



ITAÚSA

ITAÚSA - INVESTIMENTOS ITAÚ S.A.

**Financial Statements**  
September 30, 2003

## **ITAÚSA INVESTIMENTOS ITAÚ S.A.**

### **MANAGEMENT REPORT – JANUARY-SEPTEMBER 2003**

#### **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 period January-September 2003, 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 Audit Committee.

#### **THE ECONOMY**

Monetary and tax austerity in the period January-September allowed a secured and gradual decrease of 7.5 percentage points of Brazil's base rate (SELIC) from 26.5 percent per year in June to 19.0 percent per year in October.

Quarterly accumulated inflation, measured by the Broad Consumer Price Index (IPCA), decreased to 1.3% in the third quarter of 2003 from 6.6% in the fourth quarter of 2002 totaling 8.1% in January-September.

Economic activity was still weak. However, the decrease in interest rates, steeper after August, started having its first effects on the domestic market which allows us to expect further improvement starting in the last quarter of the year.

Foreign trade posted an accumulated trade surplus of US\$ 17.9 billion in January-September, and should reach over US\$ 22.0 billion in the year. Investors' trust is back after a steep drop in sovereign risk to 606 base points at the end of October 2003 from 2,400 base points in September 2002. The average renewal rate for foreign loans increased to 85% in the third quarter of 2003 from 39% in the fourth quarter of 2002. International reserves total approximately US\$ 20.0 billion excluding IMF funds.

Tax surplus reached R\$ 57.1 billion in the period, exceeding the lower limit established in the agreement with the IMF (R\$ 54.2 billion). Public debt reached 57.7% of GDP. The public debt portion pegged to foreign exchange decreased to 26.5% in September 2003 from 37.0% of total debt in December 2002.

The social security reform was approved by the Lower House of Congress, after discussions in the Federal Senate. It is expected that the social security and the tax reforms be approved by the end of the year and that they foster the upturn of self-sustained activity, as did the recently approved Bankruptcy Law.

The manufacturing and the real estate industries, in particular, showed a weak performance as usually happens in the first stages of an inflation adjustment policy which tends to restrict demand.

Total industrial output was practically flat in the period January-September as compared to the same period in 2002, with a reduction of 0.2% in the manufacturing industry, offset by a 2.0% increase in the mining industry. The electrical appliances and electronics sector posted an aggregate drop of 5.4%, which reflects the weak domestic demand. This reduction was particularly significant in the TV sets, radios, and stereos segments (13.7%). These results are a consequence of the high interest rates charged during most of the period and should improve as interest rates are reduced. Chemical industry output increased only by 0.2% in the period as compared to the same period in 2002.

Civil construction recorded a reduction of 8.2% in year to date, based on the production of construction inputs. In the past two years, this sector shows a reduction of more than 2%. The sector's improvement depends on the recovery of the purchasing power and the level of employment.

## Main Indicators of Results of Itaúsa Consolidated

	R\$ thousand					
	Parent company		Minority stockholders		Conglomerate	
	9/30/2003	9/30/2002	9/30/2003	9/30/2002	9/30/2003	9/30/2002
<b>Total net income</b>	<b>1,109,938</b>	<b>1,109,428</b>	<b>1,239,292</b>	<b>982,812</b>	<b>2,349,230</b>	<b>2,092,240</b>
Recurring net income	1,338,287	1,201,229	1,537,294	996,022	2,875,581	2,197,251
Extraordinary results	(228,349)	(91,801)	(298,002)	(13,210)	(526,351)	(105,011)
Stockholders' equity	<b>7,427,590</b>	<b>5,910,845</b>	<b>6,876,685</b>	<b>5,100,938</b>	<b>14,304,275</b>	<b>11,011,783</b>
<b>Annualized return (net income/stockholde</b>	<b>20.41</b>	<b>25.78</b>	<b>24.72</b>	<b>26.48</b>	<b>22.48</b>	<b>26.10</b>
Dividends/Interest on own capital	<b>331,719</b>	<b>298,571</b>	<b>381,410</b>	<b>146,930</b>	<b>713,129</b>	<b>445,501</b>

## MAIN FINANCIAL INDICATORS

	9/30/2003	9/30/2002	Change %
<b>Net income per thousand shares – R\$</b>			
Net income	345.40	352.33	(2.01)
Book value	2,311.41	1,877.17	18.79
Price of Common Share (ON) (1)	3,242.86	3,300.00	(1.76)
Price of Registered Preferred Share (PN) (1)	2,754.09	1,622.38	41.09
Market capitalization (2) – R\$ thousand	9,429,149	7,048,018	25.25

(1) Based on the average quotation in the month of September.

(2) Calculated based on the average quotation for preferred shares in September.

## MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

							R\$ Thousands
	Third Quarter	FINANCIAL AND INSURANCE AREA		INDUSTRIAL AREA			CONSOLIDATED/ CONGLOMERATE (2)
		Banco Itaú Holding Consolidated	Insurance, Pension Plan, Capitalization (1)	Duratex	Itautec Philco	Elekeiroz	
Total assets	<b>2003</b>	<b>118,981,949</b>	<b>9,058,015</b>	<b>1,628,474</b>	<b>933,321</b>	<b>453,378</b>	<b>122,466,470</b>
	2002	98,875,284	5,916,802	1,602,036	949,719	426,259	102,354,055
Operating revenue (3)	<b>2003</b>	<b>16,825,156</b>	<b>4,890,853</b>	<b>710,420</b>	<b>861,694</b>	<b>419,525</b>	<b>19,024,766</b>
	2002	28,289,754	3,073,076	618,679	1,007,827	218,587	30,555,586
Net income	<b>2003</b>	<b>2,297,871</b>	<b>471,671</b>	<b>41,564</b>	<b>(3,628)</b>	<b>25,429</b>	<b>2,349,230</b>
	2002	1,687,283	186,515	51,874	31,795	14,209	2,092,240
Stockholders' equity	<b>2003</b>	<b>11,463,805</b>	<b>2,267,340</b>	<b>923,681</b>	<b>303,505</b>	<b>234,192</b>	<b>14,304,275</b>
	2002	8,560,167	1,613,625	895,566	291,810	169,333	11,011,783
profitability (Net income/ Stockholders' €	<b>2003</b>	<b>27.58%</b>	<b>28.66%</b>	<b>6.04%</b>	<b>(1.59%)</b>	<b>14.73%</b>	<b>22.48%</b>
	2002	27.11%	15.70%	7.80%	14.79%	11.34%	26.10%
Internal funds generated (4)	<b>2003</b>	<b>6,108,086</b>	<b>1,630,447</b>	<b>96,382</b>	<b>47,446</b>	<b>32,565</b>	<b>5,845,894</b>
	2002	3,892,224	412,573	122,434	84,038	22,980	4,032,128

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 mathematical 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 AREA

### BANCO ITAÚ HOLDING FINANCEIRA

Consolidated net income for the period January-September was R\$ 2.3 billion, an increase of 36.2% as compared to the same period in 2002. Its annualized profitability reached 27.6%. In the period January-September, the Bank paid or provided for taxes and contributions in the amount of R\$ 2,810 million. Market capitalization of Itaú Holding reached R\$ 25,691 million, the highest among Brazilian banks.

The efficiency ratio, which shows the relation between corporate expenses and revenue, reached 44.1% in January-September, a quite significant improvement compared to the 53.1% in the same period of 2002, reflecting the organization-wide effort to control costs and increase revenue.

The consolidated assets of Itaú Holding reached R\$ 118,982 million, a 20.3% increase in the last twelve months. The loan portfolio increased 7.6%, reaching R\$ 42,699 million. Loan operations with small businesses and the middle market stand out with an increase of 30.4% in the last twelve months.

Total consolidated funds of Itaú Holding increased 28.3% compared to the same period of 2002, totaling R\$ 172,321 million. Investment funds increased 39.5%.

Itaú and AGF entered into an agreement for the acquisition of Banco AGF, the company AGF Vida e Previdência, and the AGF Seguros group's Life Portfolio, totaling R\$ 243 million. The completion of the transaction depends on the approval of the relevant supervisory authorities.

Banco Itaú Holding was elected by Euromoney as the company with the best Corporate Governance practices in emerging markets and by Institutional Investor Sponsored Report magazine as the financial institution with the best corporate governance in Brazil. Latin Finance elected Itaú Holding the best Latin American bank. Banco Itaú and Itaú Seguros have once again ranked first among the most admired companies in their industries according to a survey published by Carta Capital magazine.

### Insurance, Pension Plans, and Capitalization

The table below shows the performance of the insurance, pension plan, and capitalization companies in the period January-September. The transfer of the life insurance portfolio from Itaú Seguros (Itauseg) to Itaú Previdência e Seguros (Itauprev) was completed in December 2002, except for the group's life insurance portfolio, which explains the drop in premiums and technical provisions at Itauseg and the material increases at Itauprev.

January-September	R\$ Million								
	Itauseg (1)		Itauprev (1)		Itaucap (1)		Consolidated (1)		Change (%)
	2003	2002	2003	2002	2003	2002	2003	2002	
Net income	150	104	143	14	109	41	402	159	152.8
Stockholders' equity	938	704	238	49	243	240	1,419	993	42.9
Annualized return (%)	21.6	20.4	86.4	41.4	63.4	23.6	39.4	21.9	-
Premiums earned and revenues from pension plans and capitalization	975	1,033	256	19	147	125	1,378	1,177	17.1
Technical provisions	906	966	4,253	1,915	927	884	6,086	3,765	61.6

(1) Shareholdings in other businesses were eliminated.

Note that financial investments contributed only with R\$ 11 million (after taxes) over the CDI interest rate to the accumulated results of operations for the year.

Itauseg has maintained a high performance achieving a combined index of 101.6% even without the life insurance activity.

Itauprev remained as the fastest growing private pension company with an increase in year to date, in its share of the reserves market (including PGBL and VGBL) from 7% to 10%, and an increase of 112% in the last 12 months, even if we do not consider the life insurance reserves. Life insurance premiums earned (Itauseg and Itauprev), now managed by Itauprev, increased 11.8% as compared to the same period in 2002.

Itaú Capitalização e Capitaliza reserves totaled R\$ 927 million, an increase of 4.9% as compared to September 2002.

## **ITAÚSA PORTUGAL**

The holding company Itaúsa Portugal concentrates the conglomerate's financial activities in the European Union. At the end of September 2003, its consolidated assets totaled € 2.3 billion, the same amount registered at December 2002. Consolidated net income reached € 28.4 million, with an annualized return of 12.9% on consolidated stockholders' equity of € 300.8 million. To compose these results, Banco Itaú Europa contributed with € 20 million, while the remaining results refer essentially to the contribution Banco BPI, S.A.

The consolidated assets of Itaú Europa reached € 2,113 million, a 10% increase over the same period in 2002. The different credit portfolios posted a positive performance, especially structured foreign trade transactions, which reached US\$ 580 million. Most of these transactions consist of Brazilian export finance. In this context, Itaú Europa has increased its customer base in both the corporate and middle market segments, offering structured foreign trade and capital market products, and helped European companies to invest in Brazil.

Banco Itaú Europa recorded a net income of € 20 million, from January to September, a 45% increase over the same period in 2002. To ensure the diversity of this income, in addition to a strong financial margin derived from foreign trade transactions and financing European companies, there was a major contribution of capital market, treasury, and international private banking activities.

The contribution and the synergies resulting from the merger of Banco Itaú Europa Luxemburgo into the Bank's overall activity have already started to show up. The Bank maintained the expansion of its private banking customer base by increasing its offerings, types of fund, investment options, and advisory services, always by proactively supporting asset allocation. At the end of the period, managed assets reached US\$ 1,353 million, with over one thousand active clients.

## **DURATEX**

Regardless of the reduction in industrial output and retail sales, in the third quarter of 2003, consolidated sales of Duratex reached R\$ 901.9 million, a 15.7% increase as compared to the same period of 2002. Exports totaled US\$ 33.6 million, 7.7% higher than in the same period of 2002. Operating results before financial results reached R\$ 115.6 million corresponding to an EBITDA of R\$ 159.5 million, 7.7% and 6.4% higher than in the same period of 2002, respectively.

Financial expenses represented R\$ 38.2 million, an increase of R\$ 18.1 million as compared to 2002. This increase was basically caused by the increase in interest rates charged on loans and the disbursements to complete the main investments made by Duratex in the last three years. Accordingly, net income was R\$ 41.6 million. Operating cash generation before financial results totaled R\$ 72.8 million.

The Wood Division (Divisão Madeira) posted a level of shipments practically equal to the level in the previous year. Sales of laminated wood panels still show low volumes as compared to 2002, mainly because of the reduction in furniture retail sales, especially in the low-price furniture segment. This reduction was offset by the increase in MDF sales and the start-up of the new Botucatu (SP) unit.

As a reflection of the drop in the civil construction GDP, the Deca Division presented a reduction of 5% in its sales volume as compared to 2002. This reduction was steeper in the budget-price lines of the metal sanitaryware segment, more sensitive to a decrease in the consumer's purchasing power. At the end of September, the production of china sanitaryware in the plants located in Jundiaí (SP) was unified without any decrease in volume offered to the market. This decision entailed extraordinary expenses of R\$ 2.5 million, arising from the discontinuance of the CSI unit and with streamline activities, causing a decrease in production costs of approximately R\$ 4.0 million a year.

The Company's Investment Plan totaled R\$ 164.0 million, where the main investments in fixed assets represent R\$ 130.0 million, comprising the completion of the construction work and the start-up of the new HDF/MDF/SDF plant in Botucatu (SP), the continuity of the expansion Sanitaryware Plant II in Jundiaí (SP), with the installation of the new furnace, the completion of the assembly of the new cut-to-size saw in the Board plant in Jundiaí (SP), and the acquisition of 5,900 ha of land and forests in the Botucatu and Itapetininga region, to meet the new demand of the respective plants.

## **ITAUTEC PHILCO**

The continuing economic downturn caused a 14% reduction in gross revenues from sales and services of Itautec Philco, as compared to 2002, reaching R\$ 982.1 million in aggregate, until September. Accumulated gross profit was R\$ 59.6 million lower due to the intense business standstill and the reduction in the US dollar rate in the period causing a R\$ 12.9 million devaluation of inventories. The Company recorded a loss of R\$ 3.6 million in the period, and it was decided to hedge all foreign currency-denominated liabilities.

Operating cash generation totaled R\$ 74.3 million, mostly caused by the decrease in inventories, and EBITDA was R\$ 57.3 million.

On September 22, Itautec conducted through the Technology Center of the Federal University of Pernambuco (UFPE), in Recife, the first performance evaluation of servers in Brazil, approved by TPC (Transaction Processing Performance Council). This event marks the entry of Itautec in the exclusive group of companies that submit their equipment to the assessment of independent entities, which qualifies it as vendor of servers with performance recognized under international standards. The supercomputer InfoCluster, purchased by the State University of Rio de Janeiro, is the largest system ever sold by Itautec, and will be used in an international project that will link the university to the CERN (Conseil Européen pour la Recherche Nucléaire), in Switzerland and the FermiLab (Fermi National Accelerator Laboratory), in the United States.

Aggregate gross revenue of Serviços up to September 2003 was 8.6% higher than in 2002. An important contract in the telco area was signed, which will strengthen the division's activities in the installation and setup

of, and support and technical assistance to telephone exchanges. This division's results grew 12%, reflecting the obtained productivity gains. Itautec.com Serviços ISO 9001 certification was renewed, already in conformity with the new 2000 rules, which focus on the company's main processes.

At Philco, the strong reduction in business activities led to a 6% decrease in product output, partially offset by the increase in the high-end product segment. At the end of the quarter, there was an increase in demand for 21" flat-screen TV sets and the new DVD players.

## **ELEKEIROZ**

The chemical industry did not escape either from the general downturn of the Brazilian economy and remained at a standstill that has pressured its profitability. Elekeiroz, in particular, used the idle capacity of the plants acquired to the former Ciquine and the favorable relation US dollar vs. Brazilian real at the beginning of the year, to increase its export volume by 29%, significantly improving its operating results.

The stockholders of the former Ciquine Companhia Petroquímica and Elekeiroz S.A. approved at the general meeting of July 31, 2003, the respective corporate restructurings. Accordingly, the former four classes of preferred shares of Ciquine (A, B, C, and D) were grouped in a single new class (PN), Elekeiroz was merged into Ciquine, the merged company changed its name to Elekeiroz S.A., and the by-laws of the merging company were adapted to the new corporate reality.

The use of installed capacity was 79% (67% in 2002).

Up to the third quarter of 2003, the merging company posted: gross and net revenues of R\$ 362.9 million (R\$ 206.8 million in 2002) and R\$ 307.4 million (R\$ 177.4 million in 2002); export revenues of R\$ 69.3 million (R\$ 38.0 million in 2002), or 23% (21% in 2002) of total net revenue; operating profit was R\$ 25.6 million (loss of R\$ 0.2 million in 2002); net income after taxes, contributions and employees' and officers' profit sharing was R\$ 18.8 million (loss of R\$ 0.2 million in 2002, net of the extraordinary negative results of R\$ 86.0 million derived from the adjustments made to the merging company's balance sheet when it was acquired in May 2002 by the merged company); and EBITDA reached R\$ 44.5 million (R\$ 13.2 million in 2002).



The aggregate results up to the third quarter combining the merging company and the merged company were as follows:

	<b>2002</b>	<b>2003</b>	<b>Change %</b>
Total shipments in thousand tonnes	367	379.7	3
Exports in thousand tonnes	29.5	38.1	29
Gross revenue in R\$ million	343.3	490.4	43
Export revenue in R\$ million	43.2	77.4	79
Operating results revenue in R\$ million	16.9	39.5	134
Net income revenue in R\$ million	9.6	25.4	165
EBITDA	33.8	66.9	98

### **ITAÚSA EMPREENDIMENTOS**

With the construction work already in progress, Ville Belle Époque, built in association with Construtora Líder, sold 64 units since its launch. It is expected that the demand for high-standard properties increases as a result of the decrease in interest rates.

Place Saint Germain, developed together with AK Realty, is a closed condominium consisting of 15 high-standard villas that will be launched soon in Alto da Boa Vista.

Jardins do Portal, the new residential development with 76 apartments, in the Morumbi district will be launched in October in association with Construtora Liderança.

Regardless of the heavy offer in the office building segment, there are good prospects for the full lease of Panamerica Park in the coming quarter.

Sales in the Raposo Shopping mall increased by 9.8% as compared to the same period in 2002. Investments were made that significantly increase the mall's visibility to people passing by in the area.

## **HUMAN RESOURCES**

Personnel compensation, added by charges and benefits, totaled R\$ 2,197 million. The social benefits given to the employees and their dependents totaled R\$ 335 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 and special grants, and others.

Human capital management is a continuous focus of attention of Group companies. From January to September, we invested R\$ 32 million in employee education, training, and development programs.

## **SOCIAL RESPONSIBILITY**

Group companies are committed to the development of society, both in the social and in the cultural areas. The Group's industrial companies are aligned with environmental management best practices and have taken actions to build people's awareness on the importance of preserving the environment. We present below some third quarter highlights.

### **Social Activities**

The Itaú Social Foundation projects, developed aiming the strategic social investment, have brought an important contribution, especially in the field of public elementary education. Investments in January-September exceeded R\$ 11 million. It is worth mentioning, in the quarter, the selection of the Itaú-Unicef Award finalists and the continuity of the Melhoria da Educação no Município (Improvement of Education in the City), Gestores de Aprendizagem (Learning Managers) and Escrevendo o Futuro (Writing the Future) programs. The Voluntary School Award was granted in partnership with Rádio Bandeirantes, and activities related to a broad Volunteer Program to be extended to all the employees of the conglomerate have begun. Note also that Itaú was granted the Valor Social Award by Valor Econômico newspaper for its Itaú Social Program, highlighting the Writing the Future Program, in the category "Relationships with the Community".

Itautec Philco in association with Intel, contributed to the development of the Interactive Learning Solution the purpose of which is to facilitate the use of technology in the classroom. The new multidisciplinary concept is being put into practice in a new laboratory installed in State High School Professora Ruth Cabral Trocarelli, SP.

The in-house campaigns of Itautec Philco resulted in over 700 toys and 500 pieces of warm clothing donated by the company's employees to welfare entities for children, youngster, and the elderly. In addition, 140 employees donated blood to the Pró-Sangue Foundation.

### **Itaú Cultural Institute (Instituto Itaú Cultural)**

Democratization of access to culture is the guideline of the Institute's work. Pursuant to that, the Institute is focused in transforming a great part of its actions in programs to be distributed via TV, radio and the Internet.

The programs Guerrilha (Guerrilla) and Jogo de Idéias (Game of Ideas) were created and are already broadcasted to more than 15 Brazilian states, through the main public TV networks, among them the TV Cultura, Rede Minas and TVE-RS. Guerrilha (Guerrilla) is a program dedicated to young people that addresses voluntary actions and Brazilian culture through music. Jogo de Idéias (Game of Ideas) is a serie of seminars with public figures related to literature, music, theater, cinema, science and popular art.

Itaú Cultural has established partnerships with more than 85 educational, communitarian, academic and governmental TVs, exhibiting documentaries and the programs of the Institute throughout a significant portion of Brazil.

In radio, Itaú Cultural has a monthly series of debates with Rádio CBN and reunited in a seminar professionals from 80 educational, communitarian, academic and governmental radio stations from 16 states to discuss radio broadcasting and culture.

Overseas, the Institute signed an agreement with Canal 22 from Mexico for the broadcasting of the TV series produced by Itaú Cultural in the entire Mexican territory and part of the USA.

The exposition Game o quê? (Game what?), the first Brazilian exhibition about the world of electronic games, had over 90,000 visitors in 47 days.

In the field of support to the national artistic production, the program Rumos Itaú Cultural (Itaú Cultural Directions) has been granted the Eco Award 2003, in the category Culture. The program was also recognized as an example of social responsibility in culture by the Guia Exame de Boa Cidadania Corporativa 2003 (Exame Magazine Guide of Good Corporate Citizenship 2003).

### **Environmental Activities**

In the last three quarters, Duratex continued to sponsor the traveling project "Planet Water, Atlantic Forest and Landscapes", focused on building environmental awareness and the rational use of water. By the end of September, the project had involved more than 17,000 children from private and public schools.

At Itaútec Philco, the "Projeto Água" (Water Project) stands out as it aims reducing the economic and environmental impact of water catchment, distribution, treatment, and quality control; the "Oficina de Reciclagem" (Recycling Workshop); the wastewater treatment, the capacity of which increased approximately 50%; and the permanent campaigns on electric energy consumption.

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

The policy of Itaúsa – Investimentos Itaú S.A., its subsidiary companies, parent company 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 Banco Itaú Holding 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. We are also grateful to our companies' customers for their loyalty and their welcome to the innovations made to their products and services. To our employees and associates, we also wish to express our appreciation for their endeavor and skilled fulfillment of their activities.

**(Approved at the Meeting of the Board of Directors of November 11, 2003)**

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

*(In thousands of reais)*

<b>ASSETS</b>	<b>09/30/2003</b>	<b>09/30/2002</b>
<b>Current assets and long-term receivables</b>	<b>117,767,239</b>	<b>97,523,065</b>
Cash and cash equivalents	1,830,546	2,872,380
Short-term interbank deposits	21,980,820	10,861,009
Securities and Derivatives Financial Instruments	30,489,392	23,990,439
Interbank accounts of subsidiary companies	8,891,055	11,508,307
Loan and leasing operations	36,929,193	33,798,985
(-) Allowance for loan losses	(3,290,320)	(3,261,665)
Inventories		
Products	428,292	389,209
Real estate	12,377	47,045
Other credits	19,541,134	16,407,866
(-) Allowance for loan losses	(89,530)	(100,351)
Other assets	372,742	322,495
Prepaid expenses	671,538	687,346
<b>Permanent assets</b>	<b>4,699,231</b>	<b>4,830,990</b>
Investments		
Investments in subsidiaries	735,652	799,750
Other investments	148,155	125,613
Fixed assets		
Property for own use	3,315,133	3,445,553
Leased properties	84,968	70,226
Forest reserves	87,037	76,904
Deferred charges	328,286	312,944
<b>TOTAL ASSETS</b>	<b>122,466,470</b>	<b>102,354,055</b>

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

*(In thousands of reais)*

<b>LIABILITIES</b>	<b>09/30/2003</b>	<b>09/30/2002</b>
<b>Current and long-term liabilities</b>	<b>108,039,416</b>	<b>91,258,426</b>
Funds raised by subsidiary companies		
Foreign currency	13,447,584	10,596,664
Domestic currency	39,703,541	36,908,911
Open market	18,293,858	12,447,241
Subordinated debts	4,770,195	2,148,405
Financial instruments and derivatives	668,873	2,262,740
Borrowing		
Foreign currency	493,969	527,398
Domestic currency	324,252	585,330
Dividends payable	482,698	277,904
Taxes and social security contributions	3,758,076	2,503,449
Provisions and accounts payable	18,023,808	14,866,735
Interbank accounts of subsidiary companies	1,986,764	4,369,040
Technical provisions for insurance, pension plan and capitalization	6,085,798	3,764,609
<b>Deferred income</b>	<b>122,779</b>	<b>83,846</b>
<b>Minority interest in subsidiaries</b>	<b>6,876,685</b>	<b>5,100,938</b>
<b>Stockholders' equity from parent company</b>	<b>7,427,590</b>	<b>5,910,845</b>
Capital	3,500,000	3,000,000
Capital reserves	26,948	25,073
Revaluation reserves	52,201	53,607
Revenue reserves	3,650,027	2,941,893
Adjustment to market value - securities and derivatives	231,682	(109,728)
(-) Treasury stock	(33,268)	-
<b>Stockholders' equity of the Itaúsa Conglomerate</b>	<b>14,304,275</b>	<b>11,011,783</b>
<b>TOTAL LIABILITIES</b>	<b>122,466,470</b>	<b>102,354,055</b>

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

	01/01 to 09/30/2003	01/01 to 09/30/2002
<b>OPERATING REVENUES</b>	<b>19,024,766</b>	<b>30,555,586</b>
<b>OPERATING EXPENSES</b>	<b>(14,279,750)</b>	<b>(27,588,551)</b>
<b>OPERATING INCOME</b>	<b>4,745,016</b>	<b>2,967,035</b>
<b>NON-OPERATING INCOME</b>	<b>(165,021)</b>	<b>(69,698)</b>
<b>INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING</b>	<b>4,579,995</b>	<b>2,897,337</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	<b>(1,444,562)</b>	<b>(560,801)</b>
Due on operations for the period	(1,597,437)	(1,146,442)
Deferred related to temporary additions	152,875	585,641
<b>EXTRAORDINARY RESULT</b>	<b>(526,351)</b>	<b>(105,011)</b>
Parent company	(228,349)	(91,801)
Relating to minority interest in subsidiary companies	(298,002)	(13,210)
<b>PROFIT SHARING</b>	<b>(259,852)</b>	<b>(139,285)</b>
Employees - Law 10,101 of December 19, 2000	(195,942)	(104,345)
Directors - Statutory - Law 6,404 of December 15, 1976	(63,910)	(34,940)
<b>NET INCOME RELATING TO MINORITY INTEREST OF SUBSIDIARY COMPANIES</b>	<b>(1,239,292)</b>	<b>(982,812)</b>
<b>NET INCOME OF PARENT COMPANY</b>	<b>1,109,938</b>	<b>1,109,428</b>
Net income relating to minority interest of subsidiary companies	1,239,292	982,812
<b>NET INCOME OF ITAÚSA CONGLOMERATE</b>	<b>2,349,230</b>	<b>2,092,240</b>
NUMBER OF OUTSTANDING SHARES - in thousands	3,213,451	3,148,803
NET INCOME OF PARENT COMPANY PER THOUSAND SHARES - R\$	345.40	352.33
BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES - R\$	2,311.41	1,877.17
RECURRING NET INCOME OF PARENT COMPANY	1,338,287	1,201,229
VARIATION OF RECURRING NET INCOME OF PARENT COMPANY	11.4%	-
EXTRAORDINARY RESULT	(228,349)	(91,801)
<b>TOTAL PARENT COMPANY</b>	<b>1,109,938</b>	<b>1,109,428</b>

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIODS FROM 01/01 TO 09/30/2003 AND 2002**

*(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 private of financial institutions.

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

The consolidated financial statements of ITAÚSA and its subsidiary companies (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), the Superintendence of Private Insurance (SUSEP) and the Brazilian Central Bank (BACEN), which include the use of estimates necessary to determine accounting provisions.

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



### NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include ITAÚSA and its direct and indirect subsidiaries, including those listed below:

		Participation (%)	
		09/30/2003	09/30/2002
<b>FINANCIAL INSTITUTIONS</b>			
Banco Itaú Holding Financeira S.A	(1)	46.48	47.88
Banco Itaú S.A		46.48	47.88
Banco Itaú-BBA S.A	(2)	44.51	-
Banco Banerj S.A		46.48	47.88
Banco Banestado S.A		46.48	46.63
Banco Bemge S.A		46.48	47.81
Banco BEG S.A		46.48	42.78
Banco Fiat S.A	(3)	46.48	-
Banco Itaú Buen Ayre S.A		46.48	47.88
Banco Itaú Europa Luxembourg S.A		89.50	89.73
Banco Itaú Europa S.A		89.55	89.82
Cia Itauleasing de Arrendamento Mercantil		46.48	47.88
Itaú Bank Ltd		46.48	47.88
Itaú Corretora de Valores S.A		46.48	47.88
Itaucard Financeira S.A – Crédito, Financiamento e Investimento		46.48	47.88
Credicard S.A – Administradora de Cartões de Crédito e Controladas	(4)	15.49	15.96
Redecard S.A	(4)	14.85	15.29
Fiat Administradora de Consórcios Ltda	(3)	46.48	-
Itaú Administradora de Consórcios Ltda		46.48	47.88
Akbar - Marketing e Serviços Ltda e Controladas	(2)	44.51	-
Afinco Américas Madeira, SGPS, Sociedade Unipessoal Limitada		46.48	47.88
Itaú Rent Administração e Participações S.A		46.33	47.88
Itaúsa Export S.A		88.11	88.42
Serasa S.A	(4)	14.74	15.18
<b>INSURANCE, PENSION PLAN AND CAPITALIZATION ACTIVITIES</b>			
Itaú Seguros S.A		46.48	47.88
Itaú Previdência e Seguros S.A		46.48	47.88
Itaú Capitalização S.A		46.48	47.88
<b>WOOD AND CONSTRUCTION MATERIALS</b>			
Duratex S.A	(1)	47.93	47.54
Duraflora S.A		48.18	47.81
<b>TECHNOLOGY AND ELECTRONICS</b>			
Itautec Philco S.A	(1)	94.22	94.22
<b>CHEMICAL</b>			
Elekeiroz S.A	(1) (5)	96.32	97.93
<b>REAL ESTATE</b>			
Itaúsa Empreendimentos S.A		100.00	100.00
PRT Investimentos S.A.		100.00	100.00

(1) Listed company.

(2) Investments purchased by the subsidiary Itaú, on December 31, 2002.

(3) Investments purchased by the subsidiary Itaú, on March 31, 2003.

(4) Investment proportionally included in the consolidation.

(5) At July 31, 2003, Elekeiroz was merged into Ciquine Cia. Petroquímica, which name was changed to Elekeiroz S.A.

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

- a) **Consolidation** - All material intercompany transactions and balances have been eliminated on consolidation. Similarly, the unrealized results arising from intercompany transactions were eliminated and the related taxes were deferred. The effects of the foreign exchange variation on foreign investments are recorded in the statement of operations, according to the nature of the related balance sheet accounts.

The goodwill resulting from the purchase of investments is fully amortized in the years that the acquisitions occurred. The recognition of tax credits relating to Banco Banestado S.A. was limited to the goodwill determined during purchase.

- b) **Interbank deposits, Brazilian Central Bank (BACEN) remunerated restricted credits, credit operations, leasing operations and other credits, 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 the contracted index. Real estate loans are adjusted to the present value of future installments. Loans and leasing operations are recorded on the accrual basis until 60 days overdue. The leasing operations are presented at present value.

#### c) **Securities and derivative financial instruments**

1. In ITAÚSA and non-financial subsidiaries (Industrial Area) these are recorded at cost of acquisition restated and adjusted to reflect the market value, when this is lower.
2. In financial subsidiaries, insurance, pension plan security and capitalization companies, and its subsidiaries (Financial and Insurance Area), in accordance with BACEN Circulars 3068 of November 08, 2001, 3082 of January 30, 2002 and SUSEP Circular 226 of February 07, 2003:

##### 2.1. Securities are classified in the following categories:

- Trading 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 to their maturity. They are adjusted to their market values as a contra-entry 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, in contra-entry to the result for the period.

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

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

##### 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 customer 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 item 2 above, in the subsidiaries 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 subsidiaries in proportion to the participation percentage.

**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 subsidiaries, 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** - Comprise basically non-operating assets, corresponding to own properties available for sale, received as payment in kind. They are adjusted to market value through provision in accordance with effective 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 of accounting. The financial statements of foreign subsidiaries are adapted to comply with Brazilian accounting policies and converted into reais. Other investments are recorded at cost, restated up to December 31, 1995.

**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 %	a	25 %
EDP systems	20 %	a	50 %

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

**j) Technical provisions for insurance, pension plans and capitalization** – Technical provisions are set up according to criteria established by CNSP Resolution 89 of 08/19/2002, in effect as from January 1, 2003 and relate basically to:

- Insurance: provisions for unsettled claims set up based on the notices of loss, in an amount sufficient to cover future commitments and complemented by Provision for Incurred But Not Reported Claims (IBNR), calculated by actuary based on provision for unearned premiums relating to the risk coverage period and by provision for insufficient premiums, when necessary.

- Supplementary pension plan and individual life insurance: benefits and withdrawals claimed but unpaid at the balance sheet date plus, when applicable, the corresponding charges and technical provisions set up by actuarial and substantiated by actuarial technical notes approved by SUSEP, denominated mathematical provisions for granted benefits, benefits to be granted, risks fluctuation and coverage for individual life plans.
- Capitalization: mathematical provisions for withdrawals, raffles and contingencies calculated according to actuarial technical note for each plan.

**k) Income tax, social contribution, PIS and COFINS** – The provisions were calculated according to the current legislation at the rates shown below.

Income tax	15,00%
Adicional de Imposto de Renda	10,00%
Social contribution	9,00%
PIS (*)	0,65%
COFINS (**)	4,00%

*(\*) Itausa and its non-financial subsidiary companies are subject to the rate of 1.65%.*

*(\*\*) As from September 2003 included, the rate changed from 3% to 4% to the financial companies and similar.*

Amounts subject to litigation have been fully provided.

## NOTE 5 - SHORT-TERM INTERBANK DEPOSITS

We present below the composition of the short-term interbank deposits portfolio of the subsidiaries of the Financial Area:

	Accounting value	
	09/30/2003	09/30/2002
Open market investments	11,610,191	4,877,237
Funded position	2,378,643	896,569
Financed position	9,206,986	3,980,668
Open Account	24,562	-
Interbank deposits (*)	10,370,629	5,983,772
<b>TOTAL</b>	<b>21,980,820</b>	<b>10,861,009</b>

(\*) Includes allowance for losses.

## NOTE 6 - SECURITIES AND DERIVATIVES (ASSETS AND LIABILITIES)

We present below the composition of the Securities and Derivative Financial Instruments portfolio in the Financial and Insurance areas, classified in accordance with the new rules of the Brazilian Central Bank (BACEN) and of the Superintendence of Private Insurance (SUSEP), stated at their cost and market values, as well as the effects directly recorded in the subsidiaries and ITAÚSA net equity.

### a) Summary

	Cost	Market value	Adjustments to market with impact on		Stockholders' equity
			Net income		
<b>Itaúsa and Industrial Areas</b>					
Securities	628,789	628,789	-		
Derivative financial instruments (assets)	375	375	-		
<b>Subtotal</b>	<b>629,164</b>	<b>629,164</b>	-		
<b>Financial Area</b>					
Securities for negotiation	10,911,942	10,961,130	49,188		
Securities available for sale	15,169,355	15,848,811			679,456
Securities held to maturity (1)	2,092,174	2,092,174	-		
Derivative financial instruments (assets)	1,499,422	1,503,113	3,691		
<b>Subtotal</b>	<b>29,672,893</b>	<b>30,405,228</b>	<b>52,879</b>		<b>679,456</b>
Deferred taxes					(224,177)
BBA and FIAT adjustment not reflected in Itaú					27,437
<b>Total adjustment to market value</b>					<b>482,716</b>
<b>Additional allowance (exceeding minimum requirement)</b>		(545,000)			
<b>Total securities and derivative financial instruments (assets)</b>	<b>30,302,057</b>	<b>30,489,392</b>			<b>482,716</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)</b>					
Minority interest	743,570	668,873	74,697		(251,034)
<b>Value reflected in ITAÚSA net equity</b>					<b>231,682</b>

(1) If these securities were evaluated at market value, they would present a provision for devaluation amounting to R\$ 48,637.

**b) Derivative Financial Instruments** The globalization of the 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 has been an increasing demand for derivative financial instruments to manage market risks mainly arising from fluctuations in interest and exchange rates and asset prices. Accordingly, ITAÚSA subsidiaries are fully involved in the operation of derivative markets, either in complying with the growing clients' needs, 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 negotiated are purchased for two basic purposes:

- Hedge – to perform hedge of structural portfolio,
- Trading – to serve as instruments 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 lock 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 at September 30, 2003 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 situation.

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 Black & Scholes model.

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

The following chart summarizes the reference value restated at market price and the respective net exposures in the balance sheet for the derivative financial instruments.

ITAÚSA CONSOLIDATED								
	Memorandum account notional value		Balance sheet account receivable/received (Payable/paid)		Market value		Adjustment to market value	
	09/30/2003	09/30/2002	09/30/2003	09/30/2002	09/30/2003	09/30/2002	09/30/2003	09/30/2002
<b>Future contracts</b>	<b>42,744,691</b>	<b>42,363,052</b>	<b>39,231</b>	<b>(108,283)</b>	<b>39,231</b>	<b>(108,283)</b>	-	-
Purchase commitments	18,618,574	22,993,491	(12,997)	(130,533)	(12,997)	(130,533)	-	-
Commitments to sell	24,126,117	19,369,561	52,228	22,250	52,228	22,250	-	-
<b>Swap contracts</b>			<b>613,139</b>	<b>6,747</b>	<b>674,315</b>	<b>(447,858)</b>	<b>61,176</b>	<b>(454,605)</b>
Asset position	31,215,651	19,983,603	1,010,799	2,278,836	1,038,748	856,809	27,949	(1,422,027)
Liability position	30,602,512	19,976,856	(397,660)	(2,272,089)	(364,433)	(1,304,667)	33,227	967,422
<b>Option contracts</b>	<b>9,352,104</b>	<b>4,233,311</b>	<b>4,295</b>	<b>(30,562)</b>	<b>(13,310)</b>	<b>(74,980)</b>	<b>(17,605)</b>	<b>(44,418)</b>
Purchase commitments - purchased position	3,637,322	1,688,390	(88,720)	(90,176)	(59,195)	(240,049)	29,525	(149,873)
Commitments to sell - purchased position	977,192	912,091	(17,026)	(42,536)	(18,900)	(24,644)	(1,874)	17,892
Purchase commitments - sold position	4,179,585	1,045,354	85,783	48,654	40,227	141,844	(45,556)	93,190
Commitments to sell - sold position	558,005	587,476	24,258	53,496	24,558	47,869	300	(5,627)
<b>Term</b>								
Purchase receivables			23,421	380,504	24,563	380,504	1,142	-
Commitments for payables			(23,722)	(387,856)	(24,703)	(387,856)	(981)	-
Sale receivables			72,942	530,040	67,255	527,146	(5,687)	(2,894)
Sale receivables			-	(380,504)	-	(380,504)	-	-
<b>Other derivative financial instruments</b>								
Asset position	4,362,543	-	286,889	-	294,827	-	7,938	-
Liability position	3,347,418	-	(212,147)	-	(214,952)	-	(2,805)	-
<b>ASSETS</b>			<b>1,499,797</b>	<b>3,709,948</b>	<b>1,503,488</b>	<b>2,417,008</b>	<b>3,691</b>	<b>(1,292,940)</b>
<b>LIABILITIES</b>			<b>(743,570)</b>	<b>(3,142,599)</b>	<b>(668,873)</b>	<b>(2,262,740)</b>	<b>74,697</b>	<b>879,859</b>
<b>TOTAL</b>			<b>756,227</b>	<b>567,349</b>	<b>834,615</b>	<b>154,268</b>	<b>78,388</b>	<b>(413,081)</b>
<b>Derivative contracts mature in days as follows:</b>								
<b>Clearing</b>	<b>0 - 30</b>	<b>31 - 180</b>	<b>181 - 365</b>	<b>Over 365</b>	<b>09/30/03</b>	<b>09/30/02</b>		
<b>Futures</b>	12,036,284	19,380,012	5,603,394	5,725,001	42,744,691	42,363,052		
<b>Swaps</b>	2,825,809	12,340,978	7,275,304	7,762,761	30,204,852	17,704,767		
<b>Options</b>	1,727,985	4,630,181	2,265,327	728,611	9,352,104	4,233,311		
<b>Others</b>	1,530,945	3,589,465	917,211	1,672,340	7,709,961	-		



**NOTE 7 - LOAN, LEASE AND OTHER CREDITS**  
**Financial Area**

**a) Summary**

	<b>09/30/2003</b>	<b>09/30/2002</b>
Loan operations	31,161,495	27,506,107
Lease operations	1,007,888	1,075,360
Credit card operations	2,720,597	2,843,739
Advances on exchange contracts (1)	1,918,668	1,712,618
Other credits (2) (3)	120,545	661,161
<b>Total</b>	<b>36,929,193</b>	<b>33,798,985</b>
Endorsements and sureties (4)	5,766,493	5,887,737
<b>Total with endorsements and sureties</b>	<b>42,695,686</b>	<b>39,686,722</b>

(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.*

(3) *"At September 30, 2002, includes R\$ 471,600, relating to the purchase and sale agreement of public securities, signed with the State of Paraná, backed by shares of Companhia Paranaense de Energia - COPEL. At the end of 2002, the State of Paraná suspended the payment of the contract obligations, based on the decision of the Federal Regional Court of the 4th region, which opted for suspending the contract effectiveness, despite of the lower court has decided to suspend solely the guarantee clauses. Based on a precautionary action of the Higher Court of Justice, Banestado obtained an injunction desallowing the bank solely from the allowance for possible loan losses. Additionally, management decided to fully accrue the credit and offset it against the mentioned provision due to the expectation of long-term recovery."*

(4) *Recorded in memorandum accounts.*

**b) Allowance for loan losses**

	<b>01/01 to 09/30/2003</b>	<b>01/01 to 09/30/2002</b>
<b>Opening balance</b>	<b>(3,172,145)</b>	<b>(2,568,182)</b>
Balance from institutions acquired	(87,832)	-
Extraordinary result (1)	(101,252)	11,679
Net increase for the period	(1,591,598)	(1,624,878)
Write-Offs (2)	1,662,507	919,716
<b>Saldo Final</b>	<b>(3,290,320)</b>	<b>(3,261,665)</b>
Minimum required allowance (3)	(2,377,560)	(2,515,165)
Additional generic allowance (4)	(912,760)	(746,500)

(1) *At September 30, 2003, considers the additional provision of the Acquired Institutions. At September 30, 2002, considers the additional provision of Banco Itaú Buen Ayre, net of the foreign exchange variation effects, taken to Extraordinary Result.*

(2) *Includes additional write-offs on the Allowance for loan losses for operations that management considers as having a low realization expectation in the short-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 loan portfolio in cases of economic crisis, including operations taking place in Argentine.*

**NOTE 8 – FUNDING AND BORROWINGS AND ONLENDINGS - FINANCIAL AREA**

	<b>09/30/2003</b>	<b>09/30/2002</b>
<b>Foreign currency</b>	<b>13,447,584</b>	<b>10,596,664</b>
Funds from acceptance and issuance of securities	4,606,382	3,874,382
Borrowings and onlendings	8,841,202	6,722,282
<b>Local currency</b>	<b>39,703,541</b>	<b>36,908,911</b>
Deposits	34,347,202	32,399,486
Funds from acceptance and issuance of securities	742,406	412,728
Borrowings and onlendings	4,613,933	4,096,697
<b>Funds obtained in the open market</b>	<b>18,293,858</b>	<b>12,447,241</b>
<b>Subordinated debts</b>	<b>4,770,195</b>	<b>2,148,405</b>
<b>Total</b>	<b>76,215,178</b>	<b>62,101,221</b>

## NOTE 9 - OTHER ACCOUNTS

### a) Other receivables

	09/30/2003	09/30/2002
Exchange portfolio	7,796,186	6,017,774
Tax credits	4,142,192	3,620,660
Social contribution to be offset – Provisional Measure (MP) 2158 of August 24, 2001	1,340,613	1,357,352
Taxes and contributions to offset	917,584	675,668
Deposits in guarantee	2,236,907	2,310,721
Income receivable	590,642	496,055
Negotiation and intermediation of values	568,543	146,336
Insurance Premium Receivable	522,387	476,225
Sundry (*)	1,426,080	1,307,075
<b>Total</b>	<b>19,541,134</b>	<b>16,407,866</b>

(\*) Based on the operations classified under this heading, a provision for loan losses was set up amounting to R\$89,530 relating to the operations of the Industrial Area companies.

### b) Provisions and accounts payable

	09/30/2003	09/30/2002
Exchange portfolio	8,097,672	6,206,043
Operations with credit cards	1,923,813	1,814,239
Securitization of foreign payment orders	1,681,902	1,559,144
Provisions for labor/contingent liabilities	1,546,690	1,263,564
Negotiation and intermediation of values	989,413	433,985
Personnel	534,745	335,672
Suppliers	227,611	151,713
Provisions and sundry creditors	3,021,962	3,102,375
<b>Total</b>	<b>18,023,808</b>	<b>14,866,735</b>

## NOTE 10 – EXTRAORDINARY RESULT

For a better analysis of the financial statements for the period, non-recurring income and expenses were segregated to the extraordinary result account, net of taxes (Income tax and Social contribution), basically relating, in the subsidiary of Banco Itaú, to the amortization of goodwill referring to the acquisition of the investment in FIAT and the acquisition of BEG; BANESTADO and BEMGE shares, adjustment to the risk rating standards of the credit portfolios of BBA and FIAT; and reversal of the provision for legal contingency for which there is already a favorable final court decision, as well as in ITAÚSA, arising from capital gain on the sale of investment in Union Carbide do Brasil S.A. (UCB), non-operating gain for variation of investment in the subsidiary Banco Itaú Holding Financeira and the constitution of a Provision for Devaluation of Investments indexed to foreign currency.

	Parent company	Minority	Conglomerate
Amortization of goodwill	(246.929)	(276.810)	(523.739)
Allowance for loan losses	(31.184)	(35.641)	(66.825)
Reversal of the provision for legal contingencies	12.642	14.449	27.091
Capital gain in the sale of UCB	51.300	-	51.300
Non-operating gain in capital increase and treasury stock - Banco Itaú Holding	60.822	-	60.822
Set up of provision for devaluation of investments (*)	(75.000)	-	(75.000)
<b>TOTAL</b>	<b>(228.349)</b>	<b>(298.002)</b>	<b>(526.351)</b>

*(\*) To cover risks of oscillations of the Real quotations in comparison to the U.S. dollar and the Euro, considering the high volatility scenarios as those observed along last year in local and foreign financial markets.*

## NOTA 11 - TAXES

### a) Composition of expenses with taxes and contributions

I) Charges with income tax and Social contribution incident on operations for the period, and to offset related to temporary additions are as follows:

Due on Operations for the Period	01/01 to 09/30/2003	01/01 to 09/30/2002
<b>Income before income tax and Social contribution</b>	<b>4,579,995</b>	<b>2,897,337</b>
<b>Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (*) respectively</b>	<b>(1,557,198)</b>	<b>(985,095)</b>
<b>Increase/decrease in income tax and social contribution payables as a result of:</b>		
<b>Permanent (Inclusions) exclusions</b>	<b>219,033</b>	<b>326,342</b>
Equity in income of subsidiaries and affiliates	(11,526)	134,494
Interest on own capital	258,326	107,693
Non-deductible provisions and other	(27,767)	84,155
<b>Temporary (Inclusions) exclusions</b>	<b>(259,272)</b>	<b>(487,689)</b>
Allowance for loan losses	(232,580)	(167,254)
Labor provisions, tax risks and other	(26,692)	(320,435)
<b>Expense with Income Tax and Social Contribution</b>	<b>(1,597,437)</b>	<b>(1,146,442)</b>
Withholding tax on distribution of interest on own capital	(106,969)	(66,825)
<b>Total Income Tax and Social Contribution</b>	<b>(1,704,406)</b>	<b>(1,213,267)</b>
<b>To offset related to temporary additions</b>		
Constitution (reversal) on temporary additions/exclusions	238,723	487,689
Constitution (reversal) on tax losses and negative social contribution	(49,815)	69,141
Constitution (reversal) on others	(36,033)	28,811
<b>Total Tax Credits</b>	<b>152,875</b>	<b>585,641</b>

(\*) According to Note 4 k.

**b) Tax Credits**

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

	12/31/2002	Net activity	9/30/2003	9/30/2002
<b>Related to tax losses and negative basis of social contribution</b>	<b>865,215</b>	<b>(49,814)</b>	<b>815,401</b>	<b>865,806</b>
Temporary differences:	<b>2,987,798</b>	<b>334,689</b>	<b>3,322,487</b>	<b>2,252,002</b>
Allowance for loan losses	1,230,929	275,394	1,506,323	1,000,553
Adjustment to market value of trading securities and derivative financial instruments (assets and liabilities)	439,407	(219,145)	220,262	207,851
Provision for interest on own capital	93,882	40,296	134,178	20,633
Provision for tax risks	200,491	52,595	253,086	172,973
Labor contingencies	265,566	36,654	302,220	250,116
Provision for civil contingencies	118,326	35,455	153,781	106,927
Provision for real estate	39,786	3,524	43,310	38,792
Others	599,411	109,916	709,327	454,157
<b>Tax credits - Reflected in stockholders' equity</b>	<b>10,691</b>	<b>(6,387)</b>	<b>4,304</b>	<b>502,852</b>
Adjustment to market value of securities available for sale	10,691	(6,387)	4,304	502,852
<b>Total tax credits</b>	<b>3,863,704</b>	<b>278,488</b>	<b>4,142,192</b>	<b>3,620,660</b>
<b>Social contribution to offset arising from option foreseen in article 8 of Provisional Measure 2158-35, of 08/24/2001.</b>	<b>1,385,766</b>	<b>(45,153)</b>	<b>1,340,613</b>	<b>1,357,352</b>

II) The estimate of realization and present value of tax credits and social contribution to offset, arising from Provisional Measure 2158-35, existing at September 30, 2003, 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	
2003	1,542,498	100,762	1,643,260	38,576
2004	846,088	253,194	1,099,282	116,419
2005	343,479	332,243	675,722	132,335
2006	269,417	126,703	396,120	147,893
2007	127,157	2,499	129,656	160,571
2008 a 2012	198,152	-	198,152	744,819
<b>Total</b>	<b>3,326,791</b>	<b>815,401</b>	<b>4,142,192</b>	<b>1,340,613</b>
Present value (†)	3,018,740	721,536	3,740,276	1,047,950

(†) 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 book value 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 are not used as an indication of future net profits.

III) Unrecorded tax credits amount to R\$ 467,210.

### c) Tax and Social Securities Liabilities

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

	09/30/2003	09/30/2002
Taxes and contributions on net income payable	896,506	566,612
Taxes and contributions payable	340,923	357,799
Provision for deferred income tax and social contribution	591,611	324,866
Provision for tax contingencies	1,929,036	1,254,172
<b>Total</b>	<b>3,758,076</b>	<b>2,503,449</b>

II) Change in Deferred Income Tax and Social Contribution

	12/31/2002	Activity	09/30/2003	09/30/2002
Excess depreciation - leasing	234,971	(2,739)	232,232	232,874
Taxation on overseas results - capital gains	71,073	(7,853)	63,220	71,375
Revaluation reserve	18,390	(265)	18,125	18,972
Adjustment to market value of securities available for sale	16,122	219,449	235,571	-
Adjustment to market value of securities and derivative financial instruments (assets and liabilities)	57,358	(15,234)	42,124	-
Other	383	(44)	339	1,645
<b>Total</b>	<b>398,297</b>	<b>193,314</b>	<b>591,611</b>	<b>324,866</b>

d) ITAÚSA paid or provisioned taxes and contributions in the amount of R\$ 3,379,126 (R\$ 2,863,294 from 01/01 to 09/30/2002), which were levied on profits, income and payroll. Moreover, R\$ 3,790,375 (R\$ 2,957,533 from 01/01 to 09/30/2002) was retained from customer and paid, amounts which are levied directly on financial operations.



## NOTE 12 - INVESTMENTS

### a) Composition of Investments

	09/30/2003	09/30/2002
<b>Share of equity in affiliates - Domestic</b>	<b>114,955</b>	<b>142,173</b>
AGF Brasil Seguros S.A.	113,361	105,037
Union Carbide do Brasil S.A	-	33,239
Outros	1,594	3,897
<b>Share of equity in affiliates - Foreign</b>	<b>620,697</b>	<b>657,577</b>
BPI S.A.	617,374	655,619
Outros	3,323	1,958
<b>Other investments</b>	<b>148,155</b>	<b>125,613</b>
Investments by tax incentives	110,257	44,249
Equity securities	35,029	21,646
Shares and quotas	28,021	22,162
Others	70,143	70,782
Provision for losses	(95,295)	(33,226)
<b>TOTAL</b>	<b>883,807</b>	<b>925,363</b>

### b) Composition of Equity in Income of Affiliates

	01/01 to 09/30/2003	01/01 to 09/30/2002
Share of equity in affiliates	16,255	44,828
Foreign exchange variation on investments	(50,154)	243,542
Reversal of provision for investments	-	107,201
<b>Equity in income of affiliates</b>	<b>(33,899)</b>	<b>395,571</b>

### NOTE 13 – 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 Itaubanco, Fundação Duratex, 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 17a; and
- Fundação ItaúSocial and Instituto ItaúCultural - IIC, entities sponsored by the subsidiary Itaúto act in their respective areas of interest. During the period, the consolidated companies made donations to IIC in the amount of R\$ 9,988.

The transactions with these related parties are not significant in the overall context of ITAÚSA operations, 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 Itaubanco, FUNBEP and PREBEG.

In addition to these transactions, there are guarantees, as follows:

	09/30/2003	09/30/2002
Duratex	249,359	359,155
Elekeiroz	32,758	43,744
Itautec Philco	84,492	109,714
Total	<b>366,609</b>	<b>512,613</b>

## **NOTE 14 – STOCKHOLDERS' EQUITY – ITAÚSA – ITAÚ INVESTMENTS**

### **a) Capital**

The capital of ITAÚSA comprises R\$ 3,500,000 and is represented by 3,226,602,782 entry shares with no par value, of which 1,184,643,391 are common shares and 2,041,959,391 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 a dividend at least equal to that of the common shares.

The Extraordinary Meeting (AGE) held on April 28, 2003 increased the capital to R\$ 3,500,000, being R\$ 383,300 through capitalization of revenue reserves, without issuing shares, and R\$ 116,700 through private subscription, with the issue of 77,800,000 new entry shares, with no nominal value (28,564,178 common and 49,235,822 preferred shares) at R\$ 1.50 each, which were fully paid-up and subscribed in cash or through the settlement of credits arising from interest on own capital declared by Itaúsa, as approved in the AGE of 6/26/2003.

## b) Treasury Stock

Based on the authorizations of the Administrative Council, own shares were purchased in the period, to be held in treasury, for their subsequent cancellation or disposal in the market, per thousand shares, expressed in reais, by the minimum cost of R\$ 2.27, average cost of R\$ 2.53 and maximum cost of R\$ 2.92, for preferred shares, and its market value of R\$ 2.57 per thousand shares.

The activity in capital shares and treasury stock in the period is as follows:

	NUMBER		
	Common	Preferred	Total
<b>Capital shares</b>			
<b>Number of shares at 12/31/2002</b>	<b>1.156.079.213</b>	<b>1.992.723.569</b>	<b>3.148.802.782</b>
Capital increase with subscription of shares	28.564.178	49.235.822	77.800.000
<b>Number of shares at 09/30/2003</b>	<b>1.184.643.391</b>	<b>2.041.959.391</b>	<b>3.226.602.782</b>
<b>Treasury stock</b>			
<b>Number of shares at 12/31/2002</b>	-	-	-
Purchase of shares	-	13.152.000	13.152.000
<b>Treasury stock at 09/30/2003</b>	-	<b>13.152.000</b>	<b>13.152.000</b>
<b>Outstanding shares at 09/30/2003</b>	<b>1.184.643.391</b>	<b>2.028.807.391</b>	<b>3.213.450.782</b>

## c) 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 compulsory minimum dividend, paid as interest on own capital, according to the Administrative Council's decision, at the meeting held on 03.17.2003, was increased from R\$ 4.00 to R\$ 5.60 per thousand shares, as from those paid on 07.01.2003.

**d) Reconciliation of net income and stockholders' equity between ITAUSA and ITAUSA CONSOLIDATED**

	Net income		Stockholders' equity	
	01/01 to 09/30/2003	01/01 to 09/30/2002	09/30/2003	09/30/2002
<b>ITAÚSA</b>	<b>1,187,204</b>	<b>1,068,569</b>	<b>7,904,758</b>	<b>6,323,464</b>
Goodwill amortization (1)	(102,144)	(2,406)	(1,100,940)	(997,755)
Tax credit (2)	24,878	43,265	625,278	586,642
Unrealized results	-	-	(1,506)	(1,506)
<b>ITAÚSA CONSOLIDATED</b>	<b>1,109,938</b>	<b>1,109,428</b>	<b>7,427,590</b>	<b>5,910,845</b>

(1) Relating to acquisitions of investments in banks Itau BBA S.A., Fiat S.A., BEG S.A., Banestado S.A., Berge S.A. and Itau Buen Ayre S.A., Lloyds TSB Asset Management S.A., and in Ciquine Cia Petroquimica and additional stakes in IBT- ItauBankers Trust Banco de Investimento S.A. - and BPI S.A.

(2) Set up on goodwill limit determined in the acquisition of BANESTADO by the subsidiary Banco Itaú S.A.

## 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) <sup>(1) (2)</sup>			
	09/30/2003	09/30/2002	09/30/2003	09/30/2002	In result		In stockholders' equity	
					09/30/2003	09/30/2002	09/30/2003	09/30/2002
Short-term interbank deposits	21,980,820	10,861,009	21,989,124	10,863,071	8,304	2,062	8,304	2,062
Securities and derivatives	30,489,392	23,990,439	30,489,392	23,990,439				
Securities unrealized result					1,273,093	895,384	593,637	1,336,000
Reclassification of additional provision					-	-	-	(1,000,000)
Additional provision (exceeding the minimum required)					545,000	2,336,000	545,000	2,336,000
Adjustment of securities available for sale					679,456	(1,440,616)	-	-
Adjustment of securities held up to maturity					48,637		48,637	
Loan operations	33,638,873	30,537,320	33,831,551	30,497,114	192,678	(40,206)	192,678	(40,206)
Investment in BPI	617,374	655,619	1,031,295	883,396	413,921	227,777	413,921	227,777
Other investments	148,155	125,613	148,155	126,438	-	825	-	825
Funds raised by subsidiary companies	71,444,983	59,952,816	71,444,226	59,904,431	757	48,385	757	48,385
Borrowings	818,221	1,112,728	818,221	1,112,728	-	-	-	-
Provisions and accounts payable	18,023,808	14,866,735	17,967,612	14,737,204	56,196	129,531	56,196	129,531
Subordinated debts	4,770,195	2,148,405	4,645,109	1,946,489	125,086	201,916	125,086	201,916
Treasury shares	291,771	287,768	389,443	277,398	-	-	97,672	(10,370)
<b>Total unrealized</b>					<b>2,070,035</b>	<b>1,465,674</b>	<b>1,488,251</b>	<b>1,895,920</b>

(1) Does not include the related tax effects.

(2) Includes unrealized gains from minority interest amounting to R\$ 705,578 (R\$ 1,476,790 at 09/30/2002).

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

- Interbank deposits, Bank Deposit Certificates and Mortgage Securities, the latter two included in Securities, were determined on the basis of their nominal value, monetarily corrected to maturity dates and discounted to present value at future market interest rates and swap market rates for fixed-rate securities and fixed interest securities rates for post-fixed securities published in the Gazeta Mercantil on October 01, 2003.
- Public Securities, included in Securities, were determined based on market rates validated through comparison with lists provided by the National Association of Open Market (ANDIMA). For Financial area and Insurance Companies are at market value, as established by BACEN Circulars 3068 of 11/08/2001 and 3082 of 01/30/2002 and SUSEP Circular 226 of 02/07/2003.
- Variable income funds quotas, included in Securities, were valued using the quota value at the balance sheet date. For Financial area and Insurance Companies at market value as established by BACEN Circulars 3068 of 11/08/2001 and 3082 of 01/30/2002.
- Publicly traded shares, when included in Securities, were valued at the average price quote of the last trading day of the month, if available, or on the most recent quotations for the companies' shares published in the daily bulletin of each stock exchange.
- Loans with maturity dates over 90 days, when available, based on their net present value of future cash flows discounted at market interest rates on the balance sheet date, also considering the effects of hedges (swap contracts).
- Other investments and equity shares in foreign subsidiary and affiliated companies are determined on the basis of stock market quotations, book value per 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 of future cash flows discounted using future market interest rates, the swap market for pre-fixed securities, and fixed income securities market rates for post-fixed securities published in the Gazeta Mercantil of October 01, 2003. The effects of the hedge (swap contracts) are also taken into account.
- Derivatives, comprising swap contract to hedge other assets/liabilities, are determined based on reference values of each parameter set forth in the contracts (asset and liability positions), monetarily corrected through maturity and discounted to present value using future market interest rates, according to the characteristics of each contract.
- Treasury shares are valued according to the average quotation available on the last trading day 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 September 30, 2003 Financial Statements, reclassifications were made in the September 30, 2002 balances mainly to make the Finance Areas transactions clearer.

	Prior disclosure	Reclassifications	Reclassified balances
<b>ASSETS</b>			
<b>CURRENT AND LONG-TERM RECEIVABLES</b>	<b>97,661,538</b>	<b>(138,473)</b>	<b>97,523,065</b>
Securities and Derivatives	24,312,934	(322,495)	23,990,439
Loans and leasing operations	27,006,888	6,792,097	33,798,985
Allowance for loan losses	-	(3,261,665)	(3,261,665)
Other credits	19,976,420	(3,568,554)	16,407,866
Allowance for loan losses	-	(100,351)	(100,351)
Other assets	-	322,495	322,495
<b>TOTAL ASSETS</b>	<b>102,492,528</b>	<b>(138,473)</b>	<b>102,354,055</b>
<b>LIABILITIES</b>			
<b>CURRENT AND LONG-TERM LIABILITIES</b>	<b>91,395,842</b>	<b>(137,416)</b>	<b>91,258,426</b>
Funds raised by subsidiary companies			
Domestic currency	38,043,328	(1,134,417)	36,908,911
Open market	11,985,360	461,881	12,447,241
Subordinated debt	-	2,148,405	2,148,405
Real estate liabilities	1,307	(1,307)	-
Taxes and social security contributions	2,420,239	83,210	2,503,449
Provisions and accounts payable	16,561,923	(1,695,188)	14,866,735
Technical provision for insurance, pension plan and capitalization	504,027	3,260,582	3,764,609
<b>TECHNICAL PROVISION FOR INSURANCE, PENSION PLAN AND CAPITALIZATION - UNCOMMITTED (*)</b>	<b>3,260,582</b>	<b>(3,260,582)</b>	<b>-</b>
<b>DEFERRED INCOME</b>	<b>84,903</b>	<b>(1,057)</b>	<b>83,846</b>
<b>TOTAL LIABILITIES</b>	<b>102,492,528</b>	<b>(138,473)</b>	<b>102,354,055</b>
<b>STATEMENT OF INCOME</b>			
Operating revenue	<b>30,825,672</b>	(270,086)	<b>30,555,586</b>
Operating expenses	<b>(27,858,637)</b>	270,086	<b>(27,588,551)</b>
<b>OPERATING INCOME</b>	<b>2,967,035</b>	-	<b>2,967,035</b>

(\* According to CNSP Resolution 86/02, the technical provisions for insurance, pension plan and capitalization are now classified in Current and/or Long-term liabilities.



## NOTA 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 to employee benefits, as well as the accounting procedures adopted:

### a) Supplementary pension benefits:

ITAÚSA and its subsidiaries sponsor supplementary pension plans managed by the closed private pension entities Fundação Itaúbanco, Fundação Itaúsa Industrial FUNBEP – Multi-sponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG) and Fundação Duratex (supplementary pension private entities). The main purpose of these entities is to grant life annuity benefits (in the case of FUNBEP, PREBEG and the plan of Fundação Bemge de Seguridade Social – FASBEMGE, which also grants death benefits) in order to 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 (PGBL) managed by Itaú Previdência e Seguros, in case of Financial and Insurance companies, or by Fundação Itaúsa Industrial, in case of industries.

During the period, the contributions paid totaled R\$ 19,575 (R\$ 22,748 from January 1 to September 30, 2002). The contribution rate increases based on the beneficiary's salary.

### b) Post-employment benefits:

ITAÚSA and/or its subsidiaries do not sponsor other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by 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\$ 6,365 (R\$ 3,879 from January 1 to September 30, 2002). 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.

	09/30/2003	09/30/2002
Net assets of the plans	6.752.000	5.351.251
Actuarial liabilities	(5.497.305)	(5.194.967)
Surplus (1)	1.254.695	156.284

(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\$ 27,500 (R\$ 59,303 at September 30, 2002) to cover insufficient actuarial reserves.

### Performance of Net assets and Actuarial Liabilities, and Excess of Assets over Liabilities

	01/01 a 09/30/2003			01/01 a 09/30/2002		
	Assets	Actuarial Liabilities	Excess	Assets	Actuarial Liabilities	Excess
Present value – beginning of the period	5,808,450	(5,187,777)	620,673	5,079,857	(4,828,666)	251,191
Adjustments in the period (1)	-	16,597	16,597	42,034	(77,863)	(35,829)
Expected return form assets/Cost of current service + Interest	530,512	(519,078)	11,434	463,484	(458,945)	4,539
Benefits paid	(192,953)	192,953	-	(170,208)	170,208	-
Contributions employer/Participants	45,179	-	45,179	46,781	-	46,781
Gains/(Losses) in the period	560,812	-	560,812	(110,697)	299	(110,398)
Present value-end of period	6,752,000	(5,497,305)	1,254,695	5,351,251	(5,194,967)	156,284

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

### e) Main assumptions used in actuarial assessment

	09/30/2003	09/30/2002
Discount rate (1)	10,24 % a.a.	10,24 % a.a.
Return rate expected for the assets	12,32 % a.a.	12,32 % a.a.
Turnover (2)	Exp.Itaú 99/01	Exp. Itaú 96/98
Future salary growth	7,12 % a.a.	8,16 % a.a.
Growth of the pension fund and social security benefits	4,00 % a.a.	4,00 % a.a.
Inflation	4,00 % a.a.	4,00 % a.a.
Actuarial method	Projected Unit Credit.(3)	Projected Unit Credit.(3)

(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.a. and 12.32% p.a., 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 obligations.*

(2)

*The turnover assumption is based on the effective participants of Banco Itaú S.A., resulting in an average of 2.0% p.a. experienced in Itaú 1999/2001 and 3.7% p.a. experienced in Itaú 1996/1998.*

(3)

*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 physical concentration of their assets, they maintain a policy to insure assets at amounts considered sufficient to cover possible losses.

### b) Balances in Foreign Currency

The balance sheet accounts in local currency that are indexed to foreign currency

	<b>09/30/2003</b>	<b>09/30/2002</b>
<b>Foreign permanent investments</b>	<b>6,644,318</b>	<b>7,313,951</b>
Net balance of other assets and liabilities indexed to foreign currency, including derivatives	(7,076,684)	(6,292,717)
<b>Net foreign exchange position</b>	<b>(432,366)</b>	<b>1,021,234</b>

**NOTE 19 - STATEMENT OF CASH FLOW**

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

	<b>01/01 to 09/30/2003</b>	<b>01/01 to 09/30/2002</b>
<b>Adjusted net Income</b>	<b>4,570,369</b>	<b>7,381,480</b>
Net income	1,109,938	1,109,428
Adjustment to net income	3,460,431	6,272,052
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	(664,013)	2,319,363
Allowance for loan losses	1,198,113	1,636,789
Results from operations with subordinated debt	(850,470)	641,752
Change in technical provision for insurance, pension plan and capitalization	1,609,542	819,840
Deferred income tax assets	(152,875)	(585,641)
(Reversal) Provision for devaluation of assets	(819)	(20,392)
Amortization of goodwill	565,008	78,043
Equity in the results of subsidiary and affiliated companies	33,899	(395,571)
(Gain) Loss on currency translation	(50,154)	107,202
(Reversal) Provision for losses on other investments and tax incentives	12,192	206,319
Depreciation and amortization	520,716	481,536
Minority interest results	1,239,292	982,812
<b>Change in assets and liabilities</b>	<b>(3,611,303)</b>	<b>(15,455,464)</b>
(Increase) Decrease in short-term interbank investments	(5,009,281)	(799,714)
(Increase) Decrease in securities	(3,554,598)	(7,312,772)
(Increase) Decrease in interbank and interbranch accounts	2,520,874	(2,590,351)
(Increase) Decrease in loan and leasing operations	(62,601)	(7,844,514)
(Increase) Decrease in inventories	33,463	(60,604)
(Increase) Decrease in other credits and other assets	(955,067)	1,787,582
(Increase) Decrease in prepaid expenses	63,502	(244,857)
(Decrease) Increase in technical provisions for insurance, pension plan and capitalization	73,390	(278,917)
(Decrease) Increase in provisions and accounts payable and other liabilities	3,268,781	1,886,609
(Decrease) Increase in deferred income	10,234	2,074
<b>Operating activities - Net cash provided by (invested)</b>	<b>959,066</b>	<b>(8,073,984)</b>
Sale of investment	99,926	11,171
Sale of fixed assets in use	55,220	209,717
Decrease in deferred charges	7,120	7,411
Purchase of investments	(48,095)	(125,333)
Goodwill on purchase of investments	(508,557)	(102,432)
Purchase of fixed assets and forest reserves	(419,344)	(776,767)
Investment in deferred charges	(93,083)	(102,661)
Change in participation of minority interest	570,570	(350,738)
<b>Investment activities - Net cash provided by (invested)</b>	<b>(336,243)</b>	<b>(1,229,632)</b>
Increase (Decrease) in funds obtained by subsidiaries - foreign currency	(329,999)	3,108,947
Increase (Decrease) in funds obtained by subsidiaries - local currency	(4,534,413)	4,061,064
Increase (Decrease) in funds obtained by subsidiaries - open market	6,418,107	(76,689)
Increase (Decrease) in borrowing and onlendings - foreign currency	(17,401)	68,447
Increase (Decrease) in borrowing and onlendings - local currency	(75,294)	122,266
Increase (Decrease) in derivative financial instruments liabilities	(1,520,776)	3,147,533
Increase (Decrease) in liabilities by subordinated debt	(86,259)	73,822
Dividends paid to minority stockholders	(381,410)	(146,930)
Capital increase	117,481	148,825
Purchase of own shares	(33,268)	-
Change in market value at the period - financial subsidiaries	-	8,874
Interest on own capital paid and/or provisioned	(331,761)	(298,571)
<b>Financing Activities - Net cash provided by (invested)</b>	<b>(774,993)</b>	<b>10,217,588</b>
<b>Increase (Decrease) in cash and cash equivalents, net</b>	<b>(152,170)</b>	<b>913,972</b>
Beginning of the period	1,982,716	1,958,408
End of the period	1,830,546	2,872,380
<b>Increase (Decrease) in cash and cash equivalents, net</b>	<b>(152,170)</b>	<b>913,972</b>

## **Report of Independent Accountants on Limited Reviews**

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

1 We have carried out limited reviews of the Quarterly Information of Itaúsa - Investimentos Itaú S.A. and its subsidiaries for the quarters ended September 30, 2003 and 2002, comprising the consolidated balance sheets and the related consolidated statements of income. These financial statements are the responsibility of the Company's management.

2 Our reviews were carried out in conformity 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 with regards 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 Company's and its subsidiaries' financial position and operations.

3 Based on our limited reviews, we are not aware of any material modifications that should be made to the Quarterly Information referred to above in order that such information be stated in conformity with the accounting practices adopted in Brazil applicable to the preparation of Quarterly Information, consistent with the regulations issued by the Brazilian Securities Commission (CVM).

São Paulo, November 7, 2003

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Ricardo Baldin  
Contador CRC 1SP110374/O-0

Emerson Laerte da Silva  
Contador 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, having examined the financial statements for the third quarter of 2003, have verified the correctness of all elements presented and understand that they fairly reflect the Company's accounts, financial position and the activities during the period, recommending that they be approved by the Company's Administrative Council.

São Paulo-SP, November 10, 2003.

JOSÉ MARCOS KONDER COMPARATO

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA