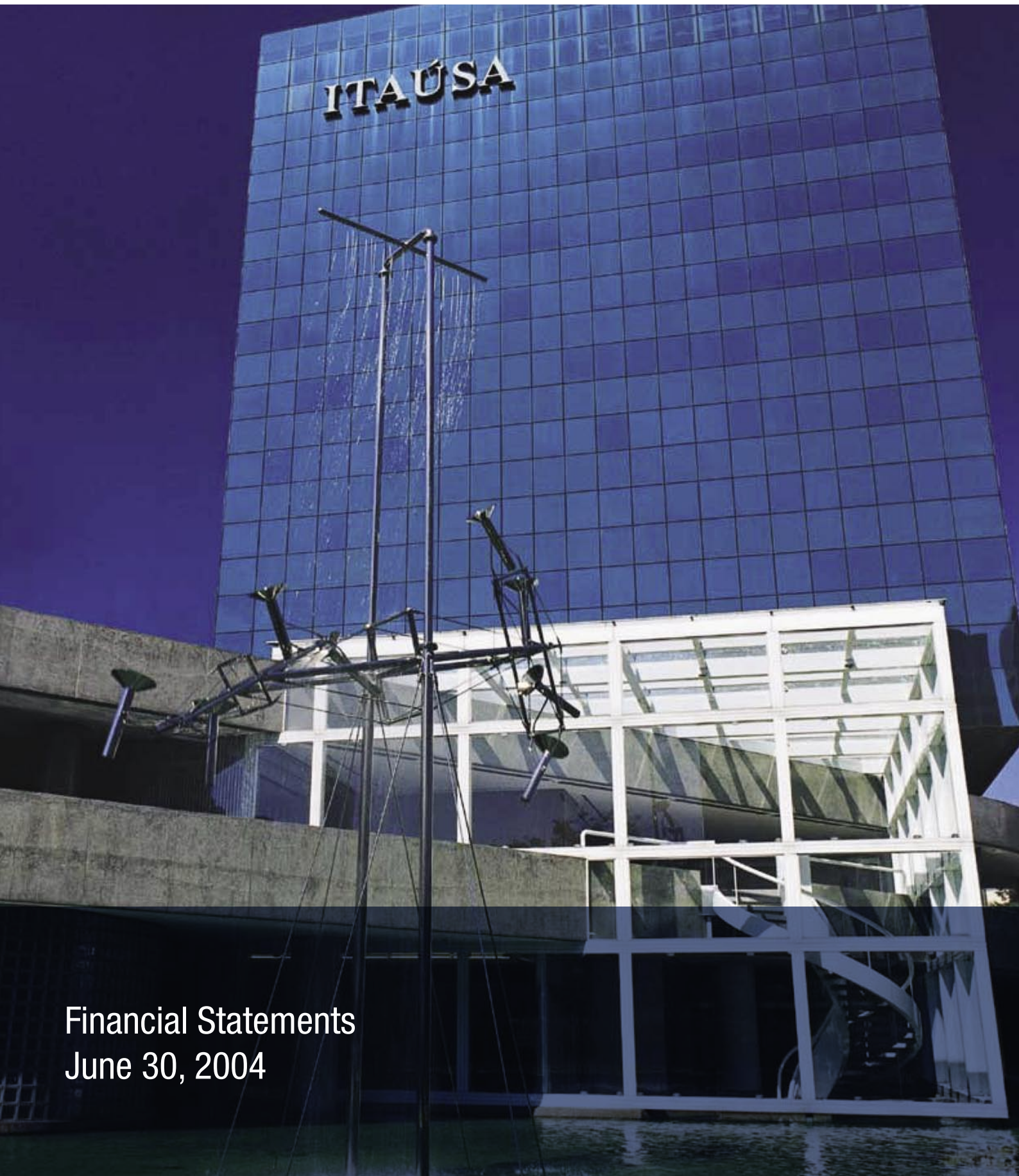


ITAÚSA - INVESTIMENTOS ITAÚ S.A.



Financial Statements
June 30, 2004

ITAÚSA INVESTIMENTOS ITAÚ S.A.

MANAGEMENT REPORT – FIRST HALF OF 2004

To our Stockholders

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

THE ECONOMY

This half year, the economy maintained its recovery trend. The growth recorded is a result of several factors, such as the decrease in interest rates and the continued expansion of the foreign market. At the end of June, the US Federal Reserve increased its interbank rate by 0.25%, pointing to a gradual increase in interest rates and better prospects for the second half.

The decrease in Brazil's base rate (SELIC) to 16% at the end of June from 26.5% p.a. in June last year is due to a drop in inflation to roughly 6% in June 2004 against 17.2% for the twelve-month period ended May 2003, measured by the Broad Consumer Price Index (IPCA) issued by the Brazilian Statistics Institute (IBGE). Both sales and industrial output indicators showed a growth trend in the first half as compared to the same period in 2003. Industrial output grew 6.5% in the first five-month period of 2004 and retail sales 8.5%.

During this half year, the foreign market sector continued its excellent performance of 2003. By June, foreign sales had accumulated US\$ 43.3 billion, 31% over the amount posted in the same period in 2003. The trade balance totaled US\$ 15.0 billion, an increase of almost 46% as compared to 2003. This performance arises from maintaining the exchange rate at a competitive level in the agribusiness sector in Brazil, the increase on the world GDP, which according to the IMF should reach 4.6% in 2004, higher than the 4% estimated for December 2003.

Investment is also recovering, as shown by the output of capital goods and the sales of civil construction industry inputs. This shall result in a greater investment in machinery, equipment and civil construction which in 2003, was only 18% of GDP. The consolidation of the economic upturn will require an increase in investment levels in 2004.

This half, the manufacturing sector maintained the recovery trend started in the second half of 2003. From January to May, the manufacturing sector grew 6.5% as compared to the same period in 2003. The expansion in this sector is mainly due to the drop in interest rates and increasingly dynamic exports.

The two sectors that led industrial recovery in the first five months are capital goods and durables, with growth rates as high as 22.5% and 21.5%, respectively, as compared to the same period last year. Growth in different manufacturing segments was as follows; wood industry 9.2%; electronic components, devices, and communications equipment 33.8%; and vehicle industry 22.4%.

A recuperação da indústria deve manter-se nos próximos meses, consolidando um crescimento significativo no ano de 2004. Ainda que a recuperação da renda não tenha mostrado consistência, alguns segmentos da indústria de bens de consumo semi e não duráveis começam a recuperar-se. Além disso, os bons resultados do balanço comercial devem permanecer como importante fonte de demanda na indústria durante o ano.

ITAÚSA OPERATIONS

Itaúsa, a publicly listed holding company, centralizes the financial and strategic decisions of its subsidiaries even though it preserves the operating autonomy of each company. Investments are diversified but each company has its own strategic business focus.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R\$ thousand

	Parent company		Minority stockholders		Conglomerate	
	06/30/2004	06/30/2003	06/30/2004	06/30/2003	06/30/2004	06/30/2003
Total net income	910,040	696,151	1,020,665	790,746	1,930,705	1,486,897
Recurring net income	972,253	917,461	1,018,082	1,080,741	1,990,335	1,998,202
Extraordinary results	(62,213)	(221,310)	2,583	(289,995)	(59,630)	(511,305)
Stockholders' equity	8,227,216	7,098,696	7,584,231	6,482,884	15,811,447	13,581,580
Annualized return (net income/stockholders' equity) (%)	23.35	20.58	28.73	25.88	25.91	23.09
Dividends/Interest on own capital	250,588	223,223	277,751	282,007	528,339	505,230

MAIN FINANCIAL INDICATORS

	06/30/2004	06/30/2003	Change %
Net income per thousand shares – R\$			
Net income	282.22	216.09	30.60
Book value	2,551.42	2,203.47	15.79
Price of Common Share (ON) (1)	3,845.00	3,242.50	18.58
Price of Registered Preferred Share (PN) (1)	3,410.00	2,384.50	43.01
Market capitalization (2) - R\$ thousand	11,520,531	8,698,336	32.45

(1) Based on the average quotation for June.

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

MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

R\$ thousand

	1st six-month period	FINANCIAL AND INSURANCE AREA		INDUSTRIAL AREA			CONSOLIDATED/ CONGLOMERATE (2)
		Banco Itaú Holding Consolidated	Insurance, Pension Plan, Capitalization (1)	Duratex	Itautec Philco	Elekeiroz	
Total assets	2004	122,759,553	13,187,524	1,805,631	920,375	462,315	126,291,478
	2003	106,799,152	8,111,048	1,573,955	932,336	445,182	110,184,088
Operating revenue (3)	2004	16,077,889	3,636,527	551,859	726,202	304,240	17,761,478
	2003	8,499,895	3,106,744	446,055	560,837	271,128	9,900,528
Net income	2004	1,824,916	368,645	49,096	14,080	25,331	1,930,705
	2003	1,490,461	295,926	28,152	1,576	19,944	1,486,897
Stockholders' equity	2004	12,787,340	3,120,391	952,500	322,901	254,787	15,811,447
	2003	10,771,808	2,076,759	912,011	308,709	225,644	13,581,580
Annualized return (Net income/ Stockholders' equity) (%)	2004	30.58%	25.02%	10.57%	8.91%	20.87%	25.91%
	2003	29.59%	30.53%	6.27%	1.02%	18.46%	23.09%
Internal fund raising (4)	2004	3,905,506	1,391,296	88,092	48,298	38,267	4,029,810
	2003	3,995,411	952,357	67,617	35,724	35,040	4,131,088

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

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

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

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

(4) Covers resources arising from operations:

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

FINANCIAL SERVICES AREA

Banco Itaú Holding Financeira

Banco Itaú Holding Financeira S.A. (Itaú) is the organization responsible for controlling all activities of the Itaúsa conglomerate related to the financial services area. The organization maintained its performance of the last financial years, evidencing the sustainability of its results. Net income for the six-month period was R\$ 1,825 million. Annualized income was 30.6%, reflecting revenue diversification and cost management efficiency. The efficiency rate – expense/revenue ratio – was below 50% for the seventh consecutive quarter.

Itaú still holds the highest stock market value amongst all Latin-American banks, totaling R\$ 30,485 million, at June 30, 2004.

Itaú's consolidated assets reached R\$ 122,760 million, a 14.9% increase over the first half of 2003. The loan portfolio reached R\$ 48,713 million, including sureties and collateral. In the last quarter there was an increase of 8.8%, which was noted in virtually all segments. The highlight was the 10.6% increase in personal loans, and the 12.6% increase in the balance of the small businesses and middle market loan portfolio.

Total resources increased 23.2% in comparison to June 2003, totaling R\$ 194,750 million. It should be highlighted the increase of managed funds by 31.5% in the same period, totaling R\$ 89,565 million.

Amongst the number of acknowledgements received during this half, we highlight that the Itaú brand was once again considered the most valuable in Brazil. This year, it was valued at US\$ 1,204 million, 10% higher than in 2003 (US\$ 1,093 million).

The April 28, 2004 E&AGM approved the creation of a single Audit Committee for the entire Itaú Financial Conglomerate, by transforming the current Internal Control Committee and enlarging its goals and purposes, in accordance with the provisions of Resolution no. 3198 of the National Monetary Council, the Sarbanes-Oxley Act of the United States Congress and the SEC, in view of the trading of Itaú shares in NYSE. Three outside members were appointed from Committee: director Carlos da Câmara Pestana, as Committee Chairman, and directors Alcides Lopes Tápias and Tereza Cristina Grossi Togni. The latter will be the Committee's expert director because of her proven knowledge in the accounting and audit areas.

A highlight at Banco Itaú was the Taíí operation which was started in May on a test pilot basis of 8 units. (Taíí is the tupi-guarani word for seed.) The credit company will offer large-scale personal credit to the low-income population. The first results confirm transaction volume forecasts, proving that the model adopted is appropriate for market penetration.

In the first half of 2004, Itaú-BBA kept focused on the completion of its main strategies, such as maximizing the synergies identified in the association of Itaú with the former BBA, the increase in the offer of structured products and derivatives, and the increase in capital market operations. As regards the synergies, we should highlight the large income generation capacity resulting from the increase in the range of products and services offered. Currently, this product and service range goes from payroll processing to M&A consulting.

	Itaú	Itaú-BBA	Corporation	Consolidated (*)
Loans	25,117	23,989	-	48,713
Net income	1,498	421	(94)	1,825
Stockholder's equity	7,462	3,543	1,782	12,787
Annualized Return (Net income / Stockholder's ec	44.2	25.2	-	30.6

(*) Consolidated amounts represent net amounts of intercompanies eliminations.

Subsequent Event

Itaú and Companhia Brasileira de Distribuição (CBD) announced on July 27, 2004 the signing of a Memorandum of Understanding aimed at establishing a relationship by forming a new financial institution that will operate exclusively in structuring and selling financial and related products and services to CBD customers. Business startup is scheduled for the second half.

This association of two leading domestic groups of acknowledged management excellence and high value brands, will strengthen the credit market offered to Brazilian consumers.

Insurance, Pension Plans and Capitalization

Itaú Seguros and its subsidiaries (including Health) generated, in the six-month period, R\$ 1,028 million in premiums, presenting an increase of 13.2% in relation to the same period in 2003. The residential insurance portfolio increased 47.7% in relation to the first half of 2003, maintaining Itaú Seguros as leader in the market with a market share of 24%.

During this half, Itaú Previdência e Seguros S.A. reached R\$ 1,381 million in revenues from life insurance and VGBL premiums issued, which represents a 71.6% increase as compared to the first half of 2003.

Technical provisions for pension funds, VGBL, and life insurance totaled R\$ 7,254 million. This amount comprises R\$ 6,540 million of Itaú Previdência e Seguros reserves, an 81.5% increase as compared to 2003, and R\$ 714 million from the acquisition of AGF Vida e Previdência, already merged.

In the period, the insurance Itauvida Mulher was launched and approximately 61,000 policies were sold in the six-month period, which together with the insurance Viva Mulher Itaú, launched in 2003, becomes another option of woman-focused products.

The provisions for capitalization totaled R\$ 976 million in the period, of which more than R\$ 17 million in cash was distributed during this half, as prizes to the winning customers.

Pro Forma Information	<i>R\$ Million</i>								
	Insurance (1)		Life Insurance and Pension Plans (1)		Capitalization (1)		Consolidated (1)		
	1st half 2004	1st half 2003	1st half 2004	1st half 2003	1st half 2004	1st half 2003	1st half 2004	1st half 2003	Change (%)
Net income	70	87	111	55	70	77	247	218	13.0
Premiums earned and revenues from pension plans and capitalization	769	631	187	169	103	112	1,052	913	15.3
Technical provisions	1,038	884	7,254	3,603	976	902	9,267	5,388	72.0

(1) Shareholdings in other businesses were eliminated.

ITAÚSA PORTUGAL

The holding company Itaúsa Portugal, SGPS, S.A., concentrates the conglomerate's financial activities in the European Union. At the end of the quarter, its consolidated assets totaled €2.3 billion, an increase of 5% as compared to the same period in 2003. Net income reached €14 million, with an annualized return of 9.3% on consolidated stockholders' equity of €305 million.

This half, Banco Itaú Europa posted consolidated net income of € 15 million, 5% higher than the amount obtained in the same period in 2003. These results reflect the diversification that had a major role in the performance of the capital market, treasury, and international private banking operations, and the interest held in BPI - Banco Português de Investimentos of 16.1%, the results of which are accounted for by the equity method in the results. BPI Bank obtained a net income of € 87 million in the six-month period, 8% higher than the same period in 2003. Itaú interest in BPI Bank is concentrated in IPI - Itaúsa Portugal Investimentos, Lda., in whose capital Banco Itaú Europa holds a quota of 51% and Banco Itaú holds indirectly the remaining 49%.

Itaú Europa continued to post a high capitalization rate, with stockholders' equity of € 309 million. Solvency and liquidity indices at the end of the period reached 24% and 57%, respectively, confirming a high financial soundness. The Bank's consolidated assets reached € 2.3 billion, a 12% growth as compared to the same period in 2003. This increase is due to the important contribution of the different Bank loan portfolios, in particular foreign trade transactions, which totaled approximately US\$ 477 million. Most portfolios consist of structured financing to Brazilian exports and European companies with investments in Brazil.

Itaú Europa, through its wholly-owned subsidiary, Banco Itaú Europa Luxembourg S.A., which activity is concentrated on private banking transactions, has succeeded in increasing its clients' portfolio and products' offer. The assets reached US\$ 1.7 billion at the end of the six-month period.

At the beginning of the first half, investment grade status was raised to BBB+/F2 from BBB+/F3 by Fitch Ratings, and to Baa1/P-2 from Baa2/P-2 by Moody's, which provides the Bank a competitive position to diversify its funding sources by issuing medium- and long-term Eurobonds in the international capital market.

INDUSTRIAL AND REAL ESTATE AREA

Duratex

Duratex posted consolidated billings of R\$728.1 million, a 28.4% increase as compared to the same period in 2003. Exports grew 42.6%, totaling US\$ 28.1 million.

Operating results of Duratex posted an increase of 52.4%, totaling R\$ 104.1 million, and EBITDA of R\$ 141.4 million, increasing 44.0%.

Net income reached R\$ 49.1 million, a 74% increase over the same period in 2003. Operating cash generation was R\$ 55.4 million.

This half, the financial volume of Duratex preferred shares traded in the spot market was R\$ 162.2 million, an increase of 123.7% as compared to the same period in 2003.

The Wood Division posted a sales volume 30% higher than in the same period in 2003. This growth derives from the increase in shipments from the new capacities installed by the end of 2003 (eucalyptus MDF/HDF and particleboard panels).

The Deca Division endured the effects of the steep drop in the civil construction industry operations, and despite charging higher prices than in the first half of 2003, Deca's sales volume was 5% higher than in the first half of 2003, concentrating basically in the sanitaryware segment.

The Resource Investment Plan totaled R\$ 84.4 million. The main investments made in fixed assets reached R\$ 62.1 million, of which we highlight the startup of the new low pressure laminate line (LPL) in Botucatu; the continuity of the expansion of the Sanitary Ceramics II plant in Jundiaí (SP), with the start of the installation of the new furnace that will increase current capacity by 28%; and the purchase of land and forest in the Botucatu and Itapetininga regions to supply the new installed capacity.

Itautec Philco

This half, gross sales and services revenues of Itautec Philco reached R\$ 850.0 million, 33% higher than in the same period in 2003. Net income reached R\$ 14.1 million, eight times higher than in the same period in 2003. Accumulated operating cash generation was R\$ 61.0 million and EBITDA R\$ 60.9 million, equivalent to 8.4% of net revenue.

In June, Itautec presented important launchings at CIAB 2004 (International Bank Automation Congress), such as ATMs incorporating new Multidepositor, Facial Biometric Identification, and Smart Lock technologies, which confer high efficiency and security to banking transactions.

The highlight of the Commercial Automation and Self-service Business Unit (BU) was the participation in the São Paulo Supermarket Association (APAS) trade fair, where new products incorporating cutting-edge technology, such as RFID (Radio Frequency Identification), were presented. Additionally, São Paulo State Finance Department approved the new tax form printer using thermal printing technology.

Billings of the Itec BU were 98% higher than in the same period in 2003 for the Brazilian operations, and 23% higher for the Argentine operations. The subsidiary in Ecuador was inaugurated in June as a continuation of the expansion project in Latin America.

The highlight of the e-Business Solutions BU was the winning of ten contracts for the Webway Legal product, which is intended for law firms and legal departments of large companies. Additionally, a portable scanner was included in the product line. This scanner can be used in courthouses.

In the Information Technology area, 61.7 thousand equipment were shipped, 42% more than in 2003. The highlight in this half was the world performance record obtained by an Itautec server, under the rules of the international organization Transaction Processing Council (TPC), in the single-processor server category.

The highlight at Philco was the shipment of 60,000 High-End TVs, accounting for 12% of total sets sold. In March, the launching of a new DVD model (DV-P4500), with modern design and advanced features, was another positive factor for the 107% increase in volume shipped, as compared to the same period in 2003.

Gross revenues of the Semiconductors BU reached R\$ 51.1 million for the six-month period, 50% higher than in the first half of 2003.

Itautec Philco foreign market revenues were R\$ 40 million, 29% higher than in the same period of 2003. There are great growth prospects in this market through the operations of subsidiaries established in Argentina, Ecuador, Mexico, United States, Portugal, and Spain.

Elekeiroz

Total shipments of Elekeiroz were 9% lower than in first half of 2003, reaching 225,400 tonnes. Inorganic product shipments reached 107,600 tonnes, a 20% drop due to a decrease of 20,000 tonnes in sulfuric acid production because of the biannual maintenance shutdown. Organic product production was 117,800 tonnes, increasing by 3%. Exports, of 26,100 tonnes remained stable. Average product contribution margin per unit sold 20% high than in the same period in 2003.

A special tank was installed in Taubaté to receive and store liquid phthalic anhydride, allowing higher operating flexibility, cutting costs, and resulting in lower efforts from and risks for the plasticizer production operators.

The first stage of the sulfuric acid plant automation in Várzea Paulista was completed during the biannual scheduled maintenance shutdown. This automation increases a more regular daily output and increase the product's end quality, as confirmed in the first month of operation.

We present below the changes in the main indicators of Elekeiroz's consolidated results:

	<i>R\$ million</i>		
	2004	2003	Change %
Gross revenue	380.5	326.6	17
Net income	304.2	271.1	12
Export revenue	56.0	55.5	1
Operating result	34.1	28.7	19
Net profit	25.3	19.9	27
EBITDA	48.1	52.6	(9)

Itaúsa Empreendimentos

This half, there was a significant increase in residential real estate sales, despite the low number of new apartments launched. These results carry a hint of optimism to the industry, which usually concentrates a large deal of its launchings in the coming months.

The office market points to the start of the increase in demand for new space.

The high standard Condominium, Ville Belle Époque, located in the Alto de Pinheiros district, developed together with Construtora Líder, had 67% of its units sold and construction continues at fast pace.

The Jardins do Portal development had 78% of its units sold.

Construction at Place Saint Germain will start in the next quarter. The high standard house condominium in the Alto da Boa Vista district is being developed together with AK Realty.

The office condominium Panamérica Park is fully rented.

The company started studies to modernize the facilities and façades of the Raposo Shopping mall to increase the visibility to this venture. As compared to the same period in 2003, sales increased 9.45%.

HUMAN CAPITAL MANAGEMENT

Staff compensation plus charges and benefits totaled R\$ 1,717 million. The social benefits given to the employees and their dependents totaled R\$ 259 million and encompass supplementary retirement, meals, health and dental care, social assistance services, scholarships, leisure, sports and cultural activities, loans at subsidized interest rates, insurance, transportation voucher, donations special grants, and others.

People management is a permanent focus of attention at the Group's companies. This half, R\$ 23 million were invested in employee education, training, and development programs.

The highlight for this half-year was Banco Itaú's involvement in the Young Citizen Program, coordinated by the São Paulo State Government. The Bank hired 185 office boys and trainees for the branches' administrative and self-service areas. The Young Apprentice Program, aimed at expanding opportunities and offering professional experience to poor young students, resulted in the hiring of 30 teenagers during this half year.

SOCIAL RESPONSIBILITY

Group companies are committed to the development of society, both in the social and in the cultural areas, and are aligned with environmental management best practices set forth by specialized organizations, focused on sustainable development. Additionally, they adopt education-related actions to build the community's awareness on the importance of preserving the environment. We present below some of the highlights of the first half year.

Social and Cultural Activities

In the social and cultural areas, the highlights are the performance of the Itaú Social Foundation and Instituto Itaú Cultural.

In the first half of 2004, Fundação Itaú Social continued its investments in the development of own programs and sponsoring initiatives mainly focused on elementary education.

Highlights for the period include the launching of the 2nd edition of the "Prêmio Escrevendo o Futuro" ("Writing the Future Award"), aimed at improving the quality of public elementary education. This edition of the Program involved over 10,000 schools.

The "Programa Melhoria da Educação do Município" ("Improvement of Municipal Education Program") was extended to 116 municipalities in the interior of São Paulo. The project's objective was to advise and strengthen

municipal teams comprising governmental organizations and non-governments organizations related to elementary education. Since inception in 1999, the program has already benefited 886 cities.

The “Programa Jovens Urbanos” (Urban Youth Program), focused on young people from 16 to 24 years old living in the suburbs of large cities, started in May. This program fosters better education levels, the development of skills and competences, the increase in cultural and social backgrounds, and access to the professional world. The program is supported by sound partnerships including the São Paulo State Government, the São Paulo City Government, third sector entities specialized in education, and local NGOs, and has benefited since inception 480 youngsters living in the districts of Campo Limpo and Brasilândia in Greater São Paulo.

The “Programa Itaú Voluntário” (Itaú Voluntary Program), the objective of which is to motivate the participation of employees in community actions, is being implemented in all areas.

Reaffirming its commitment to artistic production in Brazil, the Itaú Cultural Institute launched its seventh Rumos program. Initiated in 1997, Rumos is divided into eight segments: Visual Arts, Cinema and Video, Dance, Cultural Journalism, Literature – Audiobooks, Music, Academic Research, and Transmedia. The program comprises wide-ranging surveys, selection of artists, exhibition of works (in expositions, shows, sound recordings and printed and electronic media), and seminars to discuss themes of general interest – for the purpose of integrating artists and cultural leaders and participants.

The areas of Music, Literature-Audiobooks, and Cultural Journalism were the focus for this year, and the program's launch reached a new and previously unseen level. A “cultural caravan”, made up of artists, writers, journalists, cultural sponsors, and researchers of Brazilian culture, was also sent to all the states. This group discusses and examines with its peers and the general public of each region matters of interest related to Rumos. Approximately 50 partner institutions, including cultural and professional associations, TV and radio networks, state and municipal governments, amongst others, are involved in this effort.

As part of our ongoing partnership process, which intensifies and reinforces the Institute's permanent presence in other states, three important partnerships were entered into in March in Minas Gerais: the Clóvis Salgado Foundation - Palace of Arts, the State Secretariat for Education, and the Minas TV Network (Rede Minas de Televisão).

Amongst the social responsibility projects sponsored by Itaútec Philco, the highlight is the support to the “Meninos dos Olhos” project, which involves the voluntary work of company employees. The project brought leisure and entertainment to poor children in the Lar Sírio home. The agenda comprises several activities, wrapped up by the children visiting Itaú Cultural, where they watched the play “Histórias com Desperdícios” (Waste Stories).

Environmental

Banco Itaú Holding Financeira, through Banco Itaú-BBA, has an environmental policy regarding loans to client businesses, structured based on the compliance to the environmental guidelines set forth by organizations dedicated to encourage sustainable development.

Confirming Itaú's strategic focus to favor economic sustainability aspects, the environmental responsibility guidelines are being deepened, both to grant loans and in the Bank's relationship with the environment and the surrounding communities.

At Itaútec Philco, the highlight is the awareness-building work on energy saving with actions such as the installation of timers, switches, and equipment upgrading. The program resulted in a reduction of 12.2% in energy consumption as compared to the same period in 2003. Other highlights include the Projeto Água (Water Project) actions, implemented in Jundiá. The water reuse systems that are being designed will allow reusing water and saving approximately 9,600 m³ a year.

The improvement of the selective waste collection program and the development of new recycling processes resulted in the increase of recycled waste generation. In the Tatuapé unit and in Jundiá 350 tonnes and 80 tonnes of scrap were recycled, respectively.

Continued equipment renewal, technology upgrading, and the increase of operating safety at Elekeiroz's units in Camaçari, Taubaté, and Várzea Paulista resulted in consecutive record-breaking production outputs and number of days operating without environmental accidents or employee accident-leaves (Várzea Paulista 1,403 days, Taubaté 678 days, and Camaçari 509 days).

It should also be highlighted, at Elekeiroz, the effective start of the operations of the own liquid effluents outfall from the Várzea Paulista industrial complex to the CSJ – Companhia de Saneamento de Jundiaí water treatment station. This is the way Elekeiroz is contributing to the improvement of water quality in the Jundiaí river basin.

INDEPENDENT AUDITORS – CVM INSTRUCTION 381

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

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

ACKNOWLEDGEMENTS

We wish to thank our stockholders for their support and trust, crucial to the continuous development reached by Itaúsa. We are also grateful to our customers for their trust and allegiance which we try to repay with quality, innovative, convenient products and services. To our employees and associates, we also wish to express our appreciation for their dedication to the organization that has resulted in the continuous improvement of our products and services.

(Approved at the Meeting of the Board of Directors on August 9, 2004)

ITAÚSA - INVESTIMENTOS ITAÚ S.A. CONSOLIDATED BALANCE SHEET

(In thousands of reais)

ASSETS	06/30/2004	06/30/2003
Current and long-term receivables	121,608,171	105,450,459
Cash and cash equivalents	1,835,711	1,594,095
Interbank deposits	17,148,868	14,851,702
Securities and derivative financial instruments	28,978,434	26,147,511
Interbank accounts of affiliates	10,395,775	9,917,485
Loan, leasing operations and other credits	42,377,420	38,350,344
(-) Allowance for loan losses	(3,065,141)	(3,082,374)
Inventories		
Products	458,738	437,696
Real estate	13,000	12,389
Other credits	22,366,984	16,265,532
(-) Allowance for loan losses	(83,599)	(88,521)
Other assets	299,752	333,589
Prepaid expenses	882,229	711,011
Permanent assets	4,683,307	4,733,629
Investments		
Investments in subsidiaries and affiliates	846,378	707,406
Other investments	144,952	142,743
Fixed assets		
Property for own use	7,071,533	6,630,748
Leased properties	137,731	151,225
Forest reserves	89,605	85,865
(Accumulated depreciation)	(3,917,758)	(3,317,071)
Deferred charges		
Costs with organization and expansion	778,061	788,543
(Accumulated amortization)	(467,195)	(455,830)
TOTAL ASSETS	126,291,478	110,184,088

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
CONSOLIDATED BALANCE SHEET

(In thousands of reais)

LIABILITIES	06/30/2004	06/30/2003
Current and long-term liabilities	110,370,010	96,467,540
Funds raised by affiliates		
Foreign currency	11,459,233	12,407,560
Domestic currency	41,520,429	40,014,362
Open market	12,995,008	11,747,471
Subordinated debts	5,042,111	4,642,631
Financial instruments and derivatives	783,618	973,359
Borrowings		
Foreign currency	354,385	480,436
Domestic currency	392,686	345,600
Dividends payable	516,007	474,232
Taxes and social security contributions	3,397,188	3,393,198
Provisions and accounts payable	22,275,985	13,813,541
Interbank accounts of affiliates	2,366,005	2,786,793
Technical provisions for insurance, pension plan and capitalization	9,267,355	5,388,357
Deferred income	110,021	134,968
Minority interest in subsidiaries	7,584,231	6,482,884
Stockholders' equity from parent company	8,227,216	7,098,696
Capital	3,800,000	3,500,000
Capital reserves	27,560	26,167
Revaluation reserves	51,351	52,484
Retained earnings	4,242,611	3,344,452
Adjustment to market value - securities and derivatives	198,781	187,806
(-) Treasury shares	(93,087)	(12,213)
Stockholders' equity of the Itaúsa Conglomerate	15,811,447	13,581,580
TOTAL LIABILITIES	126,291,478	110,184,088

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

	01/01 to 06/30/2004	01/01 to 06/30/2003
OPERATING REVENUE	17,761,478	9,900,528
OPERATING EXPENSES	(14,609,823)	(6,554,980)
OPERATING INCOME	3,151,655	3,345,548
NON-OPERATING RESULT	(36,536)	(115,617)
INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING	3,115,119	3,229,931
INCOME TAX AND SOCIAL CONTRIBUTION	(932,017)	(1,047,031)
Due on operations for the period	(900,981)	(1,123,314)
Deferred related to temporary differences	(31,036)	76,283
EXTRAORDINARY RESULTS	(59,630)	(511,305)
Parent company	(62,213)	(221,310)
Relating to minority interest in subsidiaries	2,583	(289,995)
PROFIT SHARING	(192,767)	(184,698)
Employees - Law 10,101 of 12/19/2000	(141,024)	(139,237)
Directors - Statutory - Law 6,404 of 12/15/1976	(51,743)	(45,461)
NET INCOME RELATING TO MINORITY INTEREST OF SUBSIDIARIES	(1,020,665)	(790,746)
NET INCOME OF PARENT COMPANY	910,040	696,151
Net income relating to minority interest of subsidiaries	1,020,665	790,746
NET INCOME OF ITAÚSA CONGLOMERATE	1,930,705	1,486,897
NUMBER OF OUTSTANDING SHARES - in thousands	3,224,559	3,221,603
NET INCOME OF PARENT COMPANY PER THOUSAND SHARES - R\$	282.22	216.09
BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES - R\$	2,551.42	2,203.47

ITAÚSA - INVESTIMENTOS ITAÚ S.A.
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2004 AND 2003

(In thousands of Reais)

NOTE 1 – OPERATIONS

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

NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements are presented without the segregation between current and long-term, consistent with prior quarterly presentations.

NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS

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

In ITAÚSA, the goodwill recorded by the subsidiaries, arising mainly from the purchases of Itaú-BBA S.A. (BBA), and AGF Vida e Previdência, and of part of BPI, S.A., (BPI) shares, as well as own and other subsidiaries goodwill, are amortized based on expected future profitability (ten years), or realization of investments, in order to:

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

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

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

In 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 (%)		
	06/30/2004	06/30/2003	
FINANCIAL AREA			
Banco Itaú Holding Financeira S.A.	(1)	47.06	46.55
Banco Itaú S.A.		47.06	46.55
Banco Itaú-BBA S.A.		45.06	44.57
Banco Banerj S.A.		47.06	46.55
Banco Banestado S.A.		47.06	45.34
Banco Bemge S.A.		47.06	46.48
Banco BEG S.A.		47.06	46.01
Banco Itausaga S.A.	(2)	47.06	-
Banco Fiat S.A.		47.06	46.55
Banco Itaú Buen Ayre S.A.		47.06	46.55
Banco Itaú Europa Luxembourg S.A.		88.09	89.51
Banco Itaú Europa S.A.		89.66	89.56
Cia. Itauleasing de Arrendamento Mercantil		47.06	46.55
Itaú Bank Ltd.		47.06	46.55
Itaú Corretora de Valores S.A.		47.06	46.55
Itaucard Financeira S.A. – Crédito, Financiamento e Investimento		47.06	46.55
Credicard S.A. – Administradora de Cartões de Crédito e Controladas	(3)	15.69	15.52
Redecard S.A.	(3)	15.03	14.87
Fiat Administradora de Consórcios Ltda.		47.06	46.55
Itaú Administradora de Consórcios Ltda.		47.06	46.55
Akbar - Marketing e Serviços Ltda. e Controladas		45.06	44.57
Afinco Américas Madeira, SGPS, Sociedade Unipessoal Limitada		47.06	46.55
Itaúsa Export S.A.		88.23	88.12
Serasa S.A.	(3)	15.18	14.76
INSURANCE, PENSION PLAN AND CAPITALIZATION			
Itaú Seguros S.A.		47.06	46.55
Itaú Vida e Previdência S.A.	(4)	47.06	46.55
Cia. Itaú de Capitalização		47.06	46.55
Itauprev Vida e Previdência S.A.	(5)	47.06	-
WOOD AND CONSTRUCTION MATERIALS			
Duratex S.A.	(1)	48.67	48.52
TECHNOLOGY AND ELECTRONICS			
Itautec Philco S.A.	(1)	94.22	94.22
CHEMICAL			
Elekeiroz S.A.	(1)	96.41	98.12
REAL ESTATE			
Itaúsa Empreendimentos S.A.		100.00	100.00
PRT Investimentos S.A.		100.00	100.00

(1) Listed company.

(2) New corporate name of Banco AGF S.A. Investment purchased on 02/20/2004.

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

(4) New corporate name of Itaú Previdência e Seguros S.A., to be approved by SUSEP.

(5) New corporate name of AGF Vida e Previdência S.A., to be approved by SUSEP. Investment purchased on 12/30/2003.

NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

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

b) Securities and derivative financial instruments

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

2.1. Securities must be classified in the following categories:

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

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

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

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

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

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

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

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

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

j) Technical provisions for insurance, pension plans and capitalization

Technical provisions are set up according to the technical notes approved by SUSEP and criteria established by CNSP Resolution 89 of August 19, 2002.

I - Insurance:

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

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

II - Supplementary pension plan and individual life insurance:

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

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

III - Capitalization:

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

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

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

(1) For Itaúsa and its non-financial subsidiaries that comply with non-cumulative calculation basis, PIS rate has been 1.65% since December 2002 and COFINS increased from 3% to 7.6% as from February 2004. For financial and similar companies the PIS rate is 0.65%.

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

Amounts subject to litigation have been fully provided for.

NOTE 5 - INTERBANK INVESTMENTS

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

	Book value	
	06/30/2004	06/30/2003
Investment in the open market	6,178,799	9,228,692
Funded position	3,282,619	5,224,410
Financed position	1,717,822	4,004,282
Rights linked to free trading securities	1,178,358	-
Investment in the open market - technical provision guarantees - SUSEP	761,347	-
Interbank deposits (*)	10,208,722	5,623,010
TOTAL	17,148,868	14,851,702

(*) Includes allowance for losses.

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

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

a) Summary

Description	Cost	Provision for adjustment to market value reflected on		Market value	
		Result	Stockholders' equity	06/30/2004	06/30/2003
Itaúsa and Industrial Area					
Marketable securities	582,085	-	-	582,085	646,263
Derivative financial instruments (assets)	-	-	-	-	1,582
Subtotal	582,085	-	-	582,085	647,845
Financial Area					
Trading securities (*)	11,702,171	22,043		11,724,214	9,311,552
Securities available for sale	11,946,272		510,133	12,456,405	14,014,595
Securities held to maturity	3,709,654			3,709,654	900,261
Derivative financial instruments (assets)	957,511	148,565		1,106,076	1,818,258
Subtotal	28,315,608	170,608	510,133	28,996,349	26,044,666
Deferred taxes			(241,581)		
Itaú-BBA and FIAT before acquisition			27,437		
Adjustment of securities reclassified to securities held to maturity			106,431		
Total adjustment to market value			402,420		
Additional provision (exceeding minimum required)				(600,000)	(545,000)
TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	28,897,693	170,608		28,978,434	26,147,511
Derivative financial instruments - Itaúsa and Industrial Area	3,667	-		3,667	-
Derivative financial instruments - Financial Area	740,012	39,939		779,951	973,359
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	743,679	39,939		783,618	973,359
Minority Interest			(203,639)		
Amount highlighted in ITAÚSA Stockholders' Equity			198,781		

(*) Includes the securities portfolio of the PGBL and VGBL social security plans, in the amount of R\$ 5,499,269, held by customers and recorded as marketable securities, according to the SUSEP plan of accounts, as a contra-entry, in liabilities, to Social security technical provisions.

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

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

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

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

The main risk factors of the derivatives assumed by ITAÚSA at June 30, 2004 were related to the foreign exchange rate, interest rate, U.S. dollar and reference rate Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to maximize the relation risk and return, even under high volatility situations.

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

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

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

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

	MEMORANDUM ACCOUNT NOTIONAL VALUE		BALANCE SHEET ACCOUNT RECEIVABLES/ (RECEIVED) (PAYABLE)/PAID	ADJUSTMENT TO MARKET VALUE	ADJUSTMENT TO MARKET VALUE	
	06/30/2004	06/30/2003	06/30/2004	06/30/2004	06/30/2004	06/30/2003
Future contracts	55,262,614	29,714,424	20,890	229	21,119	5,599
Purchase commitments	20,847,410	14,956,013	(5,903)	(5,242)	(11,145)	(28,338)
Commitments to sell	34,415,204	14,758,411	26,793	5,471	32,264	33,937
Swaps contracts			238,630	92,295	330,925	773,436
Asset position	31,903,516	26,719,627	656,734	172,217	828,951	1,320,523
Liability position	31,664,886	25,951,565	(418,104)	(79,922)	(498,026)	(547,087)
Options contracts	26,579,317	9,131,686	(83,695)	14,964	(68,731)	26,231
Purchase commitments - purchased p	9,010,009	3,809,543	134,133	(16,445)	117,688	(65,095)
Commitments to sell - purchased posi	1,777,331	1,372,750	11,359	(9,149)	2,210	(43,753)
Purchase position - sold position	13,461,942	2,108,545	(184,113)	17,955	(166,158)	32,934
Commitments to sell - sold position	2,330,035	1,840,848	(45,074)	22,603	(22,471)	102,145
Term						
Sales receivable			51,263	(15)	51,248	69,641
Other derivative financial instruments	4,686,210	6,817,929	7,634	1,382	9,016	29,635
Asset position	2,629,898	1,960,538	104,022	1,957	105,979	320,828
Liability position	2,056,312	4,857,391	(96,388)	(575)	(96,963)	(291,193)
			ASSETS	148,565	1,106,076	1,819,840
			LIABILITIES	(39,939)	(783,618)	(973,359)
			TOTAL	108,626	322,458	846,481
Derivative contracts mature in days as follows:						
Clearing	0 - 30	31 - 180	181 -365	Over 365	06/30/2004	06/30/2003
Futures	12,638,636	27,917,562	8,141,819	6,564,598	55,262,615	29,714,424
Swaps	4,980,724	11,790,696	7,626,722	6,815,371	31,213,513	25,506,219
Options	5,435,403	8,724,940	12,219,000	199,974	26,579,317	9,131,686
Others	1,600,845	1,189,667	508,025	1,387,674	4,686,211	6,817,929

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

a) Summary

	06/30/2004	06/30/2003
Loan operations	35,480,994	32,219,820
Lease operations	1,980,864	906,704
Credit card operations	3,182,596	2,808,579
Advances on exchange contracts (1)	1,589,856	2,286,858
Other credits (2)	143,110	128,383
Total	42,377,420	38,350,344
Endorsements and sureties (3)	6,331,901	6,231,854
Total with endorsements and sureties	48,709,321	44,582,198

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

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

(3) Recorded in memorandum accounts.

b) Allowance for loan losses

	01/01 to 06/30/2004	01/01 to 06/30/2003
Opening balance	(3,162,967)	(3,172,145)
Balance from institutions acquired	(3,480)	(87,832)
Extraordinary result (1)	-	(101,252)
Net increase for the period	(745,758)	(932,465)
Write-Offs (2)	847,064	1,211,320
Closing balance	(3,065,141)	(3,082,374)
Minimum required allowance (3)	(2,065,141)	(2,234,265)
Additional allowance (4)	(1,000,000)	(848,109)

(1) At June 30, 2003, considers the additional provision of the Acquired Institutions.

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

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

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

NOTE 8 – FUNDING AND BORROWINGS AND ONLENDINGS - FINANCIAL AREA

	06/30/2004	06/30/2003
Foreign currency	11,459,233	12,407,560
Funds from acceptance and issuance of securities	2,709,065	4,474,462
Borrowings and onlendings	8,750,168	7,933,098
Local currency	41,520,429	40,014,362
Deposits	35,988,245	34,766,769
Funds from acceptance and issuance of securities	1,081,803	610,686
Borrowings and onlendings	4,450,381	4,636,907
Funds obtained in the open market	12,995,008	11,747,471
Subordinated debts	5,042,111	4,642,631
Total	71,016,781	68,812,024

NOTE 9 - Insurance, Pension Plan and Capitalization Operations**a) Composition of Technical Provisions**

	06/30/2004	06/30/2003
Insurance	1,037,566	884,156
Unearned premiums	543,138	469,729
Claims to settle	334,285	290,012
IBNR	135,239	113,503
Other	24,904	10,912
Life and Pension	7,253,790	3,602,535
Unearned premiums	197,736	180,614
Claims to settle	29,103	69,302
IBNR	39,749	178
Mathematical of benefits to grant	6,682,187	3,177,412
Mathematical of benefits granted	52,833	28,023
Financial surplus	148,264	68,790
Financial variation	74,204	61,883
Other	29,714	16,333
Capitalization	975,999	901,666
Mathematical for redemptions	878,024	798,515
Contingencies	85,826	88,525
Raffles	12,149	14,626
TOTAL	9,267,355	5,388,357

b) Funds that guarantee technical provisions - SUSEP

	INSURANCE		LIFE AND PENSION		CAPITALIZATION		TOTAL	
	06/30/2004	06/30/2003	06/30/2004	06/30/2003	06/30/2004	06/30/2003	06/30/2004	06/30/2003
Interbank Investments	233,828	-	113,815	-	413,704	-	761,347	-
Securities and derivative financial instruments	634,309	775,855	7,024,992	3,473,687	603,087	917,429	8,262,388	5,166,971
PGBL/VGBL Funds Quotas(1)	-	-	5,499,269	2,459,426	-	-	5,499,269	2,459,426
Other Securities(2)	634,309	775,855	1,525,723	1,014,261	603,087	917,429	2,763,119	2,707,545
Credit rights	210,470	139,485	159,656	144,882	-	-	370,126	284,367
Real estate	41,800	46,799	-	-	-	-	41,800	46,799
TOTAL	1,120,407	962,139	7,298,463	3,618,569	1,016,791	917,429	9,435,661	5,498,137

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

(2) Basically represented by Federal Bonds.

NOTE 10 - DETAIL OF ACCOUNTS**a) Other credits**

	06/30/2004	06/30/2003
Exchange portfolio	10,656,736	4,982,805
Tax credits	3,593,936	4,040,101
Deposits in guarantee	2,637,623	2,286,633
Taxes and contributions to offset	951,720	892,328
Social contribution to be offset – Provisional Measure (MP) 2158 of August 24, 2001	1,333,292	1,357,224
Income receivable	527,464	525,302
Insurance premium receivable	607,470	504,280
Trade notes receivable	617,274	435,327
Negotiation and intermediation of securities	696,894	562,927
Sundry debtors		
Local	274,813	305,815
Foreign	121,371	151,071
Sundry	348,391	221,719
Total	22,366,984	16,265,532

b) Other assets

	06/30/2004	06/30/2003
Non-operating assets	423,060	470,052
(-) Provision for devaluation	(123,433)	(137,284)
Others	125	821
Total	299,752	333,589

c) Provisions and accounts payable

	06/30/2004	06/30/2003
Exchange portfolio	10,765,547	5,356,122
Operations with credit cards	2,346,941	1,809,858
Securitization of foreign payment orders	2,034,096	1,155,115
Provision for labor liabilities	1,132,228	1,035,159
Provision for contingent liabilities	798,052	459,185
Negotiation and Intermediation of securities	657,955	745,740
Personnel	457,020	388,430
Suppliers	137,103	212,094
Liabilities for official agreements and payment services rendered	101,852	132,694
Sundry creditors		
Local	952,881	694,449
Foreign	60,275	106,633
Liabilities for purchase of assets and rights	90,886	129,526
Liabilities related to insurance companies	189,831	99,161
Provisions and sundry credits	2,551,318	1,489,375
Total	22,275,985	13,813,541

d) 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, non-recurring income and expenses, relating to: interest in capital gain obtained by the associated company AGF Brasil Seguros S.A. in the sale of AGF Vida e Previdência S.A. to the subsidiary Itaú Vida e Previdência S.A., as well as, in ITAÚSA, loss due to the change in interest in the subsidiary Banco Itaú Holding Financeira S.A., arising from the purchase of treasury stocks.

	Parent company	Minority stockholder	Conglomerate
AGF Brasil Seguros S.A. capital gain	2,261	2,583	4,844
Non-operating loss - Banco Itaú Holding - treasury shares	(64,474)	-	(64,474)
TOTAL	(62,213)	2,583	(59,630)

NOTE 11 - TAXES

a) Composition of expenses with taxes and contributions

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

Due on operations for the period	01/01 to 06/30/2004	01/01 to 06/30/2003
Income before Income Tax and Social Contribution	3,115,119	3,229,931
Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (*) respectively	(1,059,140)	(1,098,177)
Increase/Decrease to Income Tax and Social Contribution charges arising from:		
Permanent (Inclusions) Exclusions	358,876	79,911
Investments in affiliates	31,283	(20,996)
Exchange variation in foreign investments	149,609	(160,478)
Interest on own capital	179,635	191,894
Non-deductible provisions and other	(1,651)	69,491
Temporary (Inclusions) Exclusions	(227,809)	(126,997)
Allowance for loan losses	775	(120,645)
Depreciation excess (Deficiency)	23,658	(12,606)
Adjustment to market value of securities for negotiation and derivative financial instruments	(13,125)	175,255
Labor provisions, tax contingencies and other	(239,117)	(169,001)
(Increase) Offset on tax losses/negative social contribution basis	27,092	21,949
Expense with Income Tax and Social Contribution	(900,981)	(1,123,314)
Related to temporary differences		
Increase (Reversal) for the period	115,020	20,024
Increase (Reversal) of prior periods	(146,056)	56,259
Total deferred taxes	(31,036)	76,283

(*) According to Note 4 k.

b) Tax Credits

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

	12/31/2003	Net movement (*)	06/30/2004	06/30/2003
Related to tax losses and negative basis of social contribution	830,251	(51,636)	778,615	845,476
Temporary differences:	3,009,977	(194,656)	2,815,321	3,183,781
Allowance for loan losses	1,427,797	(202,590)	1,225,207	1,400,861
Adjustment to market value of trading securities and derivative financial instruments (Assets and liabilities)	231,634	(231,634)	-	244,087
Provision for interest on own capital	5,167	140,581	145,748	138,553
Provision for tax risks	274,053	36,341	310,394	228,489
Labor contingencies	307,463	(3,520)	303,943	293,129
Provision for civil contingencies	155,925	56,089	212,014	145,118
Provision for real estate	48,695	(1,346)	47,349	42,790
Other	559,243	11,423	570,666	690,754
Tax credits - Reflected in stockholders' equity	527	(527)	-	10,844
Adjustment to market value of securities and derivative financial instruments	527	(527)	-	10,844
Total tax credits	3,840,755	(246,819)	3,593,936	4,040,101
Social contribution to offset from option foreseen in article 8 of Provisional Measure 2158-35, of 08.24.2001.	1,341,278	(7,986)	1,333,292	1,357,224

II) The estimate of realization and present value of tax credits and social contribution to offset, arising from Provisional Measure 2158-35 of 08/24/2001, existing at June 30, 2004, in accordance with the expectation to generate future taxable income, based on history of profitability and technical studies of feasibility are:

Realization year	Tax Credits			Social contribution to offset
	Temporary differences	Tax loss and Negative basis	TOTAL	
2004	1,085,275	155,414	1,240,689	41,343
2005	625,553	245,914	871,467	115,714
2006	360,444	310,418	670,862	126,725
2007	294,036	66,869	360,905	137,146
2008	154,903	-	154,903	146,337
over to 2008	295,110	-	295,110	766,027
Total	2,815,321	778,615	3,593,936	1,333,292
Present value (*)	2,567,526	718,365	3,285,891	1,091,462

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

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

Net profit is not directly related to taxable income tax and social contribution, due to differences existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the development of the realization of tax credits arising from temporary differences, tax losses and negative basis is not used as an indication of future net profits.

III) Unrecorded tax credits amount to R\$ 758,818 (R\$ 492,948 at June 30, 2003).

c) Tax and Social Securities Liabilities

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

	06/30/2004	06/30/2003
Taxes and contributions on net income payable	370,410	735,733
Taxes and contributions payable	360,891	347,066
Provision for deferred income tax and social contribution	390,898	531,901
Provision for tax contingencies	2,274,989	1,778,498
Total	3,397,188	3,393,198

II) Change in Deferred Income Tax and Social Contribution

	12/31/2003	Net movement (*)	06/30/2004	06/30/2003
Excess depreciation - Leasing	224,336	25,478	249,814	226,748
Taxation on overseas results - Capital gains	67,614	2,679	70,293	61,326
Revaluation reserve	10,613	(465)	10,148	18,383
Adjustment to market value of securities and derivative financial instruments (Assets and liabilities)	59,584	(59,584)	-	34,438
Adjustment to market value of securities available for sale	296,018	(239,612)	56,406	190,658
Other	3,767	470	4,237	348
Total	661,932	(271,034)	390,898	531,901

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

d) Taxes paid or provided and retained from customers

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

	06/30/2004	06/30/2003
Taxes paid or provided for	2,226,630	2,236,526
Taxes withheld and paid from clients	2,501,927	2,521,335
Total	4,728,557	4,757,861

NOTE 12 - INVESTMENTS**a) Composition of investments**

	06/30/2004	06/30/2003
Share of equity in affiliates	846,378	707,406
BPI S.A.	720,375	589,179
AGF Brasil Seguros S.A.	121,831	110,627
Other	4,172	7,600
Other investments	144,952	142,743
Investments by tax incentives	123,450	78,864
Equity securities	38,822	35,086
Shares and quotas	26,231	28,177
Other	76,952	70,039
Provision for losses	(120,503)	(69,423)
TOTAL	991,330	850,149

b) Composition of equity in Income of Affiliates

	01/01 to 06/30/2004	01/01 to 06/30/2003
Share of equity in affiliates	64,257	6,211
Foreign exchange variation on investments	27,752	(67,963)
TOTAL	92,009	(61,752)

NOTE 13 – STOCKHOLDERS' EQUITY - ITAÚSA**a) Capital Social**

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

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

We show below the activity of the shares representative of capital and treasury shares in the period:

	NUMBER		
	Common	Preferred	Total
Shares representative of capital social at 12/31/2003	1,184,643,391	2,041,959,391	3,226,602,782
Cancellation of shares - E/OGM 04/26/2004	13,000	31,958,000	31,971,000
Capital increase with subscription of shares	21,768,453	36,935,251	58,703,704
Number of shares at 06/30/2004	1,206,398,844	2,046,936,642	3,253,335,486
Treasury shares at 12/31/2003	-	18,516,000	18,516,000
Purchase of shares (*)	13,000	42,218,000	42,231,000
Cancellation of shares - E/OGM 04/26/2004	13,000	31,958,000	31,971,000
Treasury shares at 06/30/2004 (*)	-	28,776,000	28,776,000
Outstanding shares at 06/30/2004	1,206,398,844	2,018,160,642	3,224,559,486

(*) 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 06/30/2004:

Cost/market value (R\$ 1/per thousand shares)	Preferred
Purchases in the period	
Minimum	2.85
Weighted average	3.31
Maximum	3.55
Balance of treasury shares	
Average cost	3.23
Market value at 06/30/2004	3.60

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 advance of the minimum mandatory dividend, paid as interest on own capital, as approved by the Board of Directors' Meeting held on 05/10/2004, was increased from R\$ 5.60 to R\$ 7.32 per thousand shares, as from 07/01/2004.

NOTE 14 – 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 Itaú Banco, Fundação Itaúsa Industrial, FUNBEP – ,Multi-Sponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG), closed private pension entities that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 18a; and
- Fundação Itaú Social and Instituto Itaú Cultural - IIC, entities sponsored by the subsidiary 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 and IIC in the amounts of R\$ 1.4 million and R\$ 10,000, respectively (R\$ 6,659 from 01/01 to 06/30/2003).

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

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

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

	06/30/2004	06/30/2003
Duratex	210,121	255,964
Elekeiroz	26,935	38,011
Itautec Philco	68,832	89,012
Total	305,888	382,987

NOTE 15 - Financial Instruments - MARKET VALUE

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

The book value of each financial instrument, whether included or not in the balance sheet, when compared with the values that might be obtained in an active market, or in the absence of such markets, using the net present value of future cash flows, adjusted based on the current market interest rate, approximates its corresponding market value, or the market value is not available, except for those included in:

	Book value		Market value		Unrealized income (loss) (1) (2)		In stockholders' equity	
	06/30/2004	06/30/2003	06/30/2004	06/30/2003	06/30/2004	06/30/2003	06/30/2004	06/30/2003
Short-term interbank deposits	17,148,868	14,851,702	17,152,295	14,859,435	3,427	7,733	3,427	7,733
Securities and derivatives	28,978,434	26,147,511	28,978,434	26,147,511	-	-	-	-
Securities unrealized result			1,279,717				663,153	530,821
Additional provision (exceeding the minimum required)			600,000				600,000	545,000
Adjustment of securities available for sale			510,133				-	-
Adjustment of securities held up to maturity	39,312,279	35,267,970	39,588,195	35,291,051	169,584	(14,179)	63,153	(14,179)
Loan and leasing operations	720,375	589,179	1,392,739	976,106	275,916	23,081	275,916	23,081
Investment in BPI	65,974,670	64,169,393	65,894,711	64,113,708	672,364	386,927	672,364	386,927
Funds raised by subsidiary companies	22,275,985	13,813,541	22,146,682	13,736,678	79,959	55,685	79,959	55,685
Provisions and accounts payable	5,042,111	4,642,631	4,816,170	4,404,505	129,303	76,863	129,303	76,863
Subordinated debts			822,448	384,624	225,941	238,126	225,941	238,126
Treasury stock	599,645	276,730			-	-	222,803	107,894
Total unrealized			2,666,627	1,850,011			2,272,866	1,427,130

(1) Does not include the related tax effects.

(2) Includes unrealized gains from minority interest amounting to R\$ 1,265,720 (R\$ 903,956 at June 30, 2003) on income and R\$ 1,052,929 (R\$ 676,567 at June 30, 2003) on stockholders' equity.

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

- Interbank deposits, bank deposit certificates and mortgage notes, the last two included in Securities, were determined on the basis of their nominal values, monetarily restated to maturity dates and discounted to present value using futures market interest rates and swap market rates for fixed-rate securities and using rates published in the Gazeta Mercantil in July 1, 2004, for floating-rate securities.
- Government securities, in Securities, were determined based on their market value, approved by the comparison with information provided by the National Association of Open Market Institutions (ANDIMA). The financial institutions were determined based on their market value, according to the rules established by BACEN Letters 3068 of November 8, 2001 and 3082 of January 30, 2002 and SUSEP Letter 226, of February 7, 2003.
- Shares of listed companies, when included in Marketable Securities, by the average rate available in the last trading session of the month, or, if not, the most recent rate quotation in prior trading sessions, published in the Daily Report of each Stock Exchange.
- Loan operations with maturity over 90 days, when available, based on net present value of future cash flows discounted at the interest rate used by the market at the balance sheet date, also considering the effects of the hedge operations (swap contracts).
- Interest in overseas subsidiary (BPI), by the share value at the stock exchanges, by equity value of the share and auction quotation.
- Time and interbank deposits and funds from acceptances and issuance of securities, when available, were calculated based on their present value determined by means of future cash flows discounted using future market interest rates, swap market rates for fixed-rate securities, and market rates for floating-rate securities published in the Gazeta Mercantil on July 1, 2004. The effects of hedges (swap contracts) are also taken into account.
- Securitization of the Payment Orders Abroad, based on the net present value of the future cash flows estimated as from the interest curves of the indexation marketplaces, net of the interest rates practiced in the market on the balance sheet date, considering the credit risk of the issuer, calculated based on the market price of other securities issued by the same.
- Subordinated Debts, based on the net present value of future fixed or post-fixed cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The post-fixed cash flows are estimated as from the interest curves of the indexation marketplaces.
- Derivatives, related to swap operations contracted to hedge the remaining assets/liabilities, based on reference values of each of the contracts parameters (part and counterpart), restated up to the maturity dates and discounted at present value at the future market interest rates, in compliance with the characteristics of each contract.
- Treasury shares are valued according to the average quotation available on the last trading of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each Stock Exchange.

NOTE 16 – RECLASSIFICATION FOR COMPARISON PURPOSES

In order to keep a comparison standard for the June 30, 2004 financial statements of ITAÚSA CONSOLIDATED, reclassifications were made in the June 30, 2003 balances, mainly to make the Finance Area's transactions clearer.

	Prior disclosure	Reclassifications	Reclassified balances
ASSETS			
CURRENT ASSETS AND LONG-TERM RECEIVABLES			
Loan and leasing operations	34,362,112	3,988,232	38,350,344
(-) Allowance for loan losses	(2,904,863)	(177,511)	(3,082,374)
Other credits	20,253,764	(3,988,232)	16,265,532
(-) Allowance for loan losses	(266,032)	177,511	(88,521)
Property, plant and equipment			
Property for own use	3,372,842	3,257,906	6,630,748
Leased properties	92,060	59,165	151,225
(Accumulated depreciation)	-	(3,317,071)	(3,317,071)
Deferred charges	332,713	(332,713)	-
Costs with organization and expansion	-	788,543	788,543
(Accumulated amortization)	-	(455,830)	(455,830)
TOTAL ASSETS	110,184,088	-	110,184,088
LIABILITIES			
CURRENT AND LONG-TERM LIABILITIES			
Funds raised by affiliates			
Domestic currency	39,988,567	25,795	40,014,362
Interbank accounts of affiliates	2,812,588	(25,795)	2,786,793
TOTAL LIABILITIES	110,184,088	-	110,184,088
STATEMENT OF INCOME			
OPERATING INCOME	9,740,816	159,712	9,900,528
OPERATING EXPENSES	(6,396,832)	(158,148)	(6,554,980)
OPERATING INCOME	3,343,984	1,564	3,345,548
NON-OPERATING RESULT	(114,053)	(1,564)	(115,617)
INCOME TAX AND SOCIAL CONTRIBUTION	(1,047,031)	-	(1,047,031)
Due on operations for the period	(1,096,616)	(26,698)	(1,123,314)
To be offset relating to temporary additions	49,585	26,698	76,283
NET INCOME OF THE CONGLOMERATE	1,486,897	-	1,486,897

NOTE 17 - BENEFITS TO EMPLOYEES

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

a) Supplementary retirement benefits:

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

All of these plans are closed to new participants.

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

During the period, the contributions paid totaled R\$ 13,900 (R\$ 13,533 from January 1 to June 30, 2003). The contribution rate increases based on the participant's income.

b) Post-employment benefits:

ITAÚSA and/or its subsidiaries do not sponsor other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by controlling ITAÚ, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries. During the period, the contributions made totaled R\$ 8,347 (R\$ 3,972 from January 1 to June 30, 2003). The contribution rate increases based on the beneficiary's age.

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

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

	06/30/2004	06/30/2003
Net assets of the plans	7,795,144	6,350,489
Actuarial liabilities	(6,205,659)	(5,390,244)
Surplus (1)	1,589,485	960,245

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

In addition to the reserves kept by the plans, the sponsors have provisions in the amount of R\$ 27,426 (R\$ 27,846 at 06/30/2003) to cover insufficient actuarial reserves.

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

	01/01 to 06/30/2004			01/01 to 06/30/2003		
	Assets	Actuarial liabilities	Excess of assets over liabilities	Assets	Actuarial liabilities	Excess of assets over liabilities
Present value – beginning of the period	7,272,962	(5,967,582)	1,305,380	5,808,450	(5,187,777)	620,673
Adjustments in the period (1)	-	-	-	-	16,597	16,597
Expected return from assets/Cost of current service + Interest	443,232	(393,096)	50,136	353,674	(346,048)	7,626
Benefits paid	(155,019)	155,019	-	(126,984)	126,984	-
Contributions employer/Participants	34,988	-	34,988	30,556	-	30,556
Gains/(Losses) in the period (2)	198,981	-	198,981	284,793	-	284,793
Present value-end of period	7,795,144	(6,205,659)	1,589,485	6,350,489	(5,390,244)	960,245

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

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

e) Main assumptions used in actuarial assessment

	06/30/2004	06/30/2003
Discount rate (1)	10.24% p.y.	10.24% p.y.
Return rate expected for the assets	12.32% p.y.	12.32% p.y.
Table of mortality	(2)	(2)
Turnover (3)	Exp.Itaú 99/01	Exp.Itaú 99/01
Future salary growth	7.12% p.y.	7.12% p.y.
Growth of the pension fund and social security benefits	4.00% p.y.	4.00% p.y.
Inflation	4.00% p.y.	4.00% p.y.
Actuarial method	Projected Unit Credit (4)	Projected Unit Credit (4)

- (1) Considering the plans managed by FUNBEP and PREBEG, sponsored by BANESTADO and BEG, as from December 31, 2002, the discount rates of 11.80% p.y. and 12.32% p.y., respectively, started being used, which consider the weighted average return rate expected for the assets of the mentioned plans, including fixed income securities with terms compatible with those of the actuarial liabilities.
- (2) At 06/30/2003, the Supplementary Retirement Plan, the 002 Benefits Plan and the Supplementary Life Plan, managed by Fundação Itaúbanco and FUNBEP used the AT-49 table, while the Franprev Benefits Plan, also managed by Fundação Itaúbanco, PREBEG and the Health Plans used the GAM-71 table. As from 12/31/2003, these tables were replaced by the GAM-83 table. With regards to the plans managed by Fundação Itaúsa Industrial and Fundação Duratex, the UP-94 table was used at the two base dates.
- (3) The turnover assumption is based on the effective participants of Banco Itaú S.A., resulting in an average of 2.0% p.y. experienced in 99/01 and 3.7% p.y. experienced in 96/98.
- (4) Using the Projected Unit Credit method, the mathematical reserve is determined by the current projected benefit amount multiplied by the ratio between the time of service in the company at the assessment date and the time of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed along the years each participant is employed.

NOTE 18 - ADDITIONAL INFORMATION**a) Insured Assets**

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

b) Assets and Liabilities in Foreign Currency

The balance sheet accounts, in local currency, subject to foreign currency are as follows:

	06/30/2004	06/30/2003
Foreign permanent investments	7,887,641	7,328,710
Net balance of other assets and liabilities indexed in foreign currency, including derivatives	(9,949,640)	(7,851,838)
Net exchange position	(2,061,999)	(523,128)

NOTE 19 - STATEMENT OF CASH FLOWS

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

	01/01 to 06/30/2004	01/01 to 06/30/2003
Adjusted net income	5,031,724	3,604,102
Net income	910,040	696,151
Adjustment to net income:	4,121,684	2,907,951
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	194,457	(517,798)
Allowance for loan losses	748,872	933,294
Results from operations with subordinated debt	413,950	(230,715)
Change in technical provisions for insurance, pension plan and capitalization	1,477,907	971,971
Deferred taxes	31,036	(76,283)
(Gain) loss on sale of assets	(4,512)	25,044
Extraordinary equity in the results of affiliated companies - Amortization of goodwill	(4,844)	573,843
Equity in the results of affiliated companies	(92,009)	61,752
Foreign exchange variation of permanent assets	(9,254)	5,704
(Reversal) provision for losses	9,085	9,825
Depreciation and amortization	336,331	360,568
Minority interest	1,020,665	790,746
Change in assets and liabilities	343,194	3,447,946
(Increase) Decrease in short-term interbank investments	3,631,250	2,119,837
(Increase) Decrease in securities and derivative financial instruments (assets/liabilities)	743,254	(725,029)
(Increase) Decrease in interbank accounts of subsidiaries	(341,057)	2,325,817
(Increase) Decrease in loan, leasing and other credit operations	(4,575,412)	(963,232)
(Increase) Decrease in inventories	(22,717)	24,047
(Increase) Decrease in other credits and other assets	(3,357,442)	1,815,180
(Increase) Decrease in prepaid expenses	(8,252)	24,029
(Decrease) Increase in technical provisions for insurance, pension plan and capitalization	100,331	13,520
(Decrease) Increase in provisions and accounts payable and other liabilities	4,223,134	(1,208,646)
(Decrease) Increase in deferred income	(49,895)	22,423
OPERATING ACTIVITIES - Net cash provided by (invested)	5,374,918	7,052,048
Dividends received from affiliated companies	41,782	-
Sale of investments	7,838	50,279
Sale of fixed assets in use	27,438	33,891
Decrease in deferred charges	6,725	1,235
Purchase of investments	(25,309)	(40,028)
Goodwill on purchase of investments	-	(539,474)
Purchase of fixed assets and forest reserves	(250,743)	(312,776)
Investment in deferred charges	(53,724)	(86,451)
Change in participation in minority interest	(102,451)	603,359
INVESTMENT ACTIVITIES - Net cash provided by (invested)	(348,444)	(289,965)
Increase (decrease) in funds obtained by subsidiaries - foreign currency	326,347	(1,370,023)
Increase (decrease) in funds obtained by subsidiaries - local currency	(700,473)	(4,254,936)
Increase (decrease) in funds obtained by subsidiaries - open market	(3,937,201)	(128,280)
Increase (decrease) in borrowings - foreign currency	(64,163)	(30,934)
Increase (decrease) in borrowings - local currency	(24,152)	(53,946)
Increase (decrease) in liabilities by subordinated debt	(185,410)	(728,168)
Dividends paid to minority stockholders	(457,386)	(359,454)
Capital increase	158,500	116,700
Share premium	612	-
Purchase of treasury stocks	(138,764)	(12,214)
Interest on own capital paid	(511,222)	(329,449)
FINANCING ACTIVITIES - Net cash provided by (Invested)	(5,533,312)	(7,150,704)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET	(506,838)	(388,621)
At the beginning of the period	2,342,549	1,982,716
At the end of the period	1,835,711	1,594,095
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET	(506,838)	(388,621)

REPORT OF INDEPENDENT AUDITORS ON LIMITED REVIEWS

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

1. We have carried out limited reviews of the accounting information included in the financial statements of Itaúsa – Investimentos Itaú S.A. and its subsidiaries companies for the six-month periods ended June 30, 2004 and 2003, consisting of the consolidated balance sheets and the corresponding consolidated statements of income. These financial statements are the responsibility of the Company's management. For the six-month period ended June 30, 2003, the audit work related to the financial statements of certain subsidiary and associated companies, recorded on the equity method of accounting, was conducted by other independent auditors, and our report on the limited review, insofar as it relates to the amounts included for these subsidiary and associated companies, in the amount of R\$ 3,137,874 thousand, consolidated assets, in the amount of R\$ 14,972,068 thousand and net income for the six-month period ended June 30, 2003, in the amount of R\$ 109,097 thousand, is based exclusively on the reports of the other independent auditors.
2. Our reviews were performed in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company and subsidiaries with regard to the main criteria adopted for the preparation of the quarterly information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of the Itaúsa – Investimentos Itaú S.A. and its subsidiaries companies.
3. Based on our limited reviews, and the reports of other independent auditors, as mentioned in paragraph 1 above, we are not aware of any material modifications which should be made to the financial statements reviewed by us in order for them to be in compliance with accounting practices adopted in Brazil.

São Paulo, August 6, 2004

PricewaterhouseCoopers
Independent Auditors
CRC 2SP000160/O-5

Ricardo Baldin
Accountant CRC 1SP110374/O-0

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

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15

Listed Company

OPINION OF THE FISCAL COUNCIL

The members of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.'s** Fiscal Council, after examining the financial statements for the second quarter of 2004, have verified the correctness of all elements presented which fairly reflect the stockholders' equity, financial position and the activities in the period, recommending that they be approved by the Company's Administrative Council.

São Paulo-SP, August 9, 2004.

JOSÉ MARCOS KONDER COMPARATO
Chairman

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA