/01 to 12/31/2004		
	On Sales of Products and Services (1)	On Other Revenue (Note 13f)	Total	On Sales of Products and Services (1)	On Other Revenue (Note 13f)	Total
Pis and Cofins	(311,223)	(1,439,807)	(1,751,030)	(319,011)	(1,062,734)	(1,381,745)
ISS	(13,536)	(279,406)	(292,942)	(12,667)	(191,086)	(203,753)
IPI	(155,299)	-	(155,299)	(142,319)	-	(142,319)
ICMS	(338,949)	-	(338,949)	(348,818)	-	(348,818)
Tax on bank account outflows	-	(251,099)	(251,099)	-	(171,090)	(171,090)
Other	(12,279)	(92,012)	(104,291)	(11,253)	(77,536)	(88,789)
<b>Total (2)</b>	<b>(831,286)</b>	<b>(2,062,324)</b>	<b>(2,893,610)</b>	<b>(834,068)</b>	<b>(1,502,446)</b>	<b>(2,336,514)</b>

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

(2) According to Note 4n.

In ITAÚSA, tax expenses basically comprise PIS and COFINS amounting to R\$ 18,504 (R\$11,988 from January 1 to December 31, 2004) and R\$ 85,233 (R\$ 54,465 from January 1 to December 31, 2004), respectively.

## III) Tax Effects on Foreign Exchange Management of Overseas Investments

In order to minimize the effects on income in connection with the exposition to foreign exchange variation of Overseas Investments, net of respective tax effects, ITAÚSA and Banco Itaú Holding Financeira S.A. consolidated carried out derivative transactions in foreign currency (hedge) as observed in Note 21b.

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

For the period ended December 31, 2005, these transactions gave rise to tax positive results due to the appreciation of the Real in relation to US Dollar and Euro, which accounted for the high expenses related to income tax and social contribution, PIS and COFINS.

**b) Tax Credits**

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

	12/31/2004	Realization / Reversal	Set up	12/31/2005
<b>Related to tax losses and negative social contribution</b>	<b>645,507</b>	<b>(190,408)</b>	<b>116,921</b>	<b>572,020</b>
<b>Temporary differences:</b>	<b>2,724,920</b>	<b>(1,276,796)</b>	<b>1,792,540</b>	<b>3,240,664</b>
Allowance for loan losses	1,118,388	(690,231)	960,247	1,388,404
Provision for interest on own capital	134,151	(134,151)	208,162	208,162
Provision for tax and social security contingencies	326,425	(3,276)	85,091	408,240
Labor contingencies	283,391	(156,217)	105,894	233,068
Civil Lawsuits	217,745	(46,201)	106,340	277,884
Allowance for real estate	41,150	(13,056)	16,489	44,583
Other	603,670	(233,664)	310,317	680,323
<b>Total tax credits</b>	<b>3,370,427</b>	<b>(1,467,204)</b>	<b>1,909,461</b>	<b>3,812,684</b>
<b>Social Contribution to Offset arising from Option foreseen in article 8 of Provisional Measure 2,158-35, of August 24, 2001</b>	<b>1,277,434</b>	<b>(151,463)</b>	<b>-</b>	<b>1,125,971</b>

II) The estimate of realization and present value of tax credits and social contribution to offset, arising from Provisional Measure 2,158-35, of August 24, 2001, existing at December 31, 2005, in accordance with the expectation to generate future taxable income, based on the history of profitability and technical studies of feasibility are:

Realization year	Tax credits			Social contribution to offset
	Temporary differences	Tax loss and negative basis	TOTAL	
2006	1,822,763	572,020	2,394,783	222,872
2007	510,371	-	510,371	302,554
2008	358,876	-	358,876	328,403
2009	221,523	-	221,523	272,142
2010	117,671	-	117,671	-
after 2010	209,460	-	209,460	-
<b>Total</b>	<b>3,240,664</b>	<b>572,020</b>	<b>3,812,684</b>	<b>1,125,971</b>
Present value (*)	2,880,507	536,151	3,416,658	970,643

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

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

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

III) There are unrecorded tax credits in the amount of R\$ 502,156 (R\$ 562,680 as of December 31, 2004).

In ITAÚSA, unrecorded tax credits amount to R\$ 1,257 (R\$ 89,311 as of December 31, 2004).

## c) Taxes and Social Security Contributions

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

	12/31/2005	12/31/2004
Taxes and contributions on income payable	744,122	404,625
Taxes and contributions payable	551,778	465,788
Provision for deferred income tax and social contribution	1,355,286	620,273
Provision for tax and social security contingencies	3,069,572	2,704,606
<b>Total</b>	<b>5,720,758</b>	<b>4,195,292</b>

II) Change in Provision for Deferred Income Tax and Social Contribution

	12/31/2004	Realization/ Reversal	Set up	12/31/2005
<b>Reflected in income and expense accounts</b>	<b>473,293</b>	<b>(78,575)</b>	<b>794,525</b>	<b>1,189,243</b>
Depreciation in excess - Leasing	350,336	(19,037)	640,631	971,930
Taxation on results abroad - Capital Gains	67,039	(15,195)	-	51,844
Adjustment from operations in futures market	-	-	87,247	87,247
Revaluation reserve	9,869	(982)	-	8,887
Other	46,049	(43,361)	66,647	69,335
<b>Reflected in stockholders' equity accounts - Adjustment to market value of securities available for sale (*)</b>	<b>146,980</b>	<b>-</b>	<b>19,063</b>	<b>166,043</b>
<b>Total</b>	<b>620,273</b>	<b>(78,575)</b>	<b>813,588</b>	<b>1,355,286</b>

(\*) Note 3.

III) Change in Provision for Tax and Social Security Contingencies

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Opening balance</b>	<b>2,704,606</b>	<b>2,071,220</b>
Balance resulting from the acquisition of investment/transfer	-	301,993
Change in the period reflected in results	387,198	400,396
Charges on taxes	158,367	120,283
Net recognition	245,583	315,097
Write-offs through reversal	(16,752)	(34,984)
Write-offs through payment	(22,232)	(69,003)
<b>Closing balance</b>	<b>3,069,572</b>	<b>2,704,606</b>

**d) Deposits and Escrow Deposits for Interposition of Tax and Social Security Legal Processes**

## I) Change in Deposits for Interposition of Tax and Social Security Legal Processes

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Opening balance</b>	<b>1,450,465</b>	<b>1,285,653</b>
Balance resulting from the acquisition of investment/transfer	-	74,724
Appropriation of income	40,001	47,846
Change in the period	<u>524,617</u>	<u>42,242</u>
Deposited	680,587	411,862
Calculation	(142,769)	(337,928)
Conversion into income	(13,201)	(31,692)
<b>Closing balance (Note 13c)</b>	<b>2,015,083</b>	<b>1,450,465</b>

II) Permanent assets in the amount of R\$ 521,157, represented basically by Property for own use, are pledged in guarantee of voluntary resources (article 32 of Law 10,522/02).

**e) Taxes Paid or Provided for and Withheld from Clients**

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

	<b>01/01 to 12/31/2005</b>	<b>01/01 to 12/31/2004</b>
Taxes paid or provided for	6,175,601	4,801,100
Taxes withheld and collected from clients	6,338,559	5,349,271
<b>Total</b>	<b>12,514,160</b>	<b>10,150,371</b>

**NOTE 16 - PERMANENT ASSETS****a) Investments****l) Interest in subsidiaries - ITAÚSA**

Companies	Balance at 12/31/2004 (a)	Subscription / Acquisition	Receipt/Provision of Dividends and interest on own capital	Interest in subsidiary company	Adjustment to marketable securities of subsidiary companies	Amortization of goodwill	Prior years' adjustments (d)	Others	Balances at 12/31/2005 (a)	Interest in subsidiary company from 01/01 to 12/31/04
Banco Itaú Holding Financeira S.A.	6,957,499	75,770	(891,293)	2,576,451 (b)	(85,567)	(2,741)	(40,727)	(559,087) (e)	8,030,305	2,243,856 (b)
Itaúsa Export S.A.	603,423	45,538	-	(94,299)	(8,803)	(599)	(51,390)	-	493,870	37,918
Itaucorp S.A.	452,032	-	(670)	71,066	-	-	-	-	522,428	80,608
Duratex S.A.	316,598	-	(15,051)	35,761 (b)	-	-	-	-	337,308	33,979 (b)
Itautec Philco S.A.	193,681	-	(11,656)	77,758	-	-	-	(43,166) (f)(g)	216,617	38,336
Itaúsa Europa - Investimentos, SGPS, LDA.	115,516	-	-	(12,209) (c)	(1,564)	-	(13,829)	-	87,914	10,824 (c)
Elekpart Participações e Administração S.A.	66,180	57,070	(152)	911	-	-	-	-	124,009	1,217
Ith Zux Cayman Company Ltd.	42,434	-	-	(4,856) (c)	-	-	-	-	37,578	(3,970) (c)
Elekeiroz S.A.	7,608	-	(534)	1,726	-	-	-	-	8,800	2,754
Companhia Brasileira de Componentes	-	-	-	(6,444)	-	-	-	16,281 (g)(e)	9,837	-
Other subsidiaries	5,915	-	-	238	-	-	-	(21) (h)	6,132	657
<b>TOTAL</b>	<b>8,760,886</b>	<b>178,378</b>	<b>(919,356)</b>	<b>2,646,103</b>	<b>(95,934)</b>	<b>(3,340)</b>	<b>(105,946)</b>	<b>(585,993)</b>	<b>9,874,798</b>	<b>2,446,179</b>

(a) Includes total goodwill/negative goodwill, being: R\$ 51,305 at 12/31/2005, R\$ 7,655 at 12/31/2004;

(b) Includes non-operating result arising from change in interest, being: income of R\$ 2,613 in 2005 and expense of R\$ 13,667 in 2004;

(c) Includes total foreign exchange expenses, being: R\$ 34,781 in 2005 and R\$ 5,710 in 2004;

(d) Note 17e;

(e) Non-recurring expenses segregated to Extraordinary Result (See note 14);

(f) Includes the amount of R\$ 398 related to return of financial resources, arising from advance for capital increase, carried out by the parent company in prior years, and included in the investment opening balance;

(g) Split-off of Itautec Philco on 07/29/2005 to form Companhia Brasileira de Componentes;

(h) Disposals during the year.

Companies	Capital	Adjusted net equity	Net income (loss) for the period	Number of shares owned by ITAÚSA		Holding in voting capital (%)	Holding in capital (%)
				Common	Preferred		
Banco Itaú Holding Financeira S.A.	8,300,000	16,420,561	5,321,474	534,425,660	28,030	88.84	48.41
Itaúsa Export S.A.	508,552	782,957	(121,248)	14,702,122,576	148,328,939	80.00	77.77
Itaucorp S.A.	220,000	536,728	70,182	23,819,714	7,871,959	99.99	99.99
Duratex S.A.	325,000	1,050,872	137,085	14,183,161	4,911,557	64.36	32.54
Itautec Philco S.A.	194,835	312,886	46,502	155,411,287	-	89.17	89.17
Itaúsa Europa - Investimentos, SGPS, LDA.	677,774	899,134	137,301	29,708,318	-	12.14	12.14
Elekpart Participações e Administração S.A.	220,453	369,132	47,882	252,930,540	-	33.38	33.38
Ith Zux Cayman Company Ltd.	81,925	48,643	1,466	35,000,000	-	100.00	100.00
Elekeiroz S.A.	200,000	317,646	43,110	11,183,657	12,628,787	3.85	3.78
Companhia Brasileira de Componentes	38,657	11,032	(36,933)	155,411,287	-	89.17	89.17

**II) Composition of investments**

	12/31/2005	12/31/2004
<b>Share of equity in affiliates</b>	<b>589,620</b>	<b>775,225</b>
Banco BPI S.A. (*)	483,933	659,127
AGF Brasil Seguros S.A.	101,172	112,029
Other	4,515	4,069
<b>Other investments</b>	<b>174,798</b>	<b>153,226</b>
Investments by tax incentives	109,444	112,354
Equity securities	48,542	39,061
Shares and quotas	24,923	25,830
Other	100,840	81,573
Provision for losses	(108,951)	(105,592)
<b>TOTAL</b>	<b>764,418</b>	<b>928,451</b>

(\*) Reflects adjustment mentioned in Note 17e.

**III) Composition of equity in Income of Affiliates**

	01/01 to 12/31/2005	01/01 to 12/31/2004
Share of equity in affiliates	141,400	114,047
Foreign exchange variation on investments	(154,869)	(4,706)
<b>TOTAL</b>	<b>(13,469)</b>	<b>109,341</b>



## b) Fixed Assets and Deferred Charges

	12/31/2005			12/31/2004		
	Cost	Depreciation/ Amortization/ Depletion Expenses	Residual Value	Cost	Depreciation/ Amortization/ Depletion Expenses	Residual Value
<b>Fixed Assets</b>	<b>8,020,965</b>	<b>(4,699,363)</b>	<b>3,321,602</b>	<b>7,721,187</b>	<b>(4,321,845)</b>	<b>3,399,342</b>
<b>Other Fixed Assets</b>	<b>7,802,476</b>	<b>(4,650,227)</b>	<b>3,152,249</b>	<b>7,494,336</b>	<b>(4,239,266)</b>	<b>3,255,070</b>
<b>Buildings (*)</b>	<b>2,844,516</b>	<b>(1,187,868)</b>	<b>1,656,648</b>	<b>2,868,258</b>	<b>(1,124,669)</b>	<b>1,743,589</b>
Land	870,568	-	870,568	863,359	-	863,359
Buildings	1,973,948	(1,187,868)	786,080	2,004,899	(1,124,669)	880,230
<b>Other</b>	<b>4,957,960</b>	<b>(3,462,359)</b>	<b>1,495,601</b>	<b>4,626,078</b>	<b>(3,114,597)</b>	<b>1,511,481</b>
Installations	266,004	(198,201)	67,803	268,357	(189,248)	79,109
Furniture and Equipment	1,773,320	(978,592)	794,728	1,887,553	(1,144,050)	743,503
EDP Systems	2,588,331	(2,135,902)	452,429	2,131,985	(1,654,222)	477,763
Other (Communication, Security and Transportation)	330,305	(149,664)	180,641	338,183	(127,077)	211,106
<b>Leased Fixed Assets</b>	<b>120,478</b>	<b>(49,136)</b>	<b>71,342</b>	<b>138,082</b>	<b>(82,579)</b>	<b>55,503</b>
<b>Buildings</b>	<b>120,478</b>	<b>(49,136)</b>	<b>71,342</b>	<b>138,082</b>	<b>(82,579)</b>	<b>55,503</b>
Furniture and Equipment	18,552	(485)	18,067	-	-	-
Buildings	101,926	(48,651)	53,275	138,082	(82,579)	55,503
<b>Forest Reserves</b>	<b>98,011</b>	<b>-</b>	<b>98,011</b>	<b>88,769</b>	<b>-</b>	<b>88,769</b>
Forests	98,011	-	98,011	88,769	-	88,769
<b>Deferred Charges</b>	<b>857,603</b>	<b>(514,811)</b>	<b>342,792</b>	<b>770,805</b>	<b>(470,713)</b>	<b>300,092</b>
Leasehold improvements	583,560	(401,505)	182,055	438,287	(318,102)	120,185
Expenses on Acquisition of Softwares	216,865	(110,289)	106,576	233,919	(114,264)	119,655
Other Deferred Expenses	57,178	(3,017)	54,161	98,599	(38,347)	60,252

(\*) Includes amounts pledged for voluntary resources (Note 15d1)

**NOTE 17 – STOCKHOLDERS' EQUITY – ITAÚSA****a) Capital**

The capital of ITAÚSA is R\$ 5,000,000 and is represented by 3,249,559,486 book entry shares with no par value, of which 1,215,752,051 are common shares and 2,033,807,435 are preferred shares with no voting rights but with the following advantages:

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

The table below shows the changes in capital and treasury shares during the period:

	NUMBER		
	Common	Preferred	Total
<b>Capital Shares</b>			
<b>Number of shares at 12/31/2004</b>	<b>1,206,398,844</b>	<b>2,046,936,642</b>	<b>3,253,335,486</b>
Cancellation of shares - E/OGM 04/29/2005	-	(28,776,000)	(28,776,000)
Capital increase with subscription of shares	9,353,207	15,646,793	25,000,000
<b>Number of shares 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</b>			
<b>Number of shares at 12/31/2004</b>	<b>-</b>	<b>28,776,000</b>	<b>28,776,000</b>
Purchase of shares (*)	10,983,372	62,562,008	73,545,380
Cancellation of shares - E/OGM 04/29/2005	-	(28,776,000)	(28,776,000)
<b>Number of shares at 12/31/2005 (*)</b>	<b>10,983,372</b>	<b>62,562,008</b>	<b>73,545,380</b>
<b>Outstanding at 12/31/2005</b>	<b>1,204,768,679</b>	<b>1,971,245,427</b>	<b>3,176,014,106</b>
<b>Outstanding at 12/31/2004</b>	<b>1,206,398,844</b>	<b>2,018,160,642</b>	<b>3,224,559,486</b>

(\*) Based on authorization of the Board of Directors, in the period own shares were purchased to be held in treasury, later cancellation or replacement in the market. The cost of shares purchased in the period are shown below, as well as the average cost of treasury shares and their market value at 12/31/2005:

Cost/Market value (R\$ 1 per thousand shares)	Preferred	
	12/31/2005	12/31/2004
<b>Purchases in the period</b>		
Minimum	4.90	2.85
Weighted average	5.61	3.31
Maximum	6.73	3.55
<b>Balance of treasury shares</b>		
Average cost	5.67	3.23
Market value	7.40	4.60

**b) Dividends**

Stockholders are entitled to a minimum compulsory dividend of 25% of net income, which is adjusted according to the rules set forth in Brazilian Corporate Law. Both types of shares participate equally, after common shares have received dividends equal to the minimum priority dividend on preferred shares.

The quarterly advance of the mandatory minimum dividend, paid as Interest on Own Capital, upon resolution of the Board of Directors in a meeting held on 05/09/2005, was increased from R\$ 7.32 to R\$ 9.50 per thousand shares, as from those paid on 07/01/2005, inclusive.

**I. Calculation**

Net income	2,361,706	
Adjustments		
(-) Legal Reserve	(118,085)	
Calculation Basis of Dividend	2,243,621	
Interest on own capital	758,018	33.79%

**II. Payments/Provision of Interest on Own Capital**

	Gross	WHT	Net
<b>Paid / Prepaid</b>			
1 quarterly installment of R\$ 9.50 per thousand shares paid in July 2005	30,758	4,613	26,145
Supplementary - R\$ 38.00 per thousand shares paid on 08/22/2005	122,369	18,355	104,014
1 quarterly installment of R\$ 9.50 per thousand shares paid in October 2005	30,408	4,561	25,847
<b>Provided for</b>			
1 quarterly installment of R\$ 9.50 per thousand shares paid in January 2006	30,172	4,526	25,646
1 quarterly installment of R\$ 9.50 per thousand shares paid in April 2006	30,172	4,526	25,646
Supplementary - R\$ 136.00 per thousand shares, credited on 12/21/2005, payable until 04/28/2006	431,938	64,791	367,147
Supplementary - R\$ 38.00 per thousand shares, credited on 12/21/2005, payable until 06/30/2006	120,689	18,104	102,585
Supplementary to be declared -R\$ 30.00 per thousand shares, payable until 04/28/2006	95,280	14,292	80,988
<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>
<b>Total at 12/31/2004 - R\$ 216.08 per thousand shares</b>	<b>696,775</b>	<b>104,516</b>	<b>592,259</b>

## c) Revenue reserves

	12/31/2005	12/31/2004
<b>Revenue reserves</b>	<b>5,441,626</b>	<b>5,264,756</b>
Legal Reserve	588,815	470,730
Statutory Reserve	4,852,811	4,794,026
Dividend Equalization (1)	1,904,174	2,100,056
Working Capital Increase (2)	1,374,688	1,197,408
Increase in Capital of Investees (3)	1,573,949	1,496,562

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

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

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

**d) Reconciliation of net income and stockholders' equity between Itaúsa and Itaúsa Consolidated**

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

	Net income		Stockholders' equity	
	01/01 to 12/31/2005	01/01 to 12/31/2004	12/31/2005	12/31/2004
<b>ITAÚSA</b>	<b>2,361,706</b>	<b>2,488,614</b>	<b>10,234,136</b>	<b>9,294,722</b>
Goodwill amortization	10,374	(519,498)	(759,179)	(784,544)
Tax credit	(74,907)	(8,110)	279,007	369,361
Unrealized results	-	1,386	(120)	(120)
<b>ITAÚSA CONSOLIDATED</b>	<b>2,297,173</b>	<b>1,962,392</b>	<b>9,753,844</b>	<b>8,879,419</b>

**e) Prior years' adjustments**

As result of the adaptation to the International Financial Reporting Standards (IFRS) in the European Union countries, an adjustment to the December 31, 2004 financial statements was identified represented basically by the adjustment to the pension plans of BANCO BPI S.A. (Note 16aII), reflecting in ITAÚSA a decrease in this investment in the amount of R\$ 105,946, which net of tax effects resulted in an R\$ 101,244 adjustment recorded as a debit from retained earnings.

**NOTE 18 - RELATED PARTIES**

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

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

The unconsolidated related parties are the following:

- The controlling companies of ITAÚSA;
- Fundação Itaúbanco, Fundação Itaúsa Industrial, FUNBEP – Multi-Sponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG), closed private pension entities that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 20a; and
- Fundação Itaú Social and Instituto Itaú Cultural - IIC, entities sponsored by Banco Itaú Holding Financeira S.A. and its subsidiaries to act in their respective areas of interest. During the period, the consolidated companies made donations to Fundação Itaú Social of R\$ 2,255 (R\$ 2,314 from 01/01 to 12/31/2004) and to IIC of R\$ 24,600 (R\$ 23,600 from 01/01 to 12/31/2004).

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

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

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

	12/31/2005	12/31/2004
Duratex S.A.	146,908	172,217
Elekeiroz S.A.	62,223	29,751
Itautec Philco S.A.	52,832	56,134
<b>Total</b>	<b>261,963</b>	<b>258,102</b>

**NOTE 19 - FINANCIAL INSTRUMENTS - MARKET VALUE**

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

The book value of each financial instrument, whether included or not in the balance sheet, when compared with the values that might be obtained in an active market, or in the absence of such markets, using the net present value of future cash flows adjusted based on the current market interest, 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 value		Unrealized income (loss) <sup>(*)</sup>			
					In result		In stockholders' equity	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Interbank deposits	22,915,760	19,787,697	22,942,664	19,801,644	26,904	13,947	26,904	13,947
Securities and derivative financial instruments	33,895,563	29,915,226	33,895,563	29,915,226				
Securities unrealized result					990,079	1,362,818	538,263	620,285
Additional provision (exceeding the minimum required)					370,000	400,000	370,000	400,000
Adjustment of securities available for sale					434,561	733,314	-	-
Adjustment of securities held to maturity					185,518	229,504	168,263	220,285
Loan and leasing operations	56,528,393	44,353,511	56,681,637	44,601,292	153,244	247,781	153,244	247,781
Investment in Banco BPI S.A.	483,933	659,127	1,307,463	1,319,396	823,530	660,269	823,530	660,269
Funds raised by subsidiaries	86,593,242	71,998,106	86,592,655	72,039,165	587	(41,059)	587	(41,059)
Securitization of foreign payment orders	1,285,335	1,903,027	1,288,389	1,810,286	(3,054)	92,741	(3,054)	92,741
Subordinated debts	4,584,421	4,765,340	4,641,785	4,730,392	(57,364)	34,948	(57,364)	34,948
Treasury shares	1,735,604	568,821	2,140,715	1,031,117	293,419	445,459	405,111	462,296
<b>Total unrealized</b>					<b>2,227,345</b>	<b>2,816,904</b>	<b>1,887,221</b>	<b>2,091,207</b>

(\*) Does not include the related tax effects. Includes unrealized gains from minority interest amounting to R\$ 974,771 (R\$ 1,349,084 at 12/31/2004) on income and R\$ 892,327 (R\$ 1,191,453 at 12/31/2004) on stockholders' equity.

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

- Interbank deposits, bank deposit certificates and mortgage notes, the last two included in Securities, were determined on the basis of their nominal values, monetarily restated to the maturity dates and discounted to present value using futures market interest rates and swap market rates for fixed-rate securities, and using rates published in the Gazeta Mercantil on January 2, 2006, for floating-rate securities.
- Government securities, included in Securities, were determined based on their market value, based on comparison with information provided by the National Association of Open Market Institutions (ANDIMA). For the companies of the Financial and Insurance Areas, they were determined based on their market value, according to the rules established by BACEN Letters 3,068 of November 8, 2001 and 3,082 of January 30, 2002 and SUSEP Letter 295, of June 14, 2003, except when classified as held to maturity.
- Shares of listed companies, when included in Securities, at the average quote available on the last trading session of the month, or, if not, the most recent quote in prior trading sessions, published in the Daily Report of each Stock Exchange.
- Loans with maturity over 90 days, when available, based on the net present value of future cash flows discounted at the interest rate used by the market at the balance sheet date, also considering the effects of hedges operations (swap contracts).
- Interest in overseas subsidiary (Banco BPI S.A.), based on the share value on the stock exchanges, the equity value per share and the auction quotation.
- Time and interbank deposits and funds from acceptances and issuance of securities, when available, were calculated based on their present value determined by means of future cash flows discounted using future market interest rates, swap market rates for fixed-rate securities, and market rates for floating-rate securities published in the Gazeta Mercantil on January 2, 2006. The effects of hedges (swap contracts) are also taken into account.
- Securitization of the Foreign Payment Orders, based on the net present value of the future cash flows estimated as from the interest curves of the indexation marketplaces, net of the interest rates practiced in the market on the balance sheet date, considering the credit risk of the issuer, calculated based on the market price of other securities issued by the same.
- Subordinated Debts, based on the net present value of future fixed or 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 from the interest curves of the indexation marketplaces.
- Derivatives related to swaps contracted to hedge the remaining assets/liabilities, based on reference 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 days, published in the daily bulletin of each Stock Exchange.



**NOTE 20 – BENEFITS TO EMPLOYEES**

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

**a) Supplementary retirement benefits:**

ITAÚSA and its subsidiaries sponsor supplementary retirement plans managed by Fundação Itaúbanco, FUNBEP – Multi-Sponsored Pension Plan, Employees' Social Security Savings of BEG (PREBEG), and Fundação Itaúsa Industrial (closed and supplementary private pension funds), which are intended to grant benefits that, as a life annuity (in the case of FUNBEP, PREBEG and the plan of Fundação Bemge de Seguridade Social – FASBEMGE, also grants death benefits), will supplement the retirement paid by the Social Security.

All of these plans provide defined benefits and are closed to new participants.

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

Fundação Itaúsa Industrial gave to the participants of BD-Duratex plan the option of migrating to the defined-contribution plan (CD-PAI); 97% of the participants accepted to migrate.

During the period, the contributions paid totaled R\$ 29,764 (R\$ 27,072 from January 1 to December 31, 2004). The contribution rate increases based on the participant's income.

**b) Post-employment benefits:**

ITAÚSA and/or its subsidiaries do not sponsor other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by controlling 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\$ 8,952 (R\$ 16,766 from January 1 to December 31, 2004). The contribution rate increases based on the beneficiary's age.

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

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

	12/31/2005	12/31/2004
Net assets of the plans	9,327,392	8,685,202
Actuarial liabilities	(8,128,429)	(7,235,424)
Surplus (*)	1,198,963	1,449,778

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

In addition to the reserves kept by the plans, the sponsors have provisions in the amount of R\$ 26,850 (R\$ 27,089 on 12/31/2004) to cover insufficient actuarial reserves.

## d) Changes in Net assets and Actuarial Liabilities, and Excess of Assets over Liabilities

	01/01 to 12/31/2005			01/01 to 12/31/2004		
	Assets	Actuarial liabilities	Excess of assets over liabilities	Assets	Actuarial liabilities	Excess of assets over liabilities
Present value – beginning of the period	8,685,202	(7,235,424)	1,449,778	7,272,962	(5,967,582)	1,305,380
Adjustments in the period (1)	(309,730)	194,011	(115,719)		(19,885)	(19,885)
Expected return on assets/Cost of current service + Interest	1,040,964	(893,415)	147,549	886,464	(786,192)	100,272
Benefits paid	(379,960)	379,960	-	(344,937)	344,937	-
Contributions employer/Participants	63,328	-	63,328	69,042	-	69,042
Gains/(Losses) in the period (2) (3)	227,588	(573,561)	(345,973)	801,671	(806,702)	(5,031)
Present value - end of period	9,327,392	(8,128,429)	1,198,963	8,685,202	(7,235,424)	1,449,778

(1) Refer to the effects arising from the migration of 97% of the BC-Duratex plan's active participants to the CD-PAI plan.

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

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

## e) Main assumptions used in actuarial evaluation

	12/31/2005		12/31/2004	
	Financial Services Area (1)	Industrial Area (2)	Financial Services Area (1)	Industrial Area (2)
Discount rate	10,24% <sup>aa</sup>	10,77% <sup>aa</sup> (3)	10,24% <sup>aa</sup>	11,30% <sup>aa</sup> (3)
Expected return rate on assets	12,32% <sup>aa</sup>	15,25% <sup>aa</sup> (4)	12,32% <sup>aa</sup>	13,40% <sup>aa</sup>
Mortality table	GAM-83	GAM-83	GAM-83	GAM-83
Turnover	Exp.Itaú 1999/2001	Exp. Towers	Exp.Itaú 1999/200	Exp. Towers
Future Salary Growth	7,12% <sup>aa</sup>	8,68% <sup>aa</sup> (5)	7,12% <sup>aa</sup>	9,20% <sup>aa</sup> (5)
Growth of the pension fund and social security benefits	4,00% <sup>aa</sup>	4,50% <sup>aa</sup>	4,00% <sup>aa</sup>	5,00% <sup>aa</sup>
Inflation	4,00% <sup>aa</sup>	4,50% <sup>aa</sup>	4,00% <sup>aa</sup>	5,00% <sup>aa</sup>
Actuarial method	Cred. Unit. Projet. (6)	Cred. Unit. Projet. (6)	Cred. Unit. Projet. (6)	Cred. Unit. Projet. (6)

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

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

(3) The BD-Itaútec plan uses a discount rate of 8.68% p.a..

(4) The BD-Itaútec plan uses a expected return rate on assets of 14.50% p.a..

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

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

**NOTE 21 - ADDITIONAL INFORMATION****a) Insurance policy**

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

**b) Foreign currencies**

The balances in reais linked to foreign currency were:

	12/31/2005	12/31/2004
<b>Permanent foreign investments</b>	<b>6,761,094</b>	<b>7,170,751</b>
Net amount of assets and liabilities indexed to foreign currency, including derivatives	(10,526,633)	(9,828,650)
<b>Net foreign exchange position</b>	<b>(3,765,539)</b>	<b>(2,657,899)</b>

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

**c) Breaking Off the Strategic Alliance with America Online Latin America Inc.**

ITAÚ HOLDING, through its subsidiaries, holds 35,937,840 class A common shares of America Online Latin America Inc. (AOLA) capital, related to the strategic alliance entered into with that company on June 12, 2000, a joint venture established by America Online Inc. and by the Cisneros group for providing interactive services in Latin America. The agreement included the services contracted by América Online Brasil Ltda. (AOLB), subsidiary of AOLA, of interactive and marketing services by ITAÚ HOLDING, considering the final contractual term at March 24, 2006.

The original acquisition of shares did not result from any monetary disbursements, since, at the time of the subscription, an advance of the same amount was received in respect of a service agreement.

On June 24, 2005, AOLA management filed with the Securities and Exchange Commission (SEC) submitting a petition for voluntary bankruptcy, due to the non-existence of funds available or sources of funds to maintain the economic and financial equilibrium of the company, and informing that it believes that its common shares do not have nor will they have any value. In view of such disclosed information, the investment value was fully recorded as permanent loss, which resulted in expenses for the period amounting to R\$ 37,026.

On December 29, 2005, the parties entered into an agreement for breaking off the alliance, which provided for the mutual release from all liabilities arising from such strategic alliance and related amendments. Accordingly, an amount of R\$ 119,933 was recorded in other operating income (Note 13e) related to funds received from agreement for rendering services.

**d) Profit Sharing – Employees – Law 10101 of December 19, 2000**

Based on the terms approved by the collective agreement, the profit sharing was as follows:

	01/01 to 12/31/2005	01/01 to 12/31/2004
Profit sharing	560,972	443,209
Tax effects	(188,755)	(151,041)
<b>Profit sharing, net</b>	<b>372,217</b>	<b>292,168</b>

## NOTE 22 - STATEMENT OF CASH FLOWS

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

## a) ITAÚSA CONSOLIDATED

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Adjusted net income</b>	<b>12,584,524</b>	<b>11,623,770</b>
Net income	2,297,173	1,962,392
Adjustment to net income:	10,287,351	9,661,378
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(253,297)	62,157
Allowance for loan losses	3,718,117	1,583,595
Adjustment to provision and contingent liabilities	(118,836)	78,928
Results from operations with subordinated debt	208,174	302,519
Results from operations with securitization of foreign payment orders	(159,871)	(112,713)
Change in technical provision for insurance, pension plan and capitalization	2,693,584	2,957,405
Depreciation and amortization	708,559	718,927
Extraordinary result in subsidiaries	207,572	1,442,394
Deferred taxes	419,976	617,125
(Income) Loss on sales of assets	1,523	7,538
Equity in the results of subsidiaries and associated companies	13,469	(109,341)
Exchange variation of permanent assets	(27,093)	13,106
(Reversal) Provision for losses	2,731	(7,259)
Minority interest results	2,872,743	2,106,997
<b>Changes in assets and liabilities</b>	<b>(23,857,884)</b>	<b>(10,897,626)</b>
(Increase) Decrease in short-term interbank investments	(3,128,063)	1,469,705
(Increase) Decrease in securities and derivative financial instruments (assets/liabilities)	(2,622,162)	(20,992)
(Increase) Decrease in interbank accounts of subsidiaries	(2,864,004)	(2,111,312)
(Increase) Decrease in loan and leasing operations	(15,890,655)	(10,448,172)
(Increase) Decrease in inventories	49,257	(58,082)
(Increase) Decrease in other credits and other assets	(945,929)	(542,502)
(Increase) Decrease in foreign exchange portfolio	(125,534)	(13,722)
(Increase) Decrease in prepaid expenses	(530,914)	(46,864)
(Decrease) Increase in technical provisions for insurance, pension plan and capitalization	922,877	376,551
(Decrease) Increase in provisions and accounts payable and other liabilities	1,252,170	566,301
(Decrease) Increase in deferred income	25,073	(68,537)
<b>OPERATING ACTIVITIES - Net cash provided by/(invested)</b>	<b>(11,273,360)</b>	<b>726,144</b>
Interest on own capital/Dividends received from affiliates	45,154	57,755
Sale of investments	24,979	30,786
Sale of fixed assets in use	65,492	44,255
Decrease in deferred charges	-	5,624
Purchase of investments	(33,102)	(40,798)
Goodwill on purchase of investments	(200,000)	(1,398,917)
Purchase of fixed assets and forest reserves	(611,746)	(627,483)
Investment in deferred charges	(144,837)	(106,006)
Change in minority interest	(1,114,217)	(133,110)
<b>INVESTMENT ACTIVITIES - Net cash provided by/(invested)</b>	<b>(1,968,277)</b>	<b>(2,167,894)</b>
Increase (Decrease) in funds obtained by subsidiaries - foreign currency	(835,371)	(1,897,784)
Increase (Decrease) in funds obtained by subsidiaries - domestic currency	9,500,647	4,443,684
Increase (Decrease) in funds obtained by subsidiaries - open market	5,929,860	(833,791)
Increase (Decrease) in borrowings - foreign currency	(60,486)	(76,629)
Increase (Decrease) in borrowings - local currency	(6,555)	(69,022)
Increase (Decrease) in credit card operations	1,628,682	1,151,717
Increase (Decrease) in securitization of foreign payment orders	(457,821)	40,800
Increase (Decrease) in liabilities by subordinated debt	(389,093)	(350,750)
Interest on own capital paid to minority stockholders	(822,100)	(656,226)
Capital increase	100,000	158,500
Goodwill on issuance of shares	328	612
Purchase of treasury shares	(434,191)	(138,763)
Interest on own capital paid	(753,766)	(637,766)
<b>FINANCING ACTIVITIES - Net cash provided by/(invested)</b>	<b>13,400,134</b>	<b>1,134,582</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>158,497</b>	<b>(307,168)</b>
At the beginning of the year	2,035,381	2,342,549
At the end of the year	2,193,878	2,035,381

## b) ITAÚSA

	01/01 to 12/31/2005	01/01 to 12/31/2004
<b>Adjusted net income</b>	<b>305,515</b>	<b>158,277</b>
Net income	2,361,706	2,488,614
Adjustment to net income:	(2,056,191)	(2,330,337)
Amortization of goodwill	3,341	599
Equity in the results of subsidiary and affiliated companies	(2,646,103)	(2,446,179)
Extraordinary result	585,574	114,871
(Reversal) Provision for losses	111	(570)
Depreciation and amortization	886	942
<b>Changes in assets and liabilities</b>	<b>226,735</b>	<b>(117,549)</b>
(Increase) Decrease in securities and derivative financial instruments	106,573	(135,371)
(Increase) Decrease in other credits and other assets	(25,127)	5,310
(Increase) Decrease in prepaid expenses	145,289	12,512
<b>OPERATING ACTIVITIES - Net cash provided by/ (invested)</b>	<b>532,250</b>	<b>40,728</b>
Sale of investments	43,174	11
Sale of property, plant and equipment	5	16
Purchase of investments	(221,146)	(3,347)
Purchase of property for own use	(24)	(105)
Interest on own capital/dividends received	732,770	580,305
<b>INVESTMENT ACTIVITIES - Net cash provided by/ (invested)</b>	<b>554,779</b>	<b>576,880</b>
Goodwill on subscription of shares	328	612
Capital increase	100,000	158,500
Purchase of treasury stock	(434,191)	(138,763)
Interest on own capital paid	(753,766)	(637,766)
Reserves from tax incentives	535	-
<b>FINANCING ACTIVITIES - Net cash provided by/ (invested)</b>	<b>(1,087,094)</b>	<b>(617,417)</b>
<b>INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>193</b>	<b>191</b>
At the beginning of year	193	2
At the end of the year	128	193
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>	<b>(65)</b>	<b>191</b>

## Report of Independent Auditors

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

- 1 We have audited the financial statements of Itaúsa - Investimentos Itaú S.A. and of Itaúsa - Investimentos Itaú S.A. and subsidiaries as of December 31, 2005 and 2004. 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, 2005 and 2004, the result of operations, the changes in stockholders' equity and the changes in the financial position for the years then ended, as well as the consolidated results of operations and the changes in the consolidated financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

São Paulo, March 3, 2006

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Ricardo Baldin  
Contador CRC 1SP110374/O-0

# ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15

Listed Company

## OPINION OF THE FISCAL COUNCIL

The members of ITAÚSA - INVESTIMENTOS ITAÚ S.A.'s Fiscal Council, after examining the management report and the financial statements for the year ended December 31, 2005, have verified the correctness of all elements presented and understand that they fairly reflect the Company's accounts, financial position and the activities during the year, recommending that they be approved by the Company's Administrative Council.

São Paulo-SP, March 6, 2006

JOSÉ MARCOS KONDER COMPARATO

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA