

To our Stockholders:

We hereby submit the Management Report and financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries for the first half of 2001. This report and financial statements have the favorable opinion of the Audit Committee and were prepared in accordance with the standards of the Brazilian Securities and Exchange Commission (CVM). The financial statements were prepared in conformity with accounting principles determined by Brazilian corporate legislation.

INDUSTRIAL SCENARIO

In the first two months of 2001 industrial production grew 6.6% as compared to the same period in 2000. As from March there was a slowdown, although a 6% growth level was maintained through May. The capital goods and durable consumer goods industries were chiefly responsible for maintaining this growth. However, in the coming months these industries may be affected by the increase in interest rates and the economic crisis in Argentina, which should result in a decrease in Brazilian exports to this market.

In addition, the decrease in the import duty levied on capital goods in Argentina to zero rate ends the tariff difference to countries outside the Mercosur, increasing competition faced by Brazilian products. Uncertainties as to the US economy prospects have also negatively affected the world economy and the industrial sector performance in Brazil.

The impact of the electric energy crisis on industrial activities was quite strong in June, decreasing production growth to 4.9% at the half-year closing as compared to the same period in 2000. The consequences of the electric energy rationing on industrial performance should be significant throughout the year, mainly affecting the Southeast region, which accounts for 58% of the Brazilian GDP.

In recent months, the basic interest rates have increased in order to contain pressures on inflation arising from the pressures from the exchange rate devaluation. The interest rate increase should restrain consumer credit and reduce the demand for industrial goods. The need for credit to expand installed capacity will also be restricted by the current scenario combining high real interest rates with lower foreign investments, a major source of long-term financing.

Civil construction has also slowed down in the year, posting a 3.5% growth in the first half. The industry's decrease in growth should continue to reflect both the effects of interest rate increase and the electric energy crisis.

In view of these facts, this year's GDP growth forecasts dropped from a 4% to 4.5% increase to a 2.5% to 3% increase. Industrial production should increase approximately 2.8% and have a major role to determine the growth of other industries, especially civil construction, trade, transportation and other services provided to families and companies.

ITAÚSA RESULTS FOR THE SIX-MONTH PERIOD

Itaúsa reported a consolidated net income of R\$852 million for the six-month period representing an annualized 37.9 % return on consolidated equity of R\$ 4,892 million. Recurring net income of R\$ 605 million represented a 53.2 % increase in relation to same period in 2000 (R\$ 395 million).

Consolidated net income per thousand shares of Itaúsa was R\$ 277.51, while net equity reached R\$ 1,593.17.

At the end of June Itaúsa's preferred stock was traded at R\$ 2.06 per share, a 17.7% appreciation against a 13% depreciation of the Bovespa index.

Main indicators of the Holding and the Itaúsa Conglomerate

		R\$ thousand		
	1 st Half	Parent company	Minorities	Conglomerate
Total net income	2001	852,111	802,648	1,654,759
	2000	394,940	439,316	834,256
• Recurring net income	2001	604,961	683,387	1,288,348
	2000	394,940	439,316	834,256
• Extraordinary net income	2001	247,150	119,261	366,411
	2000	-	-	-
Stockholders' equity	2001	4,891,834	4,520,890	9,412,724
	2000	3,891,650	3,816,774	7,708,424
Annualized profitability (NI/SE) (%)	2001	37,87	38,66	38,25
	2000	21,33	24,35	22,82
Dividends/Interest on own capital	2001	226,856	210,928	437,784
	2000	68,259	173,874	242,133

ITAÚSA JOINS THE SÃO PAULO STOCK EXCHANGE (BOVESPA) CORPORATE GOVERNANCE INDEX LEVEL I

Itaúsa was one of the first companies to voluntarily join the BOVESPA Differentiated Corporate Governance Index (IGC) Level I, created on June 26, 2001. This shall emphasize companies' efforts to improve the relationship with investors and increases stock appreciation potential.

With this decision Itaúsa assumes the following commitments:

- Maintain a minimum portion of shares representing 25% of capital stock outstanding;
- Not having founder's shares outstanding and expressly forbid their issue;
- Establish a minimum 15-day prior notice to call the General Stockholders' Meeting;
- Make public offerings to place shares through mechanisms which favor capital dispersion;
- Adapt quarterly accounting information;
- Comply with disclosure standards in negotiations involving company shares conducted by controlling stockholders or company management;
- Disclose executive stock option plans;
- Disclose the annual corporate event schedule.

FINANCIAL AND INSURANCE AREA

BANCO ITAÚ

Banco Itaú's consolidated net income amounts to R\$ 1,457 million for the six-month period, representing an annualized 43.8% return on consolidated equity. Recurring net income of R\$ 1,232 million represented a 54% increase in relation to equal period in 2000 (R\$ 395 million).

The Bank continues to be recognized for its differentiated performance. The trademark Itaú was classified as the most valuable in Brazil, with an estimated value of US\$ 970 million, by the British consultancy Interbrand, world leader in brand evaluation, in its first Brazilian evaluation. Itaú was also considered the best emerging markets bank by the Global Finance Magazine, best Brazilian bank by the Euromoney Magazine, best publicly traded company by Brazilian Association of Capital Market Analysts (Abamec), and received the Higher Transparency Award from Atlantic Rating, amongst others.

During the first half of 2000, Banco Itaú took initiatives which reinforce its strategy to allocate its resources to typical banking activities, and which evidence its commitment to add stockholder value, in addition to constantly improve market and investor relationships:

- The Board of Directors was reinforced with new members, renowned individuals without any prior link with the organization: P rsio Arida, former governor of the Central Bank of Brazil, and Roberto Teixeira da Costa, first president of the Securities Exchange Commission (CVM). Jos  Vilarasau Salat, president of Caja Ahorros y Pensiones de Barcelona (“la Caixa”), holder of a 3% stake in Ita , is now also a member of the Board.
- Ita  was one of the first companies to voluntarily join the BOVESPA Differentiated Corporate Governance Index (IGC) Level I, created on June 26, 2001.
- Ita  implemented its ADR (American Depositary Receipt) level I program, and its shares started to be traded in the New York Stock Exchange, thus granting higher visibility to the Bank in international capital markets and facilitating the trading of its shares at the international level, which increases liquidity and raises the share appreciation potential.
- Banco Ita  and State Street Corporation, world leader in providing services to global institutional investors, formed a partnership to offer supplementary State Street investment services to institutional investors located in the United States and in Brazil, two of the most dynamic institution markets in the world. Accordingly, Ita  will increase the range of services offered to institutional investors and its customer base.
- The partnership between Ita  and Telef nica Data Corp S.A., a wholly-owned subsidiary of Telef nica S.A., which comprises direct and indirect Telef nica investment in Ita  companies was formalized. The deal will result in a decrease in expenses of R\$ 16 million per year. In the second quarter, these investments generated a R\$ 220 million extraordinary net income in Ita ’s balance sheet, and will generate an additional net income of approximately R\$ 229 million in the third quarter, thus reinforcing the Bank’s capital base.

Insurance, Social Security and Capitalization

Itauseg and its subsidiary companies net income amounts to R\$ 65 million for the six-month period, representing an annualized 18.6% return on equity. Premiums earned totaled R\$ 797 million and technical provisions R\$ 883 million. The claim ratio was 60.7% against 62.8% in the same period in 2000. Therefore, the combined ratio was 96.4%, i.e., 3.1 percent higher than in the first half of 2000.

At the end of the period Itaucap and Itauprev technical reserves totaled R\$ 865 million and R\$ 1,061 million, a 3.4% and 57.2% increase as compared to the same period in 2000, respectively.

Principal Financial Indicators– Banco Itaú Consolidated

	R\$ million		
	6.30.2001	6.30.2000	Progress (%)
Balance Sheet			
Total assets	74,815	54,529	37.2
Loan operations, Lease operations, Advances and Guarantees	31,099	21,572	44.2
Own unrestricted, raised and managed funds	106,871	80,084	33.4
Stockholders' equity	7,311	6,353	15.1
Statement of Income			
Recurring net income	1,232	800	54.0
Extraordinary net income	225	-	-
Total net income	1,457	800	82.1
Performance Indices (%)			
Net income/ Stockholders' equity	43.8	26.8	-
Solvency ratio	13.7	19.6	-
Stock Results			
Net income per thousand shares (R\$)	12.90	6.80	89.7
Equity per thousand shares (R\$)	64.76	53.99	19.9
Interest on own capital/dividends	387	326	18.7
Market capitalization	21.914	17.395	26.0

ITAÚSA PORTUGAL

At the end of the six-month period, the holding Itaúsa Portugal, SGPS, S.A., which concentrates the conglomerate activities in the European Union, has consolidated assets of € 2 billion (US\$ 1.7 billion), a 31% increase as compared to the same period in 2000. Recurring net income totaled € 18 million (US\$ 15.2 million), 6% higher than in the same period in 2000, representing an annualized 13.6% return on consolidated equity of € 271.2 million (US\$ 230 million).

Banco Itaú Europa, S.A. (BIE), specialized in business between Brazil and the European Union concentrates its activities on the growing trade relations and investments between European countries and Brazil, as well as on the structuring financing to support international activities of Brazilian companies.

BIE ratings issued by Moody's, Fitch IBCA and Companhia Portuguesa de Rating were reviewed and confirmed and current European investment grade bank rating maintained.

BIE consolidated assets maintained a strong expansion pace totaling € 1,736 million (US\$ 1,479 million) at the end of the six-month period, 32.7% higher than in June 2000. The € 10 million (US\$ 9 million) net income increased 28.1%, representing an annualized 10.6% return on equity of € 202 million (US\$ 172 million). The Bank maintained its high solvency ration closing the six-month period with a Basel ratio of 27%.

Banco Itaú Europa Luxembourg is exclusively engaged in private banking activities. The Bank's net income was US\$ 2 million representing an annualized 18.5% return on equity. Total resources managed by the Bank exceeded US\$ 826 million.

At the end of the six-month period, the associated company BPI, SGPS, S.A., holding of one of the most important Portuguese banking groups, in which the conglomerate Itaú holds a stake of 15%, totaled € 24 billion (US\$ 20.4 billion) in assets and a net income of € 71.8 million (US\$ 60.9 million), representing an annualized return 15.6% on equity. The conglomerate's stake in BPI, SGPS is held by IPI - Itaúsa Portugal Investimentos Ltd., of which 51% of the capital is held by Itaúsa Portugal and the remaining 49% by Banco Itaú.

INDUSTRIAL AREA

DURATEX

Duratex consolidated revenues for the six-month period amounted to R\$ 484 million, 8.5% higher than in the same period in 2000. Exports totaled US\$ 19 million, and were mainly directed to North America and Europe.

Operating profit totaled R\$ 66.1 million, representing a R\$ 37.4 million net income and a 22.9% growth as compared to the same period in 2000.

In May Duratex adopted several measures to rationalize electric energy consumption to conform with the consumption goals set forth by the Government, and which allowed the company to maintain output levels previous to rationing in the Deca Division and show a slight decrease in the Wood Division.

As a continuity of its risk management policy, the company maintains financial resources invested in dollar-denominated securities and hedge mechanisms which fully protect it from exchange rate movements.

Duratex invested R\$ 73.5 million to deploy its Resource Investment Plan – PAR, of which we highlight the start of the construction work and the acquisition of

equipment for the HDF/MDF plant, the acquisition of 7,353 hectares of land and forests, the conclusion of the installation of the new furnace for the ceramic sanitary ware plant in Jundiaí, to start-up in August, and the construction work and installation of equipment relating to the second stage of the new particle board production line in Itapetininga.

The Wood division sales volume increased 3.2% in the panel segment and 23% in the laminated flooring segment as compared to the same period in 2000. The growth associated to the continuity of a high level of demand from the furniture industry as from the second half of 2000, resulted in a recovery of the business margins.

On the other hand, the Deca Division sales increased 9.9% as compared to the same period in 2000, but margins decreased as a result of a higher share of low unit value added products in the product mix.

To reduce losses on the Deca Piazza division, totaling R\$ 8.3 million, a new operational model was adopted aligning the Company structure to the extremely unfavorable conditions of the Argentine economy.

ITAUTEC PHILCO

Gross sales and service revenues of Itautec Philco totaled R\$ 639 million, 9.7% higher than revenues in the first half of 2000. However, this increase did not reflect in net income mainly due to the increase in products costs in view of the increase in US dollar exchange rate and flat sales resulting from a decrease in demand for electric and electronic products caused by the electric energy crisis. Accordingly, there was an increase in inventories and, consequently, in financial expenses. Loss for the first six-month period amounted to R\$ 6.2 million against a net income of R\$ 30.7 million in the same period in 2000. Results before interest, taxation, depreciation and amortization (EBITDA) totaled R\$ 33,1 million.

The National Bank for Economic and Social Development (BNDES) released R\$ 60.5 million of the Resource Investment Plan – PAR financing to the company. Representing 58% of the loan approved in December 2000. This plan accumulated R\$ 65.2 million in the six-month period, R\$ 21 million of which was invested in technology development and new products, R\$ 25.2 million in industrial automation and plant modernization fixed assets, R\$ 8.9 million in equipment leased to customers, and R\$ 10.1 million in promotion and advertising.

Itautec's microcomputer and server segment sales volume was 11.1% higher than in the same period in 2000. Sales in the six-month period were 19.3% lower than sales in the second six-half of 2000 due to the economic slowdown in recent months.

This six-month period marks the start of the supply of the new WebWay terminal line to telecommunications companies and the Government. The WebWay

terminal was highly publicized in the media and shown as a pay phone and Internet access terminal, combining the management software Automanager and Scope, which permit paying for calls using credit and debit cards, and centralized management of terminals.

Itautec.com Serviços gross revenue in the six-month period grew 14.3% as compared to the same period in 2000, mainly due to the increase in demand in the specialized technical services market, which has been showing high service demand (Service Level Agreement – SLA), the increase in the range of equipment served, and highly competitive prices. It is worth noting that in May the company was chosen as the official certifying entity of the dotcom electronic check for the new Brazilian Payment System – SPB.

Philco's gross revenues increased 23.9% as compared to the same period in 2000, but decreased 19.8% in relation to the second half of 2000, showing a steep drop in June. The main reduction was felt in the 14" and 20" TV sets, representing the highest share in sales. Large-screen TVs and the Platinum and DVD lines, represented by high-tech equipment which meet all consumer requirements, increased their share in the sales mix. Mini stereo systems also had a good market acceptance, mainly among young consumers.

Itaucom's gross revenues decreased 31.9% as compared to the same period in 2000. In the semiconductor segment the decrease was 40% mainly due to the drop of up to 56% in dollar prices in the international market. The strategy adopted to diversify printed-circuit board segment activities, with the expansion of the customer base, had important impacts in the period. We highlight the growth in the telecommunications industry. Even with the reduction at the end of the six-month period, the board segment grew 7% in volume and 14% in revenues, as compared to the first half of 2000.

ELEKEIROZ

The chemical industry suffered the impact of the increase in the price of naphtha and recorded an overall 4% decrease in volume as compared to the same period in 2000, and the lack of capacity to adjust sales prices in line with the depreciation of the Real. (The accumulated general price index for the first half of 2001 increased 9% against an exchange devaluation of 18%.)

The volume shipped in the period, 159 thousand tons (a new record) grew 6% and 28% as compared to the first half of 2000 and 1999, respectively. Average unit price in Reais increased 8% but is still too low. The average unit margin contribution of the first half of 2000 was maintained by improving the mix of shipped products.

R\$ 10.7 million was invested in the period, 90% of which in six major industrial projects: (1) continuation of the works to double malic anhydride production; (2)

installation of a new, more modern and bigger phthalic anhydride equipment; (3) adapt plasticizing products to the production of a new option for customers, Plastek 48 IS; (4) expand the formaldehyde production capacity by 20%; (5) start-up of the implementation of the unit that will produce formalin urea as from next September; (6) overall improvement of processes to reduce energy consumption and in basic engineering to expand phthalic anhydride production capacity.

We highlight the success of the special energy optimization program adopted to face the electric energy crisis, which will allow Elekeiroz to maintain the internal generation of approximately 70% of its energy needs. In the first month of rationing the program resulted in the accumulation of a reasonable surplus which was traded to third parties.

REAL ESTATE AREA

ITAÚSA EMPREENDIMENTOS

The office space market in the city of São Paulo underwent a clear change in this six-month period. Up to the end of 2000, demand was especially concentrated in new high-standard buildings. Now companies are looking for a lower occupancy cost but still requiring high technical specifications.

Itaúsa Empreendimentos, together with Hines do Brasil, is developing a project that meets this new market trend. Six buildings from a total of nine, were concluded in the Panamerica Park, four of which have already been delivered to their tenants. The 1,300 m² floor buildings with overall useable area of 5,000 m² each, were rented to data-center and web-hosting companies. The other buildings have similar technical characteristics and will be ready by the end of the year.

HUMAN RESOURCES

Staff compensation plus charges and benefits totaled R\$ 1,574 million. The variable portion (profit sharing, commissions, bonuses, etc.) totaled R\$ 141 million in the period.

Social benefits provided by the company to its employees and dependents comprise supplementary pensions, meals, medical and dental assistance, social assistance services, scholarships, leisure activities, sports and culture, loans at subsidized rates, insurance, transportation vouchers, donations and special grants, among other. These benefits total R\$ 214 million, of which we highlight Supplementary Pension Plans which have already benefited 10,500 former employees, totaling R\$ 86 million.

During the six-month period, group companies invested R\$ 23 million in education, training and development programs.

SOCIAL, CULTURAL AND ENVIRONMENTAL AFFAIRS

Group companies paid and provisioned tax and contributions levied on net income, revenues and payroll amounting to R\$ 899 million. In addition, R\$ 1,719 million in taxes and contributions directly levied on financial intermediation or holdback from customers were paid.

Since its creation in 1993, the Itaú Social Program has been focusing on the development and sponsoring of programs for the community in the education and health areas. The Itaú Social Foundation, created in 2000 will permit to permanently channel funds for the Itaú Social Program projects resulting from R\$ 182 million equity at the end of the six-month period. In this period, we highlight the launching of the fourth edition of the Itaú-Unicef - Education & Participation Award – recognized as a reference in the Education area – the purpose of which is to identify, value and advertise programs from civil organizations which promote public education.

The Itaú Cultural Institute, created 14 years ago, is increasingly consolidating as a reference institution for the production and advertising of cultural information. In 2001, Itaú Cultural is developing multidisciplinary activities within the main curatorial vector regarding the Course of Brazilian Art. The Rumos Program is mapping artistic production nationwide in different areas of expression, and launched the Edital Rumos Itaú Cultural Artes Visuais 2001, which selected 15 projects of the Rumos Cinema e Video program and disclosed the results of the Rumos Dance 2000 mapping. During the first half of 2001 its different activities involved over 90,000 people. We also highlight the launching of the Itaú Cultural de Artes Visuais Encyclopedia, the most comprehensive database specialized in Brazilian visual arts, as virtual and interactive encyclopedia available on the website www.itaucultural.org.br. Its content corresponds to 15 volumes of one thousand pages each.

Investments destined to environmental management and the acquisition of environmental control equipment totaled R\$ 4,9 million.

ACKNOWLEDGEMENTS

We would like to thank our stockholders and customers for their indispensable support and trust for the ongoing growth achieved by Itaú. We would also like to acknowledge our employees and collaborators' efforts in undertaking their work.

(Approved at the Meeting of the Board of Directors on May 13, 2001)

1 Presentation of the Financial Statements

The consolidated financial statements of Itaúsa - Investimentos Itaú S.A. (ITAÚSA) and its subsidiaries (ITAÚSA CONSOLIDATED) have been prepared in accordance with accounting policies derived from the Brazilian Corporate Law and instructions issued by the Brazilian Securities and Exchange Commission (CVM) and the Brazilian Central Bank (BACEN), which include the use of estimates.

The consolidated financial statements have been presented without the classification of balances between current and long-term amounts, consistent with the presentation with the comparable period.

2 Consolidated Financial Statements

The consolidated financial statements include ITAÚSA and its direct and indirect subsidiaries, as follows:

- . Banco Itaú S.A. (Itaú); Banco Itaú Europa, S.A. (BIE); Banco Banerj S.A. (Banerj); Banco Banestado S.A. (*) (Banestado); Banco Bemge S.A. (Bemge); Banco Itaú Buen Ayre S.A. (Itaú Buen Ayre); Itaú Seguros S.A. (Itauseg); Itaú Capitalização S.A. (Itaucap); Duratex S.A. (Duratex); Itautec Philco S.A. (Itautec); Elekeiroz S.A. (Elekeiroz), and Itaúsa Empreendimentos S.A. (Itaúsa Empreendimentos).

(*) New name of Banco do Estado do Paraná S.A., investment acquired by subsidiary Banco Itaú S.A. on October 17, 2000.

3 Summary of Significant Accounting Policies

- (a) **Basis of consolidation** - All material intercompany profits, transactions and balances have been eliminated on consolidation.

The difference between ITAÚSA and ITAÚSA CONSOLIDATED in net income and shareholders' equity results from the effects on the differing policies for the amortization of goodwill on acquisitions, the recognition of deferred tax assets and the elimination of profits or losses on transactions between group companies, together with corresponding deferred taxation effects.

- (b) **Translation of the financial statements into U.S. dollars** - For the convenience of the reader, all amounts in the accompanying financial statements at June 30, 2001 in reais have been translated into U.S. dollars at the official bank selling rate of exchange of R\$ 2.3049 per US\$ 1 at June 30, 2001. This translation should not be construed as representing that the amounts in

reais actually represent or have been, or could be, converted into U.S. dollars. Furthermore, if the translation had been calculated in accordance with US GAAP (SFAS 52, "Foreign Currency Translation"), significantly different amounts would have been presented.

Foreign exchange transaction gains or losses, if any, are reflected directly in income for the six-month period ended June 30, 2001.

- (c) **Interbank funds applied, loans, discounted trade receivables, financing, remunerated deposits, funds obtained in the open market 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. Real estate loans are adjusted to present value of future installments. Transactions with predetermined remuneration rates are recorded at their redemption value, adjusted for any unearned income/expenses. Interest income on loans, discounted trade receivables, and financings is accrued up to the 60th day from the due date and recoveries generated from transactions previously written off are credited to Income from Loan Operations.
- (d) **Securities** - These are recorded at amortized cost and adjusted by a provision to reflect market value, when this is lower.
- (e) **Allowance for loan losses** - The balance of the allowance for loan losses was recorded based on an analysis of the credit risk in the loan portfolio, in amounts considered sufficient to cover loan losses.
- (f) **Investments** - In subsidiary and associated companies, investments are recorded by the equity method. The financial statements of foreign branches and subsidiaries, included in ITAÚSA CONSOLIDATED, are adjusted to comply with Brazilian accounting policies and converted into reais. Other investments are recorded at cost, restated up to December 31, 1995.
- (g) **Fixed assets** - These are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995. For insurance operations, private pension and capitalization, 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:

	<u>Percentage</u>
Buildings in use	4
Installations, furnishings, equipment and security and communication systems	10 to 25
EDP systems	20 to 50

- (h) **Deferred expenses** - Deferred organization and expansion expenses represent leasehold improvements, and are amortized on a straight line over the respective rental periods, and acquisition and development of software are amortized on a straight line basis over five years.

- (i) **Technical provisions for Insurance, Social Security and Capitalization** - The provisions for unpaid premiums relating to insurance transactions are calculated based on the nominal value of withheld premiums, pursuant to the criteria established by National Council of Private Insurance (CNSP) Resolution 14/1988. The provision relating to the automotive segment is complemented based on the reference fee, in conformity with Superintendence of Private Insurance (SUSEP) circulars 02/1994 and 05/1994, Technical provisions for social security operations and capitalization are set up in conformity with the actuarial Technical Standards approved by SUSEP.
- (j) **Income tax, Social contribution, PIS and COFINS** - The provisions were calculated according to the current legislation at the rates shown below:

	<u>Percentage</u>
Income tax	15.00
Personal income tax	10.00
Social contribution	8.00
Personal social contribution (*)	1.00
PIS	0.65
COFINS	3.00

(*) Period from May 1, 1999 to January 31, 2000 calculated at the rate of 4%. As from February 1, 2000 up to December 31, 2002 the rate was reduced to 1%.

Amounts subject to litigation have been fully provided.

4 Income Tax and Social Contribution

- (a) Income tax and social contribution charged in the period are stated as follows:

	<u>January 1 to June 30, 2001</u>		<u>January 1 to June 30, 2000 - R\$</u>
	<u>R\$</u>	<u>US\$</u>	
Net income before tax and social contribution	1,547,130	671,235	1,274,541
Taxes payable (income tax and social contribution) at rates of 25% and 9% (*) respectively	(526,024)	(228,220)	(433,344)
Increases/decreases in income tax and social contribution payable as the result of			
Permanent differences	380,241	164,971	190,214
Equity in income of subsidiaries and affiliates	7,263	3,151	8,045
Non-deductible expenses and provisions, and other	179,519	77,886	58,203
Interest on capital	193,459	83,934	123,966
Temporary differences	(227,384)	(98,652)	(47,063)
Allowance for loan losses	(86,666)	(37,601)	35,580
Labor provisions, tax contingencies and other expenses	(140,718)	(61,051)	(82,643)
Other adjustments	(13,246)	(5,747)	(26,677)

Income tax of foreign branches and subsidiary companies	(13,246)	(5,747)	(26,677)
Income tax and social contribution from operations for the period	(386,413)	(167,648)	(316,870)
Withholding tax on distribution of interest on capital	(65,629)	(28,474)	(36,264)
Total income tax and social contribution	(452,042)	(196,122)	(353,134)

(*) In accordance with Note 3(i).

- (b) The composition of accounting adjustments, which refer to temporary additions to deferred income tax and social contribution is shown below:

	<u>January 1 to June 30, 2001</u>		<u>January 1 to June 30, 2000 - R\$</u>
	<u>R\$</u>	<u>US\$</u>	
Income tax and social contribution to offset related to temporary adjustments	256,034	111,083	(44,741)
Tax credits:			
Increase (reversal) over temporary inclusions/exclusions	159,877	69,364	21,041
Increase (reversal) over tax loss and negative social contribution	67,291	29,195	(10,487)
Increase (reversal) over initial balance of tax loss carryforward/write-offs and other	28,866	12,524	(55,295)

- (c) The balance of tax credits and deferred tax liabilities (income tax and social contribution) was comprised as follows:

	<u>December 31, 2000 - R\$</u>	<u>Changes - R\$</u>	<u>June 30, 2001</u>	
			<u>R\$</u>	<u>US\$</u>
Tax credits				
Temporary differences:				
Provision for loan losses	712,215	79,683	791,898	343,571
Valuation allowance for securities/interbank deposits	268,381	2,505	270,886	117,526
Provision for interest on capital	26,086	88,912	114,998	49,893
Provision for tax contingencies	188,199	17,075	205,274	89,060
Provision for labor contingencies	161,160	14,095	175,255	76,036
Provision for civil contingencies	62,937	6,614	69,551	30,175
Real estate allowances	51,542	1,869	53,411	23,173
Tax losses and negative social contribution	721,897	128,240	850,137	368,839
Other	500,591	(35,733)	464,858	201,683
Total	2,693,008	303,260	2,996,268	1,299,956
Deferred tax liabilities				
Temporary differences:				
Excess of depreciation on leasing operations	146,719	46,672	193,391	83,904
Revaluation reserves	22,182	(2,806)	19,376	8,406
Taxation of foreign branches and subsidiaries	37,559	13,247	50,806	22,043
Other provisions	6,022	7,498	13,520	5,866
Total	212,482	64,611	277,093	120,219

The average expected period is five years.

5 Stockholders' Equity - Itaúsa

(a) Shares

Capital is represented by 3,070,505,414 registered book entry shares, of which 1,127,332,427 are common shares and 1,943,172,987 are preferred shares.

As decided at the Extraordinary Stockholders' Meeting on March 19, 2001, the capital increase of ITAÚSA from R\$ 1,800,000 to R\$ 1,935,000 - US\$ 839,516 was approved by issuing 33,002,336 common shares and 56,997,664 preferred shares, paid up at the price of R\$ 1.50 - US\$ 0.65 each, with a right of first choice to subscribe for these shares from March 20, to April 18, 2001. Shares were paid up in April 2001. Said capital increase was approved by the Annual Stockholders' Meeting held on April 26, 2001.

The transformation of subsidiary Itaucorp S.A. into a wholly-owned ITAÚSA subsidiary, with the latter merging the entire capital stock of the former, by increasing ITAÚSA's capital by R\$ 16,939 - US\$ 7,349, amount equivalent to the appraised value of Itaucorp S.A. interest held by other stockholders, was proposed and approved at the Annual Stockholders' Meeting held on April 26, 2001. As a result, ITAÚSA issued 4,167,262 common shares and 3,377,241 preferred shares, assigned to Itaucorp S.A. stockholders. In conformity with Article 252 § 1 of Law 6404/1976 other stockholders no longer have the right of first choice to subscribe for these shares.

Also at the Annual Stockholders' Meeting held on April 26, 2001, stockholders approved the capital increase by the incorporation of reserves to R\$ 2,316,939 - US\$ 1,005,223 from R\$ 1,951,939, without issuing new shares.

(b) Dividends

Stockholders are entitled to a minimum mandatory dividend of 25% of net income which is adjusted according to rules set forth in the Brazilian Corporate Law. Both types of shares participate equally, after common shares have been guaranteed payments equal.

The Board of Directors decided to pay interest on capital as replacement of dividends paid as from January 1999.

(c) **Reconciliation of net income and stockholders' equity of Itaúsa and Itaúsa consolidated**

	<u>Net income</u>			<u>Stockholders' equity</u>		
	<u>January 1 to June 30, 2001</u>		<u>January 1 to June 30, 2000</u>	<u>January 1 to June 30, 2001</u>		<u>January 1 to June 30, 2000</u>
	<u>R\$</u>	<u>US\$</u>	<u>R\$</u>	<u>R\$</u>	<u>US\$</u>	<u>R\$</u>
Itaúsa	<u>811,905</u>	<u>352,252</u>	<u>383,925</u>	<u>5,073,585</u>	<u>2,201,217</u>	<u>4,088,334</u>
Goodwill amortization (1)	40,206	17,444	12,088	(771,639)	(334,782)	(195,046)
Tax credit (2)	-	-	-	591,526	256,638	-
Unearned income	-	-	(1,073)	(1,638)	(710)	(1,638)
Itaúsa consolidated	<u>852,111</u>	<u>369,696</u>	<u>394,940</u>	<u>4,891,834</u>	<u>2,122,363</u>	<u>3,891,650</u>

(1) Relating to the acquisitions of investments in Banestado, Bemge, Banco del Buen Ayre S.A. and an additional stake in IBT and BPI-SGPS S.A., made in prior years, as well as own and subsidiary goodwill.

(2) Set up at the goodwill limit recorded upon the acquisition of Banestado by subsidiary Itaú.

6 Related Parties

Transactions between related parties were carried out at amounts and terms in accordance with normal market practices as well as under reciprocal conditions, and are not material for Itaúsa as a whole.

Transactions involving ITAÚSA and its subsidiaries were eliminated from the consolidated financial statements.

The unconsolidated related parties are the following:

- . The controlling stockholders of ITAÚSA.
- . Fundação Itaúbanco, Fundação Duratex, Fundação Itaúsa Industrial, and FUNBEP - multi-sponsored pension fund, both closed private pension entities, which administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 10(b).
- . Fundação Itaú Social and Instituto Itaú Cultural - IIC, entities sponsored by subsidiary ITAÚ to act in their respective areas of interest. In the first half of 2001, consolidated companies made donations to the IIC in the amount of R\$ 9,616 - US\$ 4,172.

The transactions with these related parties are not significant in the overall context of ITAÚSA's operations, and besides those already mentioned above, are basically characterized by banking transactions under normal operations, in unrestricted compliance with the limits imposed by the BACEN, such as movement of current accounts, investments in and redemption of securities, and the provision of portfolio custody/management services.

7 Financial Instruments

(a) Derivatives

In relation to transactions involving derivatives, the subsidiaries of ITAÚSA, principally the banking institutions, have been meeting the principal needs of their corporate customers to manage market risks, arising mainly from fluctuations in interest and exchange rates. In order to monitor these risks on a timely basis, the group has invested in the development of internal control systems.

ITAÚSA and its subsidiaries' policy is to minimize market risks resulting from derivative operations. As such, the group avoids taking positions which are subject to fluctuations due to market factors and only operates with instruments that permit risk control which is the responsibility of an independent area.

Most derivative contracts negotiated with customers are swap and future operations, which are all registered with the Commodities Futures Exchange (BM&F) or Clearing House for the Custody and Financial Settlement of Securities (CETIP) and involve pre-fixed rates, interbank deposit rates (DI), exchange variations or price indices. BM&F future contracts involving interbank rates and U.S. dollars are mainly used to hedge financing operations offered to customers with maturities or in currencies which are mismatched with the resources used to fund these operations.

The notional values for these financial instruments are recorded in memorandum accounts, and the adjustments/premiums are recorded in balance sheet accounts.

The amounts related to positions in future, swap and options operations are as follows:

- (i) Recorded in balance sheet accounts: (a) R\$ 10,113 - US\$ 4,388 at June 30, 2001 from adjustments payable and R\$ 7,467 at June 30, 2000 from adjustments receivable on forward contracts, (b) R\$ 120,494 - US\$ 52,277 at June 30, 2001 from adjustments payable and R\$ 99,414 at June 30, 2000 from adjustments receivable in swap transactions, (c) R\$ 85,928 - US\$ 37,281 at June 30, 2001 and R\$ 3,944 at June 30, 2000 from net premiums payable on stock option transactions;
- (ii) Recorded in memorandum accounts: (a) R\$ 23,859,366 - US\$ 10,351,584 at June 30, 2001 and R\$ 2,510,330 at June 30, 2000, and R\$ 22,967,452 - US\$ 9,964,620 at June 30, 2001 and R\$ 2,404,159 at June 30, 2000 relating to purchase and sales commitments on futures contracts, respectively, (b) R\$ 8,783,325 - US\$ 3,810,718 at June 30, 2001 and R\$ 9,982,264 at June 30, 2000 and R\$ 8,903,819 - US\$ 3,862,996 at June 30, 2001 e R\$ 9,882,850 at June 30, 2000 referring to swap transaction asset and liability positions, respectively, (c) R\$ 1,787,634 - US\$ 775,580 at June 30, 2001 and R\$ 225,421 at June 30, 2000, R\$ 1,988,337 - US\$ 862,657 at June 30, 2001 and R\$ 85,383 at June 30, 2000 relating to purchase commitments' short and long positions, respectively, R\$ 1,997,581 - US\$ 866,667 at June 30, 2001 and R\$ 94,806 at June 30, 2000, and R\$ 1,415,571 - US\$ 614,157 at June 30, 2001 and R\$ 239,483 at June 30, 2000 relating to stock option transactions' purchase commitments' short and long positions, respectively.

(b) Market value

The financial statements were prepared in conformity with accounting principles, based on the assumption of normal continuity in the operations of ITAÚSA and its subsidiaries.

The recorded values 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, approximate to its corresponding market value, or it is not available, except for those included in ITAÚSA CONSOLIDATED, as stated below, basically represented by ITAÚ and its direct and indirect subsidiaries:

	<u>Recorded value</u>			<u>Market value</u>			<u>Unrealized income (loss)</u>		
	<u>June 30, 2001</u>		<u>June 30, 2000</u>	<u>June 30, 2001</u>		<u>June 30, 2000</u>	<u>June 30, 2001</u>		<u>June 30, 2000</u>
	<u>R\$</u>	<u>US\$</u>	<u>R\$</u>	<u>R\$</u>	<u>US\$</u>	<u>R\$</u>	<u>R\$</u>	<u>US\$</u>	<u>R\$</u>
Short-term interbank investments	7,373,642	3,199,116	6,607,733	7,374,254	3,199,381	6,620,685	612	265	12,952
Securities and derivatives	19,758,036	8,572,188	14,769,133	20,672,078	8,968,753	15,678,279	914,042	396,565	909,146
Loan operations	21,073,253	9,142,806	14,812,354	20,985,009	9,104,520	14,826,101	(88,244)	(38,285)	13,747
Investment in BPI	270,344	117,291	142,596	521,045	226,060	449,186	250,701	108,769	306,590
Other investments	395,562	171,618	339,050	393,980	170,931	345,969	(1,582)	(686)	6,919
Funds raised by subsidiary companies	49,936,147	21,665,212	35,065,668	49,779,828	21,597,392	34,928,328	156,319	67,820	137,340
Borrowings	940,859	408,199	821,663	931,692	404,222	819,366	9,167	3,977	2,297
Treasury shares	<u>308,990</u>	<u>134,058</u>	<u>114,203</u>	<u>548,672</u>	<u>238,046</u>	<u>278,434</u>	<u>239,682</u>	<u>103,988</u>	<u>164,231</u>
Total unrealized gain/(loss) before taxation							<u>1,480,697</u>	<u>642,413</u>	<u>1,553,222</u>

Does not include potential gains from shares of publicly held subsidiary companies because of their permanent character.

8 Extraordinary Results

For a better analysis of the financial statements of the period, non-recurring expenses, net of related taxes (income taxes and social contribution) have been segregated to extraordinary results accounts, representing the following:

	January 1 to June 30, 2001 - ITAÚSA CONSOLIDATED					
	Parent company		Minoritary		Conglomerate	
	R\$	US\$	R\$	US\$	R\$	US\$
Non-operating gains ("la Caixa")						
Pursuant to relevant event published on February 15, 2001 (*)	227,360	98,642	1,910	829	229,270	99,471
Non-operating loss arising from the acquisition of shares to be kept in treasury by Banco Itaú S.A.	(86,608)	(37,575)	(1,146)	(497)	(87,754)	(38,073)
Amortization of goodwill in subsidiary companies	(1,232)	(535)	(1,622)	(704)	(2,854)	(1,238)
Provision for operating and other restructuring Banco Itaú S.A.	3,840	1,666	3,859	1,674	7,699	3,340
Telefónica Project (**)	103,790	45,030	116,260	50,440	220,050	95,471
Equity in income						
Pursuant to relevant event published on June 12, 2001	108,043	46,875	121,024	52,507	229,067	99,383
Administrative expenses on the transaction	(4,253)	(1,845)	(4,764)	(2,067)	(9,017)	(3,912)
Extraordinary results	247,150	107,228	119,261	51,742	366,411	158,971

(*) Resulting from the transaction carried out with Caja de Ahorros y Pensiones de Barcelona ("la Caixa") which according to Relevant Event Notice published on February 2, 2001 by ITAÚSA, it increased even further the relationship started in the past by increasing the former stake in Itaú, to 3% of capital, represented both by common and preferred shares.

(**) Resulting from an agreement signed on June 12, 2001 by subsidiary Itaú with Telefónica Group, aiming at the creation of a partnership for the operation of the ITAÚ telecommunications corporate network, through investments of that group in ITAÚ Group companies, owners of the assets necessary to operate the network, which allows ITAÚ to render quality services at competitive prices.

9 Reclassification for Comparability Purposes

Foreign exchange effects on foreign investments have been classified in different income and expense accounts, pursuant to the nature of the respective balance sheet accounts.

In order to render the June 30, 2001 financial statements comparable, the following balances of the 2000 first half financial statements have reclassified:

	<u>June 30, 2000</u>		
	<u>Previously disclosed</u>	<u>Reclassification</u>	<u>Reclassified balances</u>
	<u>R\$</u>	<u>R\$</u>	<u>R\$</u>
Operating revenues	7,964,670	(66,497)	7,898,173
Operating expenses	<u>(6,677,462)</u>	<u>66,154</u>	<u>(6,611,308)</u>
Operating income (loss)	<u>1,287,208</u>	<u>(343)</u>	<u>1,286,865</u>
Non-operating income (loss)	(12,336)	12	(12,324)
Income before taxation and profit sharing	<u>1,274,872</u>	<u>(331)</u>	<u>1,274,541</u>
Income tax and social contribution due on operations in the period	<u>(317,201)</u>	<u>331</u>	<u>(316,870)</u>
Net income	<u>834,256</u>	<u>-</u>	<u>834,256</u>

10 Additional Information

(a) Foreign currency denominated balance sheet balances in reais:

	<u>June 30, 2001</u>		<u>June 30, 2000</u>
	<u>R\$</u>	<u>US\$</u>	<u>R\$</u>
Foreign investment	4,581,109	1,987,552	2,871,101
Net amount of assets and liabilities in foreign currency, including derivatives	<u>(178,052)</u>	<u>(77,249)</u>	<u>378,192</u>
Net foreign exchange position	<u>4,403,057</u>	<u>1,910,303</u>	<u>3,249,293</u>

(b) ITAÚSA and its subsidiaries sponsor complementary pension plans managed by Fundação ItaúBanco, Fundação Duratex, Fundação Itaúsa Industrial^(a) and FUNBEP - Multisponsored Pension Fund (closed private pension fund), for the purpose of granting lifetime income (in the

case of FUNBEP and the plan arising from the Fundação Bemge de Seguridade Social - FASBEMGE, also in the form of pensions as a result of death), to complement the retirement pension paid by social security. During the period, the contributions were paid to complement the retirement pension paid by social security. During the period, the contributions amounted to R\$ 14,626 - US\$ 6,346 (R\$ 30,451 in the first half of 2000). The actuarial liabilities are calculated in accordance with the actuarial models established in the plans' Technical Notes, which call for compound capitalization and defined benefits and are fully covered by the technical provisions for expired and unexpired risks. The contribution rate increases in accordance with the participant's salary.

- (a) New name of Aricanduva Previdência.

- (c) The amount of R\$ 898,921 - US\$ 390,004 (R\$ 1,012,106 in the first half of 2000) was collected and provisioned in ITAÚSA CONSOLIDATED related to taxes and contributions of income, revenues and salaries. Additionally, taxes on financial intermediation were collected from clients in the amount of R\$ 1,719,089 - US\$ 745,841 (R\$ 1,454,497 in the first half of 2000).

11 Special Audit Review

The consolidated financial statements were submitted to the special review of PricewaterhouseCoopers Auditores Independentes, as prescribed by CVM Instruction 202/1993.

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**Itaúsa - Investimentos Itaú S.A.
and Subsidiary Companies**
**Financial Statements at
June 30, 2001 and 2000
and Report of Independent Accountants
on the Limited Review**

Report of Independent Accountants on the Limited Review

July 27, 2001

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

- 1 We have carried out a limited review of the financial statements of Itaúsa - Investimentos Itaú S.A. and subsidiary companies for the six-month period ended June 30, 2001. These financial statements are the responsibility of the company's management.
- 2 Our review was carried out in conformity with specific standards by the Institute of Independent Auditors (IBRACON), in conjunction with the Federal Accounting Council and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the company with regard to the main criteria adopted for the preparation of the six-month period information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the company's financial position and operations.
- 3 Based on our limited review, we are not aware of any significant adjustments which should be made to the financial statements for the six-month period ended June 30, 2001 in order that they be stated in conformity with accounting principles determined by Brazilian corporate legislation.
- 4 The accompanying financial statements at June 30, 2001 expressed in U.S. dollars give effect to the financial statements expressed in reais, on the basis described in Note 3(b). This translation should not be construed as representing that the amounts in reais actually represent or have been, or could be, converted into U.S. dollars.
- 5 The limited review of the financial statements for the six-month period ended June 30, 2000, presented for comparative purposes, was audited by other independent accountants who issued an unqualified opinion in their report dated August 14, 2000.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Ricardo Baldin
Partner
Contador CRC 1SP110374/O-0