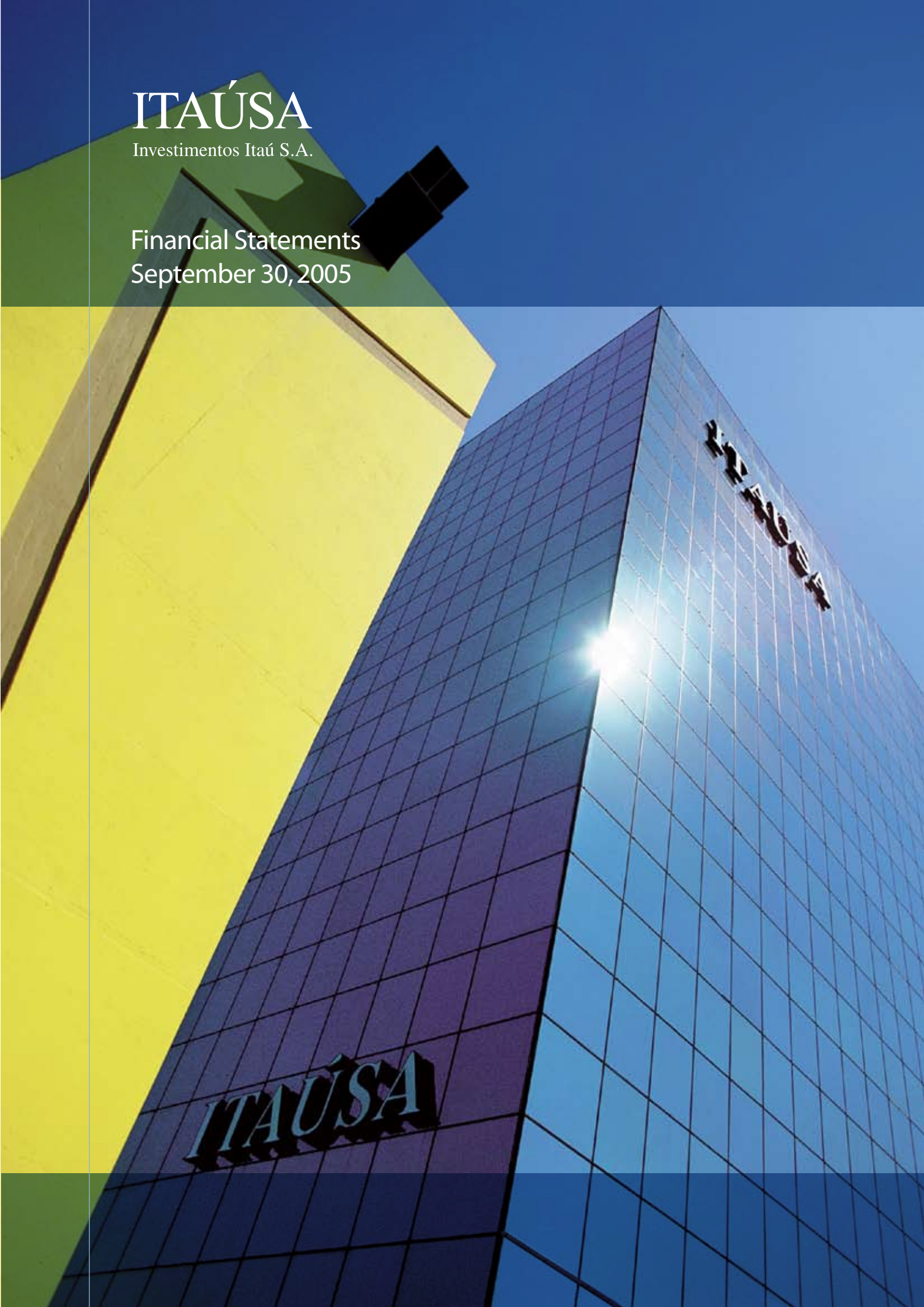


# ITAÚSA

Investimentos Itaú S.A.

Financial Statements  
September 30, 2005



## ITAÚSA INVESTIMENTOS ITAÚ S.A.

### MANAGEMENT REPORT – THIRD QUARTER OF 2005

#### To Our Stockholders

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

#### THE ECONOMY

After showing a growth of 1.4% in the second quarter of 2005, the Brazilian economy showed signs of slowdown in the third quarter. However, the slowdown of the economy should not be seen as a trend, as it is more probable that there will be a resumption in growth, although gradual, of the economy in the months to come.

In September 2005, the unemployment rate reached 9.6%, lower than the 10.9% posted in September 2004. The Broad Consumer Price Index (IPCA) showed an inflation of 0.77% in the third quarter and 3.95% in the period from January to September 2005. By the end of the year, this index should approximate the 5.1% target set by the Central Bank, thus showing convergence to the 2006 target of 4.5%. The appreciation of Real since the beginning of the year, in addition to the drop in the prices of farming products (agricultural sector) caused the Market General Price Index (IGP-M) to present a deflation of 1.52% in the quarter and 0.21% in the period from January to September.

In October, Brazil's base rate (Selic) was decreased to 19.0%, after having been raised by 3.25 base points in the twelve-month period ended September 2005. Despite this scenario of limited liquidity, the financial system continued to increase credit to the productive sector and consumers. The aggregate credit grew 21.3% in the third quarter of 2005, at constant price and exchange rate, as compared to the same quarter of 2004, and 5.6% in real terms in relation to the second quarter of 2005.

The industrial production decreased 0.6% in the July-August period, as compared to the May-June period, without seasonal adjustments. However, the industrial production in the year-to-date had a significant increase of 5.1% until August.

In August the capital goods and intermediate goods sectors increased 3.1% and 0.1%, respectively, when compared to July, without seasonal adjustments. In the consumer goods sector, consumer durables decreased 1.7%, whereas semi- and non-durable goods increased 1.6%. By comparing August 2005 to August 2004, the wood industry decreased 9.6%, the office machinery and IT equipment sector increased 34.5%, electronics material, communication devices and equipment increased 14.9%, and furniture sector decreased 3.9%; and the sundry chemical products sector decreased 8%.

#### MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

R\$ thousand

|  | Parent company   |                  | Minority stockholders |                  | Conglomerate     |                  |
|--|------------------|------------------|-----------------------|------------------|------------------|------------------|
|  | 09/30/2005       | 09/30/2004       | 09/30/2005            | 09/30/2004       | 09/30/2005       | 09/30/2004       |
| <b>Total net income</b>  | <b>1,755,614</b> | <b>1,369,257</b> | <b>2,109,703</b>      | <b>1,528,954</b> | <b>3,865,317</b> | <b>2,898,211</b> |
| Recurring net income   | 2,208,284        | 1,680,479        | 2,211,289             | 1,688,181        | 4,419,573        | 3,368,660        |
| Extraordinary results  | (452,670)        | (311,222)        | (101,586)             | (159,227)        | (554,256)        | (470,449)        |
| Stockholders' equity   | 9,624,283        | 8,553,481        | 8,904,456             | 7,989,603        | 18,528,739       | 16,543,084       |
| <b>Annualized return (net income/stockholders' equity) (%)</b> | <b>25.03</b>     | <b>21.89</b>     | <b>32.78</b>          | <b>26.30</b>     | <b>28.74</b>     | <b>24.02</b>     |
| Dividends/Interest on own capital                              | 615,052          | 433,116          | 712,954               | 470,787          | 1,328,006        | 903,903          |

## MAIN FINANCIAL INDICATORS

|   | 09/30/2005 | 09/30/2004 | Change % |
|---|------------|------------|----------|
| <b>Results per thousand shares - in R\$</b>     |            |            |          |
| Net income                                      | 549.44     | 424.63     | 29.39    |
| Book value                                      | 3,012.06   | 2,652.60   | 13.55    |
| Price per common share (ON) (1)                 | 6,220.91   | 3,718.89   | 67.28    |
| Price per preferred share (1)                   | 6,234.29   | 3,748.10   | 66.33    |
| Market capitalization (2) - in thousands of R\$ | 19,903,865 | 12,050,733 | 65.17    |

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

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

## MAIN INDICATORS OF THE COMPANIES CONTROLLED BY ITAÚSA

R\$ thousand

|  | 3rd Quarter | FINANCIAL SERVICES AREA                         |              |                     | INDUSTRIAL AREA |             | CONSOLIDATED / CONGLOMERATE (1) |
|--|-------------|---|--------------|---------------------|-----------------|-------------|---------------------------------|
|  |             | Banco Itaú Holding Financeira S.A. Consolidated | Duratex S.A. | Itautec Philco S.A. | Elekeiroz S.A.  |             |                                 |
| Total assets   | 2005        | 144,671,189                                     | 1,950,658    | 821,692             | 553,595         | 148,770,869 |                                 |
|  | 2004        | 138,519,767                                     | 1,876,511    | 968,343             | 496,587         | 142,383,089 |                                 |
| Operating revenue (2)                                    | 2005        | 23,793,619                                      | 940,285      | 1,172,555           | 507,908         | 27,090,472  |                                 |
|  | 2004        | 21,680,644                                      | 883,354      | 1,105,898           | 507,754         | 24,463,146  |                                 |
| Net income   | 2005        | 3,826,534                                       | 105,777      | 39,251              | 34,758          | 3,865,317   |                                 |
|  | 2004        | 2,745,296                                       | 92,737       | 17,584              | 48,955          | 2,898,211   |                                 |
| Stockholders' equity                                     | 2005        | 15,229,220                                      | 1,035,449    | 314,717             | 313,544         | 18,528,739  |                                 |
|  | 2004        | 13,470,846                                      | 993,506      | 326,405             | 279,586         | 16,543,084  |                                 |
| Annualized return (Net income/ Stockholders' equity) (%) | 2005        | 34.83%  | 13.85%       | 16.97%              | 15.05%          | 28.74%      |                                 |
|  | 2004        | 28.06%  | 12.64%       | 7.25%               | 24.00%          | 24.02%      |                                 |
| Internal fund generation (3)                             | 2005        | 6,931,513                                       | 167,146      | 82,113              | 53,234          | 7,280,627   |                                 |
|  | 2004        | 6,367,509                                       | 153,403      | 88,582              | 67,574          | 6,594,813   |                                 |

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

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

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

(3) Covers resources arising from operations:

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

## FINANCIAL SERVICES AREA

### Banco Itaú Holding Financeira

Consolidated net income of Banco Itaú Holding Financeira (Itaú) for the period from January to September was R\$ 3,827 million, with an annualized return of 34.8 % on the consolidated stockholders' equity of R\$ 15,229 million.

The loan portfolio, including guarantees and sureties, grew 20.7 % as compared to September 2004, reaching R\$ 61,616 million. The highlight was the portfolio of credit to individuals, which grew 67.6 %.

#### Credit Portfolio Development

R\$ million

|   | 3 Q 2005      | 2 Q 2005      | Change %     | JAN to SEP<br>2005 | JAN to SEP<br>2004 | Change %      |
|---|---------------|---------------|--------------|--------------------|--------------------|---------------|
| <b>Individuals</b>                          | <b>25,593</b> | <b>22,835</b> | <b>12.08</b> | <b>25,593.00</b>   | <b>15,274.00</b>   | <b>67.56</b>  |
| Credit card                                 | 5,926         | 5,359         | 10.58        | 5,926.00           | 3,458.00           | 71.37         |
| Personal loans                              | 10,211        | 9,276         | 10.08        | 10,211.00          | 6,431.00           | 58.78         |
| Vehicles                                    | 9,456         | 8,200         | 15.32        | 9,456.00           | 5,385.00           | 75.60         |
| <b>Businesses</b>                           | <b>31,745</b> | <b>31,565</b> | <b>0.57</b>  | <b>31,745.00</b>   | <b>31,123.00</b>   | <b>2.00</b>   |
| Corporate                                   | 20,251        | 20,418        | (0.82)       | 20,251.00          | 21,707.00          | (6.71)        |
| Very small/small and medium-sized companies | 11,494        | 11,147        | 3.11         | 11,494.00          | 9,416.00           | 22.07         |
| <b>Mandatory loans</b>                      | <b>4,278</b>  | <b>4,247</b>  | <b>0.73</b>  | <b>4,278.00</b>    | <b>4,662.00</b>    | <b>(8.24)</b> |
| <b>Total</b>                                | <b>61,616</b> | <b>58,647</b> | <b>5.06</b>  | <b>61,616.00</b>   | <b>51,059.00</b>   | <b>20.68</b>  |

Total own free, raised and managed funds increased 9.4 % as compared to September 2004, totaling R\$ 233,397 million. Time deposits grew 63.1%.

Itaú holds the highest market value on stock exchanges among the emerging market banks, totaling R\$ 59,321 million (based on the closing price of preferred shares) as of September 30, 2005. Itaú's preferred shares appreciated 68.3% as compared to September 2004, while the Bovespa index rose 31.5% in the same period.

At the Extraordinary Stockholders Meeting held in August, stockholders resolved to split their shares representing Itaú's capital stock at the ratio of 10-for-1 in order to increase their liquidity, causing their market value to adjust to more attractive trading levels.

In September, Banco Itaú won a traditional (non-electronic) public bidding session and obtained the right to provide payroll management and financial resource administration services for a term of five years to the Municipal Government of São Paulo. This represents an additional client base of over 200,000 accounts for the bank's operations in the City of São Paulo, and potential growth ranging from 3% to 4% of the revenue from retail operations.

Banco Itaú has strengthened its operations in the consumer credit area by expanding its business associated with the Itaí brand, through its personal loan stores (FIT) (Financeira Itaú), Financeira Itaú CBD (FIC), and Financeira Americanas Itaú (FAI), with current 300 points-over-sales. Banco Itaú will reach over 600 points-of-sale by the end of 2005.

For the sixth consecutive time, Itaú was selected as one of the 317 companies that make up the Dow Jones Sustainability World Index (DJSWI), and it is the only Latin American bank in this index, which evaluates the companies' corporate sustainability.

Among several acknowledgements received in the quarter, one may highlight the 2004 Public Company Award, granted by Brazilian Association of Investment Analysts and Professionals (Apimec Nacional). Itaú also ranked top in the Banks category "As Melhores da Dinheiro" sponsored by IstoÉ Dinheiro Magazine.

## ITAÚSA PORTUGAL

The financial activities of the Itaú Conglomerate in the European Union are concentrated in the holding Itaúsa Portugal, SGPS, S.A., which, at the end of September, posted own capital of € 348 million and a net income of € 30.1 million and assets of € 2.8 billion, a 43.1% and 17.6% increase, respectively, as compared to the same period in 2004. Itaúsa Portugal has the full control over Banco Itaú Europa S.A.

Banco Itaú Europa, based in Lisbon, with a branch in London, a branch office in the Island of Madeira, subsidiaries in Cayman and Luxemburg, has significantly broadened its activities. Its assets increased 17.4% as compared to December 2004. The consolidated assets under management exceeded €5 billion in September.

The Bank's investment grade status, according to the international rating agencies Moody's (Baa1) and Fitch Ratings (BBB+) has provided easy access to the international capital markets, with the issue of medium and long-term bonds.

It is worth noting among its activities the financing of foreign trade between Brazil and the European Union, transactions in the international capital market, especially the placement of securities issued by Brazilian companies and private banking activities in Banco Itaú Europa Luxemburg, which recorded US\$ 2.7 billion of assets under management over 1,500 clients.

Banco Itaú Europa holds 51% of the 16.1% share that the Itaú Conglomerate owns in Banco BPI, S.A., the fourth largest Portuguese financial complex with assets amounting to € 29 billion. This interest provides Itaú influence in the ownership control of BPI.

In the period from January to September 2005, the consolidated banking product reached € 49.5 million and net income amounted to € 30.5 million, an increase of 41.8% in relation to the same period of 2004. The efficiency ratio was 28.4% in the period, while the Basel ratio was 16% in September 2005.

## INDUSTRIAL AND REAL ESTATE AREA

### Duratex

In the period from January to September, the consolidated gross revenues of Duratex reached R\$ 1,264.2 million and net revenues R\$ 940.3 million, an increase of 8% and 6%, respectively, as compared to the same period of 2004. Exports grew 13%, totaling US\$ 47.2 million. This result was achieved due to a price basis higher than that practiced in 2004, since the volumes shipped posted a 4% decrease in the Wood Division and a 10% drop in Deca Division. The operating results before financial result increased 14%, totaling R\$ 210.2 million. The operating cash generation, under the EBITDA concept totaled R\$ 269.9 million, corresponding to an EBITDA margin of 29%. Net income totaled R\$ 105.8 million, a 14% growth as compared to the period from January to September 2004, corresponding to an annualized return on stockholder's equity of 13.8%.

The net debt of Duratex totaled R\$ 388.2 million at the end of the period. The annualized debt/EBITDA ratio was 1.08, confirming the low financial leverage of the company.

The net revenue of the Wood Division totaled R\$ 636.3 million, an increase of 5% as compared to the same period of 2004. The EBITDA of this Division reached R\$ 195.6 million, which kept the EBITDA/Net Revenue ratio unchanged at 31%. Durafloor laminated floors kept the market leadership by offering a larger range of products with higher added value and the launching of two Studio line patterns and a Durasilent coating, which provides higher acoustic comfort. Exports in the period grew 12%, totaling US\$ 42.8 million. The fiberboard panels accounted for approximately 75% of this total.

At Deca Division, despite the volume shipped to the domestic market dropped, this division's results presented a significant improvement due to cost reduction and process streamlining. Its net revenue totaled R\$ 304.0 million, a 9% increase in relation to previous year. The EBITDA grew 57%, totaling R\$ 74.3 million at the end of the period. The EBITDA/Net Revenue ratio totaled 24%, while it reached 17% in 2004. Exports grew 25%, totaling US\$ 4.4 million.

### Itautec Philco

In the period from January to September 2005, the gross revenue from sales and services of Itautec Philco reached R\$ 1,333.2 million. The net income amounted to R\$ 39.2 million, a 123.2% increase as compared to the same period of 2004. The annualized return on investment capital (ROIC) and the annualized return on equity was of 16.3%. The EBITDA totaled R\$ 102.0 million, resulting in an EBITDA margin of 8.7%.

The company's net debt reached R\$ 36.4 million, equivalent to US\$ 16,4 million, representing 26.8% of annualized EBITDA.

Investments until September amounted to R\$ 89.7 million, of which R\$ 38.7 million were invested in technology development.

The gross revenue from sales and services of Itautec Philco in the year showed the following distribution:

| <i>R\$ thousand</i>     |                  |            |                  |            |            |
|-------------------------|------------------|------------|------------------|------------|------------|
|                         | 3 Q 2005         |            | 3 Q 2004         |            | Change %   |
|                         | R\$              | %          | R\$              | %          |            |
| Solution and Automation | 114,923          | 9          | 192,249          | 15         | (40.2)     |
| Information Technology  | 366,458          | 27         | 329,445          | 25         | 11.2       |
| Services                | 204,169          | 15         | 170,091          | 13         | 20.0       |
| Consumer Products       | 422,206          | 32         | 408,559          | 32         | 3.3        |
| Components              | 132,819          | 10         | 132,877          | 10         | 0.0        |
| Foreign operations      | 92,626           | 7          | 61,856           | 5          | 49.7       |
| <b>TOTAL</b>            | <b>1,333,201</b> | <b>100</b> | <b>1,295,077</b> | <b>100</b> | <b>2.9</b> |

The Banking Automation segment shipped 2,011 units, a decrease of 62.1% as compared to the same period in 2004. The Business Automation segment shipped 11.2 thousand units, representing a growth of 18.2%.

In the period, 108.7 thousand microcomputers were shipped, a volume 34.3% higher than the same period of 2004. In September, a new record was set, with the production of 21.8 thousand units. The shipment of notebooks increased 24.2%, totaling 6.3 thousand units.

The Servers segment shipped 4.7 thousand units, a volume 64% higher than the same period of 2004. In September, Itautec launched a new line of corporate servers and storage products.

The gross revenue of Itec S.A. - Grupo Itautec Philco, which operates in the Solution and Automation area, increased 34.9% as compared to the same period of 2004.

The Service area increased its outsourcing solution base in the finance and retail segments.

The Consumer Product area shipped 901.3 thousand products, a 6.6% growth as compared to the same period of 2004.

The gross revenue of the Components area reached R\$ 132.8 million in the year to date. It is worth noting the performance of the Semiconductor segment, which shipped 682 thousand memory modules, a volume 33.5% higher than the same period of 2004.

The company adopted the growth strategy based on the internationalization of its operations. By means of its companies based in Argentina, Ecuador, Spain, United States, Mexico and Portugal, Itautec has intensified its operations in the foreign market by offering high value-added products and cutting-edge technology.

In Portugal, the full automation of a store of a major French chain linked to the cultural and IT area has been completed. The Lisbon store became the most interactive one of the chain.

At a major retailer of food products in the Amoreiras Business Center, in Lisbon, the first self-service terminals, Quickway Self Checkout, were installed. They allow clients to register and pay for their shopping with the usual payment means (cash or credit cards), with no need of any operator's assistance.

In Mexico, the Company entered into an agreement for the supply of 850 self-service terminals, which will be installed at the offices of the social security government agency, distributed all over the country.

According to the Agreement for the Promise of Purchase and Sale entered into on August 8, 2005, Gradiente Eletrônica S.A. completed on October 1, 2005 the due diligence on the transaction involving Philco operations and, accordingly, the purchase of the related assets (Philco trademark, property, equipment and inventories). This operation is estimated to reach approximately R\$ 60 million, with accounting effects on Itautec's income statement for the fourth quarter corresponding to a profit of approximately R\$ 3 million.

## **Elekeiroz**

Oil prices remained high and unstable during the quarter in view of the high and increasing consumption in China and the damages caused by the hurricanes in the Gulf of Mexico, which damaged part of an important production and refining structure located in that area. These events had an adverse impact on the petrochemical inputs used by Elekeiroz, such as propene, benzene and orthoxylene; such adverse impacts could not be fully transferred to sales prices. The impact on other products, such as the thermoplastic ones, was not so significant because the demand level in the international market allowed it to absorb a portion of this impact. These factors continued to adversely affect the company's business and resulted in loss of competitiveness in the exports of organic products and decrease in domestic demand, which was also influenced by the import of finished products that use inputs similar to those manufactured by Elekeiroz.

Elekeiroz year-to-date shipments totaled 356.1 thousand tonnes, 4% lower than in the same period of 2004. Organic products reached 158.2 thousand tonnes, with a decrease of 14% (decreases of 7% and 43% in the domestic market and exports, respectively). Inorganic products increased 7%, reaching 198.0 thousand tonnes.

The amount of R\$ 11.5 million was invested in the quarter, basically in two projects in the Camaçari plant: the streamline, expansion, modernization, and automation of the plasticizers unit – with start of operations scheduled for November 2005 -, and a special boiler to burn liquid and gas wastes from local production processes, which is already in operation since the end of August, generating part of the steam consumed in this industrial facility.

The first stage of the study carried out together on the feasibility of creating a complex to produce acrylic acid, acrylates and super absorbing polymers was concluded and duly approved by all of the aforementioned parties. The beginning of the second stage of these studies is scheduled for November.

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

| <i>R\$ million</i>    | 3 Q 2005 | 3 Q 2004 | Change % |
|-----------------------|----------|----------|----------|
| Gross revenue         | 649      | 638      | 1.7      |
| Net revenue           | 508      | 508      | -        |
| Export revenue        | 57       | 83       | (31.3)   |
| Operating result      | 43       | 67       | (35.8)   |
| Net profit            | 35       | 49       | (28.6)   |
| Net equity            | 314      | 280      | 12.1     |
| EBITDA                | 67       | 90       | (25.6)   |
| Annualized return (%) | 15       | 24       | -        |

### Itaúsa Empreendimentos

Sales of new real estate properties for the residential market in the City of São Paulo grew 25% as compared to the same period of 2004, especially to the middle class segment, which used to be considered prime. This performance is a result of the increase in credit options.

In the corporate market, the demand for new office space continued to grow, but it did not cause rental charges to increase because of the high rate of vacant properties for rent.

The Raposo Shopping sales increased more than 10% in this quarter, in line with the trend of the retail sector.

### HUMAN CAPITAL MANAGEMENT

Human capital management is a constant point of attention of the Group companies. In the quarter, investments in education, training and development programs totaled R\$ 43 million. Personnel compensation, including charges and benefits, totaled R\$ 2,878 million. The social benefits given to the employees and their dependents totaled R\$ 467 million, and include supplementary pension plan, meal allowance, health and dental plans, social assistance services, scholarships, leisure, sports and culture activities, credits at subsidized interest rates, insurances, transportation allowance, donations and special concessions, among others.

### SUSTAINABILITY AND CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Itaúsa reinforces its commitment to sustainable development through the implementation of several initiatives that reflect the group's companies concern with social and environmental responsibility.

In the period, Itaú created the Social and Environmental Responsibility Executive Committee, responsible for determining its social and environmental responsibility policy and establishing the alignment of its initiatives in this area, and the Social and Environmental Responsibility Commission, responsible for evaluating risks, opportunities and threats to the Bank, and proposing' projects and solutions.

In September, Banco Itaú launched the PIC Natureza capitalization plan that not only grants cash prizes to clients, but also contributes to reforest many regions of Brazil. It has also broadened the "Plante a Primavera" campaign in partnership with the Akatu institute, which encourages conscious consumption.

As regards social and cultural investments, we highlight the contribution of the Fundação Itaú Social and Instituto Itaú Cultural. In this quarter, the Fundação investments exceeded R\$ 5 million. Itaú, through PIC Esperança capitalization plan transferred over R\$ 1 million to the elementary education programs developed by Unicef and Fundação Itaú Social. In this period, we highlight the 6th edition of Itaú-Unicef Award, the 1st edition of the Itaú Support to Entrepreneurs Award, and the promotion of the Second Social Project Economic Evaluation course.

This quarter, investments of the activities of Instituto Itaú Cultural totaled R\$ 4 million. Among the Institute's activities, we highlight the "Cinético Digital" Exhibit, which was visited by over 60,000 people. It is also worth noting the award that the Itaú Cultural website received in the Brazilian edition of the 2005 World Summit Awards.



Itautec Philco donated 60 microcomputers and 3 notebooks to the São Paulo Symphony Orchestra through the Rouanet Law tax incentive. In addition, in order to promote environmental awareness among its employees, clients, local community and visitors of the Piqueri Park, distributed 6,500 wild flower seeds to highlight the arrival of spring.

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

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

During the period, PricewaterhouseCoopers Auditores Independentes was engaged by Banco Itaú Holding Financeira S.A. to provide audit related services to enable compliance with the rules set forth by the Sarbanes Oxley Act, Section 404, in the amount of R\$ 1,764,000, which represents 11.9% of total fees.

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

#### **ACKNOWLEDGEMENTS**

We wish to thank our stockholders for their support and trust, crucial to the growth of our business. We are also grateful to our customers for their trust and allegiance which we try to repay with quality, differentiated products and services. To our employees and associates, we also wish to express our appreciation for their dedication to building a company that is increasingly sustainable.

**(Approved at the Meeting of the Board of Directors on November 7, 2005)**

## ITAÚSA INVESTIMENTOS ITAÚ S.A.

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-chairman**

MARIA DE LOURDES EGYDIO VILLELA

#### **Members**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JOSÉ CARLOS MORAES ABREU

PAULO SETUBAL

### **FISCAL BOARD**

#### **President**

JOSÉ MARCOS KONDER COMPARATO

#### **Members**

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA

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OLAVO EGYDIO SETUBAL

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

JAIRO CUPERTINO

ROBERTO EGYDIO SETUBAL

#### **Executive Directors**

HENRI PENCHAS

LUIZ DE CAMPOS SALLES

#### **Accountant**

REGINALDO JOSÉ CAMILO

CT-CRC-1SP - 114.497/O – 9

## BANCO ITAÚ HOLDING FINANCEIRA S.A.

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-Chairmen**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JOSÉ CARLOS MORAES ABREU

ROBERTO EGYDIO SETUBAL

#### **Members**

ALCIDES LOPES TÁPIAS

CARLOS DA CÂMARA PESTANA

FERNÃO CARLOS BOTELHO BRACHER

HENRI PENCHAS

JOSÉ VILARASAU SALAT

MARIA DE LOURDES EGYDIO VILLELA

PERSIO ARIDA

ROBERTO TEIXEIRA DA COSTA

SERGIO SILVA DE FREITAS

TEREZA CRISTINA GROSSI TOGNI

### **EXECUTIVE BOARD**

#### **Chief Executive Officer**

ROBERTO EGYDIO SETUBAL

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

HENRI PENCHAS

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

ALFREDO EGYDIO SETUBAL

CANDIDO BOTELHO BRACHER

#### **Legal Counsel**

LUCIANO DA SILVA AMARO

#### **Executive Directors**

RODOLFO HENRIQUE FISCHER

SÍLVIO APARECIDO DE CARVALHO

#### **Managing Directors**

JACKSON RICARDO GOMES

MARCO ANTONIO ANTUNES

VILSON GOMES DE BRITO

#### **Deputy Managing Director**

WAGNER ROBERTO PUGLIESI

### **INTERNATIONAL ADVISORY BOARD**

ROBERTO EGYDIO SETUBAL

ARTUR EDUARDO BROCHADO DOS SANTOS SILVA

CARLOS DA CÂMARA PESTANA

FERNÃO CARLOS BOTELHO BRACHER

HENRI PENCHAS

JOSÉ CARLOS MORAES ABREU

JULIO LAGE GONZALEZ

MARIA DE LOURDES EGYDIO VILLELA

ROBERTO TEIXEIRA DA COSTA

RUBENS ANTONIO BARBOSA

SERGIO SILVA DE FREITAS

### **ADVISORY BOARD**

FERNANDO DE ALMEIDA NOBRE NETO

LÍCIO MEIRELLES FERREIRA

LUIZ EDUARDO CAMPELLO

### **COMPENSATION COMMITTEE**

#### **President**

OLAVO EGYDIO SETUBAL

#### **Members**

CARLOS DA CÂMARA PESTANA

FERNÃO CARLOS BOTELHO BRACHER

JOSÉ CARLOS MORAES ABREU

ROBERTO EGYDIO SETUBAL

ROBERTO TEIXEIRA DA COSTA

### **AUDIT COMMITTEE**

#### **President**

CARLOS DA CÂMARA PESTANA

#### **Effective Members**

ALCIDES LOPES TÁPIAS

TEREZA CRISTINA GROSSI TOGNI

### **SECURITIES TRADING COMMITTEE**

ALFREDO EGYDIO SETUBAL

ALCIDES LOPES TÁPIAS

ALFREDO EGYDIO ARRUDA VILLELA FILHO

ANTONIO CARLOS BARBOSA DE OLIVEIRA

HENRI PENCHAS

ROBERTO TEIXEIRA DA COSTA

SÍLVIO APARECIDO DE CARVALHO

MARIA ELIZABETE VILAÇA LOPES AMARO

### **MATERIAL INFORMATION DISCLOSURE COMMITTEE**

ALFREDO EGYDIO SETUBAL

ALCIDES LOPES TÁPIAS

ALFREDO EGYDIO ARRUDA VILLELA FILHO

ANTONIO CARLOS BARBOSA DE OLIVEIRA

ANTÔNIO JACINTO MATIAS

HENRI PENCHAS

MARIA ELIZABETE VILAÇA LOPES AMARO

SÍLVIO APARECIDO DE CARVALHO

ROBERTO TEIXEIRA DA COSTA

TEREZA CRISTINA GROSSI TOGNI

### **FISCAL BOARD**

#### **President**

GUSTAVO JORGE LABOISSIERE LOYOLA

#### **Members**

FERNANDO ALVES DE ALMEIDA

IRAN SIQUEIRA LIMA

## **DURATEX S.A.**

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-Chairmen**

LAERTE SETUBAL FILHO

MARIA DE LOURDES EGYDIO VILLELA

PAULO SETUBAL

#### **Members**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JAIRO CUPERTINO

JOSÉ CARLOS MORAES ABREU

OLAVO EGYDIO SETUBAL JÚNIOR

### **FISCAL BOARD**

#### **President**

PAULO RICARDO MORAES AMARAL

#### **Members**

IRAN SIQUEIRA LIMA

WILTON DE MEDEIROS DAHER

### **BOARD OF DIRECTORS**

#### **President**

PAULO SETUBAL

#### **Vice-Presidents**

GUILHERME ARCHER DE CASTILHO

PLINIO DO AMARAL PINHEIRO (\*)

RAUL PENTEADO

(\*) Investor Relations Director

#### **Executive Directors**

CARLOS A. TENÓRIO NOBRE

ENRIQUE JUDAS MANUBENS

JOSÉ ROBERTO REFINETTI GUIDI

MÁRIO COLOMBELLI FILHO

#### **Directors**

ALEXANDRE COELHO N. DO NASCIMENTO

ANTONIO JOAQUIM DE OLIVEIRA

ANTONIO MASSINELLI

FLÁVIO DIAS SOARES

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

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-Chairman**

JOSÉ CARLOS MORAES ABREU

#### **Members**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JAIRO CUPERTINO

PAULO SETUBAL

RENATO ROBERTO CUOCO

RICARDO EGYDIO SETUBAL

### **EXECUTIVE BOARD**

#### **Chief Executive Officer**

PAULO SETUBAL

#### **Manager Director**

GUILHERME ARCHER DE CASTILHO

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

CLÁUDIO VITA FILHO

JESUS FRANCISCO RAMON BARREIRO BOELLE

RAUL PENTEADO

RICARDO EGYDIO SETUBAL

#### **Executive Director**

WILTON RUAS DA SILVA

#### **Managing Director**

JOSÉ RENATO SÁTIRO SANTIAGO

## **ELEKEIROZ S.A.**

### **BOARD OF DIRECTORS**

#### **Chairman**

OLAVO EGYDIO SETUBAL

#### **Vice-Chairmen**

ALFREDO EGYDIO ARRUDA VILLELA FILHO

JOSÉ CARLOS MORAES ABREU

PAULO SETUBAL

#### **Members**

CESAR CALVO HUIDOBRO

EDGARDO DE AZEVEDO SOARES NETO

RAUL PENTEADO

REINALDO RUBBI

### **EXECUTIVE BOARD**

#### **Chief Executive Officer**

PAULO SETUBAL

#### **Manager Director**

REINALDO RUBBI

#### **Directors**

CARLOS CALVO SANZ

JULIÃO DE SOUZA ESCUDERO

RICARDO JOSÉ BARALDI

## **ITAÚSA EUROPA - INVESTIMENTOS SGPS LDA.**

### **MANAGING BOARD**

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

## **BANCO ITAÚ EUROPA, S.A.**

### **BOARD OF DIRECTORS**

#### **Chairman**

ROBERTO EGYDIO SETUBAL

#### **Vice-Chairman**

CARLOS DA CAMARA PESTANA

#### **Board Members**

ALFREDO EGYDIO SETUBAL  
ALMIR VIGNOTO  
CANDIDO BOTELHO BRACHER  
HENRI PENCHAS  
JEAN MARTIN SIGRIST JÚNIOR  
JORGE ALBERTO O. V. JARDIM GONÇALVES  
JOSÉ FRANCISCO CLARO  
RENATO ROBERTO CUOCO  
ROBERTO MASSARU NISHIKAWA  
RODOLFO HENRIQUE FISCHER  
SERGIO RIBEIRO DA COSTA WERLANG

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

#### **President**

ALMIR VIGNOTO

#### **Board Members**

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

### **FISCAL BOARD**

#### **President**

JOSÉ MATA SOUSA MENDES

#### **Board Members**

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

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

(In thousands of reais)

| ASSETS   | 09/30/2005         | 09/30/2004         |
|--|--------------------|--------------------|
| <b>Current assets and long-term receivables</b>                        | <b>144,382,210</b> | <b>137,839,196</b> |
| <b>Cash and cash equivalents</b>                                       | <b>2,171,296</b>   | <b>2,058,343</b>   |
| <b>Interbank investments</b>   | <b>23,175,542</b>  | <b>25,396,978</b>  |
| <b>Securities and derivative financial instruments</b>                 | <b>31,811,174</b>  | <b>29,005,983</b>  |
| Securities   | 15,892,628         | 18,236,316         |
| Derivative financial instruments                                       | 3,055,589          | 1,426,587          |
| Guarantor Resources of Technical Provision - Funds quotas of PGBL/VGBL | 9,181,797          | 6,117,892          |
| Guarantor Resources of Technical Provision - Other securities          | 3,681,160          | 3,225,188          |
| <b>Interbank accounts of subsidiaries</b>                              | <b>12,006,026</b>  | <b>11,262,780</b>  |
| <b>Loan, leasing operations and other credits</b>                      | <b>51,916,950</b>  | <b>41,780,007</b>  |
| Operations with Credit Assignment Characteristics                      | 55,572,698         | 44,806,810         |
| (-) Allowance for loan losses  | (3,655,748)        | (3,026,803)        |
| <b>Inventories</b>   | <b>467,895</b>     | <b>494,258</b>     |
| Products   | 448,527            | 480,600            |
| Real estate  | 19,368             | 13,658             |
| <b>Other credits</b>   | <b>21,159,678</b>  | <b>26,704,046</b>  |
| Foreign exchange portfolio   | 8,471,178          | 14,375,443         |
| Tax credits  | 4,174,291          | 3,636,226          |
| Sundry   | 8,599,533          | 8,776,158          |
| (-) Allowance for loan losses  | (85,324)           | (83,781)           |
| <b>Other assets</b>  | <b>265,302</b>     | <b>283,417</b>     |
| <b>Prepaid expenses</b>  | <b>1,408,347</b>   | <b>853,384</b>     |
| <b>Permanent assets</b>  | <b>4,388,659</b>   | <b>4,543,893</b>   |
| <b>Investments</b>   | <b>742,835</b>     | <b>896,456</b>     |
| Investments in affiliates  | 568,353            | 751,330            |
| Other investments  | 174,482            | 145,126            |
| <b>Fixed assets</b>  | <b>3,353,286</b>   | <b>3,348,925</b>   |
| Property for own use   | 7,790,280          | 7,101,106          |
| Leased properties  | 97,090             | 138,735            |
| Forest reserves  | 95,773             | 90,615             |
| (Accumulated depreciation)   | (4,629,857)        | (3,981,531)        |
| <b>Deferred charges</b>  | <b>292,538</b>     | <b>298,512</b>     |
| Costs with organization and expansion                                  | 779,970            | 786,932            |
| (Accumulated amortization)   | (487,432)          | (488,420)          |
| <b>TOTAL ASSETS</b>  | <b>148,770,869</b> | <b>142,383,089</b> |

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

(In thousands of reais)

| LIABILITIES  | 09/30/2005         | 09/30/2004         |
|--|--------------------|--------------------|
| <b>Current and long-term liabilities</b>                                   | <b>130,137,211</b> | <b>125,732,099</b> |
| <b>Funds raised by subsidiaries</b>  | <b>78,194,789</b>  | <b>74,968,546</b>  |
| Foreign currency   | 7,755,293          | 10,139,852         |
| Domestic currency  | 50,010,365         | 42,900,084         |
| Open market  | 20,429,131         | 21,928,610         |
| <b>Subordinated debts</b>  | <b>4,448,871</b>   | <b>4,834,829</b>   |
| <b>Financial instruments and derivatives</b>                               | <b>1,930,363</b>   | <b>804,910</b>     |
| <b>Borrowings</b>  | <b>671,048</b>     | <b>746,615</b>     |
| Foreign currency   | 325,590            | 385,595            |
| Domestic currency  | 345,458            | 361,020            |
| <b>Statutory and social contributions</b>                                  | <b>1,244,445</b>   | <b>860,958</b>     |
| <b>Taxes and social security contributions</b>                             | <b>5,658,467</b>   | <b>3,745,105</b>   |
| <b>Other liabilities</b>   | <b>21,473,110</b>  | <b>27,247,169</b>  |
| Foreign exchange portfolio   | 8,831,229          | 14,642,895         |
| Credit card operations   | 3,852,170          | 2,543,146          |
| Securitization of foreign payment orders                                   | 1,204,606          | 2,032,131          |
| Sundry   | 7,585,105          | 8,028,997          |
| <b>Interbank accounts of subsidiaries</b>                                  | <b>3,030,489</b>   | <b>2,476,339</b>   |
| <b>Technical provisions for insurance, pension plan and capitalization</b> | <b>13,485,629</b>  | <b>10,047,628</b>  |
| <b>Deferred income</b>   | <b>104,919</b>     | <b>107,906</b>     |
| <b>Minority interest</b>   | <b>8,904,456</b>   | <b>7,989,603</b>   |
| <b>Stockholders' equity from parent company</b>                            | <b>9,624,283</b>   | <b>8,553,481</b>   |
| Capital  | 5,000,000          | 3,800,000          |
| Capital reserves   | 28,423             | 27,560             |
| Revaluation reserves   | 49,822             | 50,956             |
| Revenue reserves   | 4,696,078          | 4,519,695          |
| Adjustment to market value - securities and derivatives                    | 150,843            | 248,357            |
| (-) Treasury shares  | (300,883)          | (93,087)           |
| <b>Stockholders' equity of the Itaúsa Conglomerate</b>                     | <b>18,528,739</b>  | <b>16,543,084</b>  |
| <b>TOTAL LIABILITIES</b>   | <b>148,770,869</b> | <b>142,383,089</b> |

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

(In thousands of reais)

|  | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|--|------------------------|------------------------|
| <b>OPERATING REVENUE</b>   | <b>27,090,472</b>      | <b>24,463,146</b>      |
| Sales of products and services   | 8,134,458              | 6,752,491              |
| Insurance, pension plan and capitalization                                     | 4,891,339              | 4,657,356              |
| Financial  | 9,482,003              | 7,723,775              |
| Financial revenues of insurance, pension plan and capitalization               | 1,357,612              | 904,398                |
| Securities   | 3,022,318              | 4,153,389              |
| Equity in the earnings of subsidiaries   | (68,871)               | 65,034                 |
| Other operating revenues   | 271,613                | 206,703                |
| <b>OPERATING EXPENSES</b>  | <b>(20,117,725)</b>    | <b>(19,402,446)</b>    |
| Cost of products and services  | (1,850,019)            | (1,769,783)            |
| Insurance, pension plan and capitalization                                     | (4,311,886)            | (4,067,316)            |
| Equity   | (2,257,269)            | (1,049,804)            |
| Administrative   | (5,988,134)            | (5,058,514)            |
| Management fees  | (154,463)              | (101,063)              |
| Financial  | (1,926,267)            | (4,453,705)            |
| Financial expenses on technical provisions for pension plan and capitalization | (1,072,461)            | (686,029)              |
| Other operating expenses   | (2,557,226)            | (2,216,232)            |
| <b>OPERATING INCOME</b>  | <b>6,972,747</b>       | <b>5,060,700</b>       |
| <b>NON-OPERATING RESULT</b>  | <b>11,812</b>          | <b>(9,676)</b>         |
| <b>INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING</b>                     | <b>6,984,559</b>       | <b>5,051,024</b>       |
| <b>INCOME TAX AND SOCIAL CONTRIBUTION</b>                                      | <b>(2,205,498)</b>     | <b>(1,385,195)</b>     |
| Due on operations for the period   | (2,346,808)            | (1,358,139)            |
| Deferred related to temporary differences                                      | 141,310                | (27,056)               |
| <b>EXTRAORDINARY RESULT</b>  | <b>(554,256)</b>       | <b>(470,449)</b>       |
| Parent company   | (452,670)              | (311,222)              |
| Relating to minority interest in subsidiaries                                  | (101,586)              | (159,227)              |
| <b>PROFIT SHARING</b>  | <b>(359,488)</b>       | <b>(297,169)</b>       |
| Employees - Law 10,101 of 12/19/2000   | (259,685)              | (217,723)              |
| Directors - Statutory - Law 6,404 of 12/15/1976                                | (99,803)               | (79,446)               |
| <b>NET INCOME RELATING TO MINORITY INTEREST IN SUBSIDIARIES</b>                | <b>(2,109,703)</b>     | <b>(1,528,954)</b>     |
| <b>NET INCOME OF PARENT COMPANY</b>  | <b>1,755,614</b>       | <b>1,369,257</b>       |
| Net income relating to minority interest in subsidiaries                       | 2,109,703              | 1,528,954              |
| <b>NET INCOME OF ITAÚSA CONGLOMERATE</b>                                       | <b>3,865,317</b>       | <b>2,898,211</b>       |
| NUMBER OF OUTSTANDING SHARES - in thousands                                    | 3,195,250              | 3,224,559              |
| NET INCOME OF PARENT COMPANY PER THOUSAND SHARES - R\$                         | 549.44                 | 424.63                 |
| BOOK VALUE OF PARENT COMPANY PER THOUSAND SHARES - R\$                         | 3,012.06               | 2,652.60               |



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

(In thousands of reais)

| Assets  | 09/30/2005        | 09/30/2004       |
|---|-------------------|------------------|
| <b>Current assets</b>                                   | <b>1,000,411</b>  | <b>727,531</b>   |
| Cash and cash equivalents                               | 130               | 192              |
| Securities  | 566,298           | 432,928          |
| Interest on own capital                                 | 408,047           | 236,254          |
| Taxes to offset   | 23,182            | 57,159           |
| Other assets  | 2,754             | 968              |
| Prepaid expenses  | -                 | 30               |
| <b>Long-term receivables</b>                            | <b>112,056</b>    | <b>96,557</b>    |
| Securities  | 32                | 31               |
| Loans granted   | 102,277           | 86,522           |
| Other assets  | 9,747             | 10,004           |
| <b>Permanent assets</b>                                 | <b>9,541,339</b>  | <b>8,143,541</b> |
| Investments   |                   |                  |
| Investments in subsidiaries                             | 9,527,372         | 8,128,601        |
| Other investments                                       | 4,164             | 4,225            |
| Fixed assets  | 9,803             | 10,715           |
| <b>TOTAL ASSETS</b>                                     | <b>10,653,806</b> | <b>8,967,629</b> |
| <b>LIABILITIES</b>                                      |                   |                  |
| <b>Current liabilities</b>                              | <b>524,799</b>    | <b>336,613</b>   |
| Dividends payable                                       | 464,131           | 332,152          |
| Tax and social security                                 | 43,270            | 1,500            |
| Other liabilities                                       | 17,398            | 2,961            |
| <b>Long-term liabilities</b>                            | <b>10,212</b>     | <b>7,614</b>     |
| Tax liabilities   | 10,212            | 7,614            |
| <b>Stockholders' equity</b>                             | <b>10,118,795</b> | <b>8,623,402</b> |
| Capital   | 5,000,000         | 3,800,000        |
| Capital reserves  | 28,423            | 27,560           |
| Revaluation reserves                                    | 49,822            | 50,956           |
| Revenue reserves  | 5,190,590         | 4,589,616        |
| Adjustment to market value - securities and derivatives | 150,843           | 248,357          |
| (-) Treasury shares                                     | (300,883)         | (93,087)         |
| <b>TOTAL LIABILITIES</b>                                | <b>10,653,806</b> | <b>8,967,629</b> |

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

(In thousands of reais)

|  | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|--|------------------------|------------------------|
| <b>OPERATING INCOME</b>                                    | <b>2,454,908</b>       | <b>1,748,826</b>       |
| Financial  | 9,465                  | 13,696                 |
| Securities   | 539,151                | 189,357                |
| Investment in subsidiaries                                 | 1,903,765              | 1,543,970              |
| Other operating income                                     | 2,527                  | 1,803                  |
| <b>OPERATING EXPENSES</b>                                  | <b>(104,776)</b>       | <b>(62,865)</b>        |
| Equity   | (666)                  | (673)                  |
| Administrative   | (15,155)               | (15,593)               |
| Management fees  | (3,648)                | (3,487)                |
| Other operating expenses                                   | (85,307)               | (43,112)               |
| <b>OPERATING RESULT</b>                                    | <b>2,350,132</b>       | <b>1,685,961</b>       |
| <b>NON-OPERATING RESULT</b>                                | <b>5,607</b>           | <b>(9,018)</b>         |
| <b>INCOME BEFORE TAXATION ON PROFIT AND PROFIT SHARING</b> | <b>2,355,739</b>       | <b>1,676,943</b>       |
| <b>INCOME TAX AND SOCIAL CONTRIBUTION</b>                  | <b>(147,518)</b>       | <b>(26,322)</b>        |
| Due on operations for the period                           | (147,518)              | (26,322)               |
| <b>EXTRAORDINARY RESULT</b>                                | <b>(370,944)</b>       | <b>(97,488)</b>        |
| <b>PROFIT SHARING</b>                                      | <b>(2,911)</b>         | <b>(3,034)</b>         |
| Directors - Statutory - Law 6,404 of 12/15/1976            | (2,911)                | (3,034)                |
| <b>NET INCOME</b>  | <b>1,834,366</b>       | <b>1,550,099</b>       |
| NUMBER OF OUTSTANDING SHARES (In thousands)                | 3,195,250              | 3,224,559              |
| NET INCOME PER THOUSAND SHARES (R\$)                       | 574.09                 | 480.72                 |
| BOOK VALUE PER THOUSAND SHARES (R\$)                       | 3,166.82               | 2,674.29               |

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**

(In thousands of reais)

**NOTE 1 – OPERATIONS**

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

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

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

The consolidated financial statements are being presented without segregation between current and long-term, in compliance with the former quarterly information.

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

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

**NOTE 3 – CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

|  |        | Holding (%) |            |
|--|--------|-------------|------------|
|  |        | 09/30/2005  | 09/30/2004 |
| <b>FINANCIAL SERVICES AREA</b>   |        |             |            |
| Banco Itaú Holding Financeira S.A.   | (1)    | 47.98       | 47.02      |
| Banco Itaú S.A.  |        | 47.98       | 47.02      |
| Banco Itaú-BBA S.A.  |        | 45.94       | 45.02      |
| Banco Itaured Financiamentos S.A.  |        | 47.98       | 47.02      |
| Banco Fiat S.A.  |        | 47.97       | 47.02      |
| Banco Itaú Buen Ayre S.A.  |        | 47.98       | 47.02      |
| Banco Itaú Europa Luxembourg S.A.  |        | 89.79       | 89.60      |
| Banco Itaú Europa, S.A.  |        | 89.84       | 89.65      |
| Itaú Bank, Ltd   |        | 47.98       | 47.02      |
| Cia. Itauleasing de Arrendamento Mercantil                                       |        | 47.98       | 47.02      |
| Itaú Corretora de Valores S.A.   |        | 47.98       | 47.02      |
| Financeira Itaú CBD S.A. - Crédito, Financiamento e Investimento                 | (2)    | 23.99       | 23.51      |
| Financeira Americanas Itaú S.A. - Crédito, Financiamento e Investimento          | (3)(4) | 23.99       | -          |
| Itaú Seguros S.A. and subsidiaries   |        | 47.98       | 47.02      |
| Itaú Vida e Previdência S.A.   |        | 47.98       | 47.02      |
| Cia. Itaú de Capitalização   |        | 47.97       | 47.02      |
| Itaucard Financeira S.A. – Crédito, Financiamento e Investimento                 |        | 47.97       | 47.02      |
| Credicard Banco S.A.   | (4)(5) | 23.99       | 15.67      |
| Orbitall Serviços e Processamento e Informatização Comercial S.A. and subsidiary | (4)(5) | 47.97       | 15.67      |
| Redecard S.A.  | (4)    | 15.32       | 15.02      |
| Fiat Administradora de Consórcios Ltda.  |        | 47.97       | 47.02      |
| Itaú Administradora de Consórcios Ltda.  |        | 47.98       | 47.02      |
| Akbar Marketing e Serviços, LDA e Controladas                                    |        | 45.94       | 45.02      |
| Afinco Américas Madeira, SGPS, Sociedade Unipessoal, LDA and subsidiaries        |        | 47.98       | 47.02      |
| Itaúsa Export S.A. and subsidiaries  |        | 88.44       | 88.22      |
| Serasa S.A.  | (4)    | 15.54       | 15.16      |
| <b>INDUSTRIAL AREA</b>   |        |             |            |
| Duratex S.A.   | (1)    | 47.60       | 47.61      |
| Itautec Philco S.A.  | (1)    | 94.22       | 94.22      |
| Elekeiroz S.A.   | (1)    | 96.41       | 96.41      |
| Itaúsa Empreendimentos S.A.  |        | 100.00      | 100.00     |

(1) Listed company.

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

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

(4) Investment with control proportionally included in the consolidation. Orbitall only until 09/30/2004.

(5) Increase in the holding per acquisition carried out by subsidiary Itaucard Financeira, considering in the Consolidated, Credicard as from 10/31/2004 and Orbitall as from 11/30/2004.

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

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

**b) Securities**

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

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

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

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

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

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

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

**d) Loan and leasing operations and other credits (operations with credit assignment characteristics)** – These are recorded at current value, calculated "pro rata die" based on the variation of the contracted index and effective interest rate, being restated with accrued income up to the 60th day of overdue in the case of financial companies, taking into consideration in the case of property financing the current value of the falling due contract installments.

**e) Allowance for loan losses** - The balance of the allowance for loan losses was recorded based on an analysis of the credit risk in the loan portfolio, in amounts considered sufficient to cover loan losses according to the rules determined by BACEN Resolution 2,682 of December 21, 1999, for the financial affiliates, among which are:

- Provisions necessary are recorded from the date of the loan disbursements, based on the client risk classification, due to periodic analysis of the quality of the client and the industry and not just in the event of default;
- Based exclusively on delinquency, write-offs of credit operations against loss can be made 360 days after the due date of the credit or 540 days for transactions that mature after a period of 36 months. Other factors related to analysis of the quality of the client/loan may generate write-offs before these periods.

**f) Other assets** – Mainly composed of assets not in use corresponding to own properties available for sale and also received as payment in kind, being adjusted to market value through provisions set up based on current rules.

**g) Prepaid expenses** - These refer to the investments that will result in earnings in future periods.

**h) Investments** - In subsidiary and affiliated companies, investments are accounted for under the equity method. The financial statements of foreign branches and affiliates are adapted to comply with Brazilian accounting policies and converted into Reais. Other investments are recorded at cost, restated up to December 31, 1995, being adjusted to market value through provisions set up based on current rules.

- i) 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 correct cost, and for the Financial Area companies assets/equipment with residual value up to R\$3 are fully depreciated. Depreciation is calculated at the following annual rates:

|  |      |    |      |
|--|------|----|------|
| Buildings in use   | 4%   | to | 8%   |
| Installations, furniture, equipment and security, transportation and communication systems | 10 % | to | 25 % |
| EDP Systems  | 20 % | to | 50 % |

- j) Deferred charges** - Deferred organization and expansion expenses mainly represent leasehold improvements and acquisition of software, which are amortized on the straight-line basis over the respective rental periods, limited to ten and five years, respectively.

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

#### I - Insurance:

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

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

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

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

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

#### III - Capitalization:

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

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

##### I- Labor contingencies:

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

##### II- Civil contingencies:

These are set up upon judicial notice and adjusted monthly:



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

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

### III- Tax and social security contingencies:

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

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

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

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

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

**NOTE 5 - INTERBANK INVESTMENTS**

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

|  | Book Value        |                   |
|--|-------------------|-------------------|
|  | 09/30/2005        | 09/30/2004        |
| <b>Investment in the open market</b>   | <b>13,313,308</b> | <b>15,932,790</b> |
| <b>Funded position (*)</b>   | <b>9,249,476</b>  | <b>3,563,342</b>  |
| <b>Financed position</b>   | <b>3,975,856</b>  | <b>12,369,448</b> |
| With free movement   | 299,999           | 6,099,383         |
| Without free movement  | 3,675,857         | 6,270,065         |
| <b>Short position</b>  | <b>87,976</b>     | <b>-</b>          |
| <b>Investment in the open market - guarantor resources of technical provisions - SUSEP</b> | <b>248,030</b>    | <b>303,108</b>    |
| <b>Interbank deposits</b>  | <b>9,614,204</b>  | <b>9,161,080</b>  |
| <b>TOTAL</b>   | <b>23,175,542</b> | <b>25,396,978</b> |

(\*) Includes R\$ 5,009,593 (R\$ 503,705 at 09/30/2004) relating to the investment in the open market in which securities are restricted to guarantee transactions at the Commodities and Futures Exchange (BM&F).

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

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

### a) Summary

| Description   | Cost              | Provision for adjustment to market value impacted on |                      | Market value      |                   |
|---|-------------------|--|----------------------|-------------------|-------------------|
|   |                   | Result   | Stockholders' equity | 09/30/2005        | 09/30/2004        |
| <b>Itaúsa and Industrial Area</b>                                     |                   |  |                      |                   |                   |
| Securities  | 869,484           | -  | -                    | 869,484           | 639,863           |
| Derivative financial instruments (assets)                             | 111,950           | -  | -                    | 111,950           | 109,043           |
| <b>Subtotal</b>   | <b>981,434</b>    | <b>-</b>   | <b>-</b>             | <b>981,434</b>    | <b>748,906</b>    |
| <b>Financial Services Area (1)</b>                                    |                   |  |                      |                   |                   |
| Trading securities (2)  | 16,387,323        | 44,878   | -                    | 16,432,201        | 12,918,756        |
| Securities available for sale   | 9,458,279         | -  | 455,753              | 9,914,032         | 10,996,301        |
| Securities held to maturity (3)                                       | 1,939,868         | -  | -                    | 1,939,868         | 3,624,476         |
| Derivative financial instruments (assets)                             | 2,546,756         | 396,883  | -                    | 2,943,639         | 1,317,544         |
| <b>Subtotal</b>   | <b>30,332,226</b> | <b>441,761</b>                                       | <b>455,753</b>       | <b>31,229,740</b> | <b>28,857,077</b> |
| Deferred taxes  |                   |  | (160,985)            | -                 |                   |
| Adjustment of securities reclassified to securities held to maturity  |                   |  | 16,328               | -                 |                   |
| <b>Total adjustment to market value</b>                               |                   |  | <b>311,096</b>       |                   |                   |
| <b>Additional provision (exceeding minimum required)</b>              |                   |  |                      | (400,000)         | (600,000)         |
| <b>Total Securities and Derivative Financial Instruments (assets)</b> | <b>31,313,660</b> | <b>441,761</b>                                       |                      | <b>31,811,174</b> | <b>29,005,983</b> |
| Derivative financial instruments - Itaúsa and Industrial Area         | 46,321            | -  | -                    | 46,321            | 18,515            |
| Derivative financial instruments - Financial Area                     | 1,512,625         | 371,417  | -                    | 1,884,042         | 786,395           |
| <b>Total derivative financial instruments (liabilities)</b>           | <b>1,558,946</b>  | <b>371,417</b>                                       |                      | <b>1,930,363</b>  | <b>804,910</b>    |
| <b>Minority interest</b>  |                   |  | (160,253)            | -                 |                   |
| <b>Amount separately disclosed in Stockholders' equity of ITAÚSA</b>  |                   |  | <b>150,843</b>       |                   |                   |

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

(2) Includes portfolios of PGBL and VGBL pension plans, in the amount of R\$ 9,181,797 (R\$ 6,117,892 as of 09/30/2004), owned by customers responsible for the risks, and recorded as marketable securities in compliance with SUSEP requirements, in contra entry against liabilities, in Technical Provision for Pension Plan.

(3) Securities classified in this category if evaluated to market value, would present a positive adjustment of R\$ 165,585 (positive adjustment in the amount of R\$ 182,435 as of 09/30/2004).

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

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

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

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

The main risk factors of the derivatives assumed by ITAÚSA as of September 30, 2005 were related to the foreign exchange rate, interest rate, U.S. dollar and reference rate Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to maximize the relation risk and return, even under high volatility situations.

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

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

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

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

|  | MEMORANDUM ACCOUNT NOTIONAL VALUE |                   | BALANCE SHEET ACCOUNT RECEIVABLES/ (RECEIVED) (PAYABLE)/PAID | ADJUSTMENT TO MARKET VALUE | MARKET VALUE       |                   |
|--|-----------------------------------|-------------------|--|----------------------------|--------------------|-------------------|
|  | 09/30/2005                        | 09/30/2004        | 09/30/2005   | 09/30/2005                 | 09/30/2005         | 09/30/2004        |
| <b>Futures contracts</b>                           | <b>91,291,852</b>                 | <b>95,255,995</b> | <b>(23,388)</b>  | <b>-</b>                   | <b>(23,388)</b>    | <b>(20,552)</b>   |
| Purchase commitments                               | 37,889,371                        | 54,089,612        | 19,452   | -                          | 19,452             | 6,004             |
| Commitments to sell                                | 53,402,481                        | 41,166,383        | (42,840)   | -                          | (42,840)           | (26,556)          |
| <b>Swaps contracts</b>                             |                                   |                   | <b>784,927</b>   | <b>(21,370)</b>            | <b>763,557</b>     | <b>551,567</b>    |
| Asset position                                     | 29,720,923                        | 31,681,218        | 1,884,816  | 92,345                     | 1,977,161          | 1,111,181         |
| Liability position                                 | 28,935,997                        | 31,165,910        | (1,099,889)  | (113,715)                  | (1,213,604)        | (559,614)         |
| <b>Options contracts</b>                           | <b>30,465,278</b>                 | <b>65,496,723</b> | <b>20,904</b>  | <b>37,016</b>              | <b>57,920</b>      | <b>(21,512)</b>   |
| Purchase commitments - purchased position          | 11,938,274                        | 42,275,721        | 170,561  | (56,155)                   | 114,406            | 73,355            |
| Commitments to sell - purchased position           | 4,912,001                         | 2,197,008         | 137,243  | 338,872                    | 476,115            | 21,043            |
| Purchase position - sold position                  | 7,946,531                         | 18,446,738        | (127,400)  | (79,430)                   | (206,830)          | (72,533)          |
| Commitments to sell - sold position                | 5,668,472                         | 2,577,256         | (159,500)  | (166,271)                  | (325,771)          | (43,377)          |
| <b>Term Contracts</b>                              |                                   |                   | <b>204,099</b>   | <b>(120)</b>               | <b>203,979</b>     | <b>88,461</b>     |
| Sales receivable                                   |                                   |                   | 204,099  | (120)                      | 203,979            | 88,461            |
| <b>Other derivative financial instruments</b>      | <b>9,990,989</b>                  | <b>4,946,715</b>  | <b>89,830</b>  | <b>9,940</b>               | <b>99,770</b>      | <b>3,161</b>      |
| Asset position                                     | 6,284,944                         | 2,296,906         | 261,987  | 21,941                     | 283,928            | 132,547           |
| Liability position                                 | 3,706,045                         | 2,649,809         | (172,157)  | (12,001)                   | (184,158)          | (129,386)         |
|  |                                   | <b>ASSET</b>      | <b>2,658,706</b>   | <b>396,883</b>             | <b>3,055,589</b>   | <b>1,426,587</b>  |
|  |                                   | <b>LIABILITY</b>  | <b>(1,558,946)</b>   | <b>(371,417)</b>           | <b>(1,930,363)</b> | <b>(804,910)</b>  |
|  |                                   | <b>TOTAL</b>      | <b>1,099,760</b>   | <b>25,466</b>              | <b>1,125,226</b>   | <b>621,677</b>    |
| <b>Derivative instruments fall due as follows:</b> |                                   |                   |  |                            |                    |                   |
| <b>Clearing</b>                                    | <b>0 - 30</b>                     | <b>31 - 180</b>   | <b>181 - 365</b>   | <b>Over 365</b>            | <b>09/30/2005</b>  | <b>09/30/2004</b> |
| <b>Futures</b>                                     | 16,991,178                        | 38,400,105        | 23,172,057   | 12,728,512                 | 91,291,852         | 95,255,995        |
| <b>Swaps</b>                                       | 3,794,420                         | 12,531,827        | 4,665,747  | 6,844,113                  | 27,836,107         | 30,642,056        |
| <b>Options</b>                                     | 10,650,431                        | 15,580,461        | 2,253,905  | 1,980,481                  | 30,465,278         | 65,496,723        |
| <b>Others</b>                                      | 1,796,090                         | 3,689,771         | 1,145,877  | 3,359,251                  | 9,990,989          | 4,946,715         |

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

## a) Summary

## I) By type of operation

|   | 09/30/2005        | 09/30/2004        |
|---|-------------------|-------------------|
| Loan operations                             | 41,264,729        | 36,722,606        |
| Leasing operations                          | 6,947,496         | 2,830,315         |
| Credit card operations                      | 5,964,898         | 3,463,688         |
| Advances on exchange contracts (1)          | 1,282,580         | 1,645,779         |
| Other credits (2)                           | 112,995           | 144,422           |
| <b>Total</b>                                | <b>55,572,698</b> | <b>44,806,810</b> |
| Endorsements and sureties (3)               | 6,043,576         | 6,249,315         |
| <b>Total with endorsements and sureties</b> | <b>61,616,274</b> | <b>51,056,125</b> |

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

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

(3) Recorded in memorandum accounts.

## II) By business sector

|                       | 09/30/2005        | 09/30/2004        |
|-----------------------|-------------------|-------------------|
| <b>Public sector</b>  | <b>1,328,888</b>  | <b>1,265,277</b>  |
| <b>Private sector</b> | <b>54,243,810</b> | <b>43,541,533</b> |
| Corporations          | 26,885,959        | 26,313,625        |
| Individuals           | 27,357,851        | 17,227,908        |
| <b>Total</b>          | <b>55,572,698</b> | <b>44,806,810</b> |

## b) Allowance for Loan Losses

|                                    | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|------------------------------------|------------------------|------------------------|
| <b>Opening balance</b>             | <b>(3,053,555)</b>     | <b>(3,162,967)</b>     |
| Balance from institutions acquired | -                      | (3,480)                |
| Net increase for the period        | (2,496,437)            | (1,147,676)            |
| Write-Offs (1)                     | 1,894,244              | 1,287,320              |
| <b>Closing balance</b>             | <b>(3,655,748)</b>     | <b>(3,026,803)</b>     |
| Minimum required allowance (2)     | (2,455,748)            | (2,026,803)            |
| Additional allowance (3)           | (1,200,000)            | (1,000,000)            |

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

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

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

As of September 30, 2005, the provision balance in relation to loan portfolio is equivalent to 6.6% (6.8% as of September 30, 2004).

## c) Recovery and Renegotiation of Credits

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

|  | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|--|------------------------|------------------------|
| Net charge for the period                  | (2,496,437)            | (1,147,676)            |
| Recoveries                                 | 643,193                | 487,121                |
| Renegotiation                              | 268,592                | 115,297                |
| Receipt                                    | 374,601                | 371,824                |
| <b>Result of allowance for loan losses</b> | <b>(1,853,244)</b>     | <b>(660,555)</b>       |

## II- Renegotiated credits

|                           | 09/30/2005 | 09/30/2004 |
|---------------------------|------------|------------|
| Renegotiated credits      | 1,288,613  | 914,957    |
| Allowance for loan losses | (533,591)  | (391,738)  |
| (%)                       | 41.4       | 42.8       |

**NOTE 8 - FOREIGN EXCHANGE PORTFOLIO**

|  | 09/30/2005       | 09/30/2004        |
|--|------------------|-------------------|
| <b>ASSETS - OTHER CREDITS</b>  | <b>8,471,178</b> | <b>14,375,443</b> |
| Exchange purchase pending settlement - foreign currency (*)          | 3,568,332        | 7,040,961         |
| Foreign currency bills exchange and term document - foreign currency | 5,001            | 81                |
| Exchange sale rights - domestic currency                             | 5,155,368        | 7,500,655         |
| (-) Advances received - domestic currency                            | (257,523)        | (166,254)         |
| <b>LIABILITIES - OTHER LIABILITIES</b>                               | <b>8,831,229</b> | <b>14,642,895</b> |
| Exchange sales pending settlement - foreign currency                 | 4,117,828        | 7,393,375         |
| Exchange purchase liabilities - domestic currency (*)                | 4,711,049        | 7,244,241         |
| Other  | 2,352            | 5,279             |
| <b>MEMORANDUM ACCOUNTS</b>   | <b>77,911</b>    | <b>114,313</b>    |
| Outstanding import credits - foreign currency                        | 53,113           | 93,851            |
| Confirmed export credits - foreign currency                          | 24,798           | 20,462            |

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

## NOTE 9 – FUNDS RAISED BY SUBSIDIARIES AND BORROWINGS AND ONLENDINGS - FINANCIAL SERVICES AREA

|   | 09/30/2005        | 09/30/2004        |
|---|-------------------|-------------------|
| <b>Foreign currency</b>                             | <b>7,755,293</b>  | <b>10,139,852</b> |
| Funds from acceptance and issuance of securities    | 3,584,328         | 3,381,902         |
| Borrowings and onlendings (1)                       | 4,170,965         | 6,757,950         |
| <b>Domestic currency</b>                            | <b>50,010,365</b> | <b>42,900,084</b> |
| Deposits  | 44,422,354        | 37,426,007        |
| Funds from acceptance and issuance of securities    | 1,392,934         | 885,875           |
| Borrowings and onlendings                           | 4,195,077         | 4,588,202         |
| <b>Securitization of foreign payment orders (2)</b> | <b>1,204,606</b>  | <b>2,032,131</b>  |
| <b>Funds obtained in the open market</b>            | <b>20,429,131</b> | <b>21,928,610</b> |
| Own portfolio                                       | 16,368,224        | 9,559,128         |
| Third-party portfolio                               | 3,672,649         | 6,270,104         |
| Free portfolio                                      | 388,258           | 6,099,378         |
| <b>Subordinated debts</b>                           | <b>4,448,871</b>  | <b>4,834,829</b>  |
| Bank Deposit Certificate                            | 1,956,736         | 1,782,040         |
| Debentures  | 604,664           | 602,798           |
| Euronotes   | 1,013,856         | 1,326,282         |
| Redeemable preferred shares                         | 873,615           | 1,123,709         |
| <b>Total</b>  | <b>83,848,266</b> | <b>81,835,506</b> |

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

(2) Recorded in Other Liabilities.



**NOTE 10 - INSURANCE, PENSION AND CAPITALIZATION OPERATIONS****a) Composition of Technical Provisions**

|   | 09/30/2005        | 09/30/2004        |
|---|-------------------|-------------------|
| <b>Insurance</b>                            | <b>1,215,324</b>  | <b>1,081,527</b>  |
| Unearned premiums                           | 672,933           | 588,539           |
| Claims to settle                            | 331,202           | 328,588           |
| Incurred but not reported claims            | 162,732           | 140,705           |
| Premium deficiency - Health (1)             | 9,233             | -                 |
| Premium deficiency - Others                 | 28,315            | 10,190            |
| Mathematical of benefits to grant           | 8,159             | 11,767            |
| Financial surplus                           | 1,019             | 873               |
| Benefits to settle                          | 866               | 865               |
| Redemptions and other unregularized amounts | 865               | -                 |
| <b>Life and Pension</b>                     | <b>11,169,229</b> | <b>7,954,353</b>  |
| Unearned premiums                           | 226,346           | 201,669           |
| Claims to settle                            | 35,954            | 34,403            |
| Incurred but not reported claims            | 41,767            | 43,273            |
| Mathematical of benefits to grant           | 10,396,531        | 7,333,902         |
| Mathematical of benefits granted            | 87,726            | 67,650            |
| Financial surplus                           | 219,463           | 159,970           |
| Financial variation                         | 83,294            | 80,606            |
| Risk variation                              | 17,337            | 9,227             |
| Insufficient contribution (2)               | 41,059            | 12,212            |
| Redemptions and other amounts to regularize | 10,503            | 9,029             |
| Premium deficiency                          | 6,939             | 784               |
| Unexpired risks                             | 1,328             | 1,237             |
| Benefits to settle                          | 955               | 391               |
| Administrative                              | 27                | -                 |
| <b>Capitalization</b>                       | <b>1,101,076</b>  | <b>1,011,748</b>  |
| Mathematical for redemptions                | 1,009,560         | 912,868           |
| Contingencies                               | 78,381            | 83,271            |
| Raffles                                     | 13,135            | 15,609            |
| <b>TOTAL</b>                                | <b>13,485,629</b> | <b>10,047,628</b> |

(1) The provision for premium deficiency is calculated in conformity with SUSEP requirements and the actuarial technical note which provides for the set up of a provision to cover risks for the following 12 months.

In compliance with the US accounting practices, the Company made a conservative estimative and supplemented the provision of R\$ 549,000 in the financial statements filed with Securities and Exchange Commission (SEC), sufficient to cover possible deficits until the termination of plans in 2099.

In order to keep the economic-financial balance of health plans, the Company requested ANS (National Supplementary Health Agency) to approve a price review, which is currently pending. With the purpose to cover the existing unbalance, the Company increased capital in an amount deemed sufficient to fund the health insurance line.

The eventual possible accounting differences between the local and North American accounting practices are substantially offset for purposes of coverage of estimated amounts.

(2) Set up based on the actuarial evaluation to meet future liabilities of the plans.

**b) Guarantor Resources of Technical Provisions - SUSEP**

|   | INSURANCE        |                  | LIFE AND PENSION  |                  | CAPITALIZATION   |                  | TOTAL             |                   |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|
|   | 09/30/2005       | 09/30/2004       | 09/30/2005        | 09/30/2004       | 09/30/2005       | 09/30/2004       | 09/30/2005        | 09/30/2004        |
| Interbank investments - open market             | 49,936           | 75,506           | 45,071            | 44,747           | 153,023          | 182,855          | 248,030           | 303,108           |
| Securities and derivative financial instruments | 935,503          | 734,389          | 10,962,764        | 7,758,534        | 964,690          | 850,157          | 12,862,957        | 9,343,080         |
| Funds Quotas of PGBL/VGBL (1)                   | -                | -                | 9,181,797         | 6,117,892        | -                | -                | 9,181,797         | 6,117,892         |
| Other   | 935,503          | 734,389          | 1,780,967         | 1,640,642        | 964,690          | 850,157          | 3,681,160         | 3,225,188         |
| Public  | 231,309          | 177,664          | 797,092           | 894,901          | 116,285          | 105,285          | 1,144,686         | 1,177,850         |
| Private   | 704,194          | 556,725          | 983,875           | 745,741          | 848,405          | 744,872          | 2,536,474         | 2,047,338         |
| Credit Rights (2)                               | 248,468          | 240,438          | 180,389           | 164,072          | -                | -                | 428,857           | 404,510           |
| Real estate                                     | -                | 41,337           | -                 | -                | -                | -                | -                 | 41,337            |
| <b>TOTAL</b>                                    | <b>1,233,907</b> | <b>1,091,670</b> | <b>11,188,224</b> | <b>7,967,353</b> | <b>1,117,713</b> | <b>1,033,012</b> | <b>13,539,844</b> | <b>10,092,035</b> |

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

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

**c) Result of Operations**

|   | INSURANCE           |                     | LIFE AND PENSION    |                     | CAPITALIZATION      |                     | TOTAL               |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 01/01 to 09/30/2005 | 01/01 to 09/30/2004 | 01/01 to 09/30/2005 | 01/01 to 09/30/2004 | 01/01 to 09/30/2005 | 01/01 to 09/30/2004 | 01/01 to 09/30/2005 | 01/01 to 09/30/2004 |
| Premiums and contributions revenues   | 1,381,667           | 1,237,115           | 2,785,232           | 2,688,016           | 601,040             | 622,169             | 4,767,939           | 4,547,300           |
| Changes in technical provisions   | (68,836)            | (68,475)            | (1,290,069)         | (1,570,365)         | (473,182)           | (475,157)           | (1,832,087)         | (2,113,997)         |
| Expenses with claims  | (848,313)           | (754,246)           | (88,303)            | (76,041)            | -                   | -                   | (936,616)           | (830,287)           |
| Selling expenses  | (265,307)           | (208,607)           | (19,776)            | (16,320)            | -                   | -                   | (285,083)           | (224,927)           |
| Expenses with benefits and redemptions  | -                   | -                   | (1,168,802)         | (836,881)           | -                   | -                   | (1,168,802)         | (836,881)           |
| Other income and expenses   | 41,666              | 53,607              | (4,370)             | (4,775)             | (3,194)             | -                   | 34,102              | 48,832              |
| <b>Result of Insurance, Life Insurance and Pension Plan and Capitalization Operator</b> | <b>240,877</b>      | <b>259,394</b>      | <b>213,912</b>      | <b>183,634</b>      | <b>124,664</b>      | <b>147,012</b>      | <b>579,453</b>      | <b>590,040</b>      |

**NOTE 11 – PROVISIONS AND CONTINGENT LIABILITIES**

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

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

|                                  | 01/01 to 09/30/2005 |                |                | 01/01 to 09/30/2004 |                  |
|----------------------------------|---------------------|----------------|----------------|---------------------|------------------|
|                                  | Labor               | Civil          | Other          | Total               | Total            |
| <b>Opening balance</b>           | <b>1,042,784</b>    | <b>727,597</b> | <b>263,412</b> | <b>2,033,793</b>    | <b>1,787,584</b> |
| Foreign exchange differences     |                     |                | (10,073)       | (10,073)            | (2,152)          |
| Net change reflected in result   | 260,527             | 269,805        | 17,995         | 548,327             | 492,229          |
| Payments                         | (345,997)           | (108,686)      | (41,079)       | (495,762)           | (294,705)        |
| <b>Closing balance (1)</b>       | <b>957,314</b>      | <b>888,716</b> | <b>230,255</b> | <b>2,076,285</b>    | <b>1,982,956</b> |
| <b>Deposits in guarantee (2)</b> | <b>522,068</b>      | <b>203,514</b> | <b>-</b>       | <b>725,582</b>      | <b>648,573</b>   |

(1) Note 12c;

(2) Note 12a.

The Provisions for Tax and Social Security Contingencies and the related deposits in guarantee are shown in Note 14c III and d.

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

**NOTE 12 - DETAIL OF ACCOUNTS****a) Other Credits - Sundry**

|  | 09/30/2005       | 09/30/2004       |
|--|------------------|------------------|
| <b>Deposits in guarantee for provision for contingencies</b>                     | <b>2,643,305</b> | <b>2,351,980</b> |
| Tax and social security  | 1,917,723        | 1,703,407        |
| Labor  | 522,068          | 508,991          |
| Civil  | 203,514          | 139,582          |
| Social contribution to be offset – Provisional Measure 2,158, of August 24, 2001 | 1,164,835        | 1,311,054        |
| Negotiation and intermediation of securities                                     | 885,414          | 784,271          |
| Taxes and contributions to be offset   | 769,197          | 997,795          |
| Trade notes receivable   | 708,443          | 719,069          |
| Insurance premium receivable   | 668,893          | 632,140          |
| Income receivable  | 526,628          | 523,888          |
| Deposits in guarantee for foreign fund raising program                           | 205,239          | 566,695          |
| Accounts receivable with guarantees  | 192,937          | 113,045          |
| Sundry debtors   | <b>431,701</b>   | <b>505,887</b>   |
| Domestic   | 348,583          | 372,140          |
| Foreign  | 83,118           | 133,747          |
| Sundry   | 402,941          | 270,334          |
| <b>Total</b>   | <b>8,599,533</b> | <b>8,776,158</b> |

**b) Other Assets**

|                                | 09/30/2005     | 09/30/2004     |
|--------------------------------|----------------|----------------|
| Non-operating assets           | 367,702        | 412,370        |
| (-) Provision for devaluations | (102,582)      | (129,087)      |
| Others                         | 182            | 134            |
| <b>Total</b>                   | <b>265,302</b> | <b>283,417</b> |

**c) Other Liabilities - Sundry**

|  | 09/30/2005       | 09/30/2004       |
|--|------------------|------------------|
| <b>Provisions for Contingencies</b>          | <b>2,076,285</b> | <b>1,982,956</b> |
| Labor  | 957,314          | 1,069,844        |
| Civil  | 888,716          | 673,364          |
| Other  | 230,255          | 239,748          |
| Collection and payment of taxes              | 1,349,145        | 1,391,910        |
| Negotiation and intermediation of securities | 1,152,691        | 1,563,295        |
| Personnel                                    | 667,609          | 550,882          |
| Liabilities related to insurance companies   | 170,884          | 189,724          |
| Suppliers                                    | 139,326          | 151,210          |
| Agreement for rendering of services AOLA (1) | 137,662          | 208,963          |
| Provision for corporate restructuring (2)    | 37,000           | -                |
| Provision for actuarial deficit (Note 20c)   | 26,948           | 27,670           |
| <b>Sundry creditors</b>                      | <b>1,072,166</b> | <b>1,016,633</b> |
| Domestic                                     | 1,027,712        | 911,041          |
| Foreign                                      | 44,454           | 105,592          |
| Provisions and sundry credits                | 755,389          | 945,754          |
| <b>Total</b>                                 | <b>7,585,105</b> | <b>8,028,997</b> |

(1) Related to the strategic alliance signed with America Online Latin America Inc. (AOLA), joint venture established by America Online Inc. and Cisneros group companies to act in Latin America as a provider of interactive services (Note 21c).

(2) Refers to operating expenses on New Agreement for Credicard Management (disclosed in Significant Event by Banco Itaú Holding Financeira S.A. at 02/01/2005) and other corporate restructuring in the conglomerate.

**d) Other Operating Revenues**

|  | 09/30/2005     | 09/30/2004     |
|--|----------------|----------------|
| Reversal of operating provisions                                       | 43,812         | 47,725         |
| Recovery of charges and expenses                                       | 67,528         | 56,810         |
| Commissions  | 37,391         | 140            |
| Equity result in subsidiaries, not derived from net income             | 10,488         | 16,240         |
| Rents  | 6,545          | 6,796          |
| Net exchange variation on assets and liabilities of overseas companies | 37,696         | 12,654         |
| Other  | 68,153         | 66,338         |
| <b>Total</b>   | <b>271,613</b> | <b>206,703</b> |

**e) Other Operating Expenses**

|  | 09/30/2005       | 09/30/2004       |
|--|------------------|------------------|
| Tax expenses                                 | 1,536,732        | 1,077,588        |
| Provision for contingencies                  |                  |                  |
| Tax and social security                      | 68,215           | 77,317           |
| Civil  | 288,172          | 279,185          |
| Operating expenses from industrial companies | 230,398          | 232,239          |
| Sales - credit card                          | 186,369          | 140,760          |
| Claims                                       | 128,920          | 65,501           |
| Other  | 118,420          | 343,642          |
| <b>Total</b>                                 | <b>2,557,226</b> | <b>2,216,232</b> |

**f) Non-operating Result**

|  | 09/30/2005    | 09/30/2004     |
|--|---------------|----------------|
| (Provision)/reversal of non-operating provisions | 12,280        | (3,851)        |
| Non-operating equity result                      | 1,202         | 11,623         |
| Capital gains/ (losses) and Other                | (1,670)       | (17,448)       |
| <b>Total</b>                                     | <b>11,812</b> | <b>(9,676)</b> |

**NOTE 13 – EXTRAORDINARY RESULT**

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

|   | Parent<br>Company | Minority         | Conglomerate     |
|---|-------------------|------------------|------------------|
| <b>Amortization of goodwill</b>   | <b>(94,387)</b>   | <b>(85,181)</b>  | <b>(179,568)</b> |
| Related to agreements and partnerships (1)                                | (93,685)          | (106,315)        | (200,000)        |
| BPI S.A. (SIC - Sociedade Independente de Comunicação S.A.)               | 46,294            | 21,134           | 67,428           |
| Banco Itaú Holding Financeira S.A. (2a)                                   | (46,996)          | -                | (46,996)         |
| <b>Other segregated results</b>   | <b>(383,063)</b>  | <b>(39,355)</b>  | <b>(422,418)</b> |
| Non-operating loss - Itaú Holding - acquisition of treasury shares(2b)(3) | (347,418)         | -                | (347,418)        |
| Provision for corporate restructuring (4)                                 | (35,645)          | (39,355)         | (75,000)         |
| <b>Tax effects</b>  | <b>24,780</b>     | <b>22,950</b>    | <b>47,730</b>    |
| <b>TOTAL</b>  | <b>(452,670)</b>  | <b>(101,586)</b> | <b>(554,256)</b> |

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

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

(3) Includes non-operating loss of equity investment amounting to R\$ 14,589 arising from acquisition of own shares by subsidiary ITAÚ HOLDING.

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

## NOTE 14 - TAXES

## a) Composition of expenses with taxes and contributions

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

| Due on Operations for the Period  | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|---|------------------------|------------------------|
| <b>Income before income Tax and Social Contribution</b>   | <b>6,984,559</b>       | <b>5,051,024</b>       |
| <b>Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (*) respectively</b>   | <b>(2,374,750)</b>     | <b>(1,717,348)</b>     |
| <b>Increase/decrease in income Tax and Social Contribution charges arising from:</b>  |                        |                        |
| <b>Permanent (Inclusions) Exclusions</b>  | <b>94,627</b>          | <b>559,613</b>         |
| Investments in affiliates   | (23,416)               | 22,112                 |
| Foreign exchange variation of overseas investments  | (418,951)              | 147,172                |
| Interest on own capital   | 451,522                | 315,909                |
| Non-deductible provisions and other   | 85,472                 | 74,420                 |
| <b>Temporary (Inclusions) Exclusions</b>  | <b>(135,524)</b>       | <b>(265,023)</b>       |
| Allowance for loan losses   | (364,808)              | (8,641)                |
| Excess (Insufficiency) of Depreciation  | 422,373                | 59,701                 |
| Adjustment to market value of trading securities and derivative financial instruments, and adjustments from operations in futures markets | 131,640                | (20,297)               |
| Interest on own capital   | (147,187)              | (126,448)              |
| Labor provisions, civil and tax contingencies and other   | (177,542)              | (169,338)              |
| <b>(Increase) Offset on tax losses/Negative social contribution basis</b>   | <b>68,839</b>          | <b>64,619</b>          |
| <b>Expenses with Income Tax and Social Contribution</b>   | <b>(2,346,808)</b>     | <b>(1,358,139)</b>     |
| <b>Related to Temporary Differences</b>   |                        |                        |
| Increase (reversal) for the period  | 123,340                | 135,578                |
| Prior periods increase (reversal)   | 17,970                 | (162,634)              |
| <b>Income (expenses) of deferred taxes</b>  | <b>141,310</b>         | <b>(27,056)</b>        |
| <b>Total income tax and social contribution</b>   | <b>(2,205,498)</b>     | <b>(1,385,195)</b>     |

(\*) According to Note 4m.

## II) Composition of tax expenses:

|                              | 01/01 to 09/30/2005                   |                    |                    | 01/01 to 09/30/2004                   |                    |                    |
|------------------------------|---------------------------------------|--------------------|--------------------|---------------------------------------|--------------------|--------------------|
|                              | On Sales of Products and Services (1) | On Other Revenue   | Total              | On Sales of Products and Services (1) | On Other Revenue   | Total              |
| Pis and Cofins               | (237,319)                             | (1,057,775)        | (1,295,094)        | (231,950)                             | (769,780)          | (1,001,730)        |
| ISS                          | (9,639)                               | (201,505)          | (211,144)          | (9,303)                               | (136,564)          | (145,867)          |
| IPI                          | (112,884)                             | -                  | (112,884)          | (105,106)                             | -                  | (105,106)          |
| ICMS                         | (261,901)                             | -                  | (261,901)          | (256,349)                             | -                  | (256,349)          |
| Tax on bank account outflows | -                                     | (209,486)          | (209,486)          | -                                     | (115,722)          | (115,722)          |
| Other                        | (7,787)                               | (67,966)           | (75,753)           | (7,350)                               | (55,522)           | (62,872)           |
| <b>Total (2)</b>             | <b>(629,530)</b>                      | <b>(1,536,732)</b> | <b>(2,166,262)</b> | <b>(610,058)</b>                      | <b>(1,077,588)</b> | <b>(1,687,646)</b> |

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

(2) According to Note 4m.

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

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

The result of these operations is computed on calculation bases of income and social contribution, according to their nature; the exchange variation of overseas investments, however, is not included in referred bases, pursuant to tax legislation in force.

For the period ended on 09/30/2005, these transactions gave rise to taxable positive results due to the appreciation of the real in relation to US Dollar and Euro, which accounted for the high expenses related to Income Tax and Social Contribution, PIS and COFINS.



## b) Tax Credits

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

|  | 12/31/2004       | Realization/<br>Reversal | Set up           | 09/30/2005       | 09/30/2004       |
|--|------------------|--------------------------|------------------|------------------|------------------|
| <b>Related to tax losses and negative social contribution</b>  | <b>645,507</b>   | <b>(192,145)</b>         | <b>243,014</b>   | <b>696,376</b>   | <b>743,207</b>   |
| <b>Temporary differences:</b>  | <b>2,724,920</b> | <b>(908,004)</b>         | <b>1,660,999</b> | <b>3,477,915</b> | <b>2,893,019</b> |
| Allowance for loan losses  | 1,118,388        | (435,265)                | 798,092          | 1,481,215        | 1,253,326        |
| Provision for interest on own capital  | 134,151          | (134,151)                | 281,337          | 281,337          | 169,398          |
| Provision for tax and social security contingencies  | 326,425          | (3,457)                  | 77,110           | 400,078          | 318,979          |
| Labor contingencies  | 283,391          | (117,614)                | 89,901           | 255,678          | 304,318          |
| Civil Lawsuits   | 217,745          | (42,758)                 | 97,247           | 272,234          | 216,975          |
| Allowance for real estate  | 41,150           | (10,518)                 | 1,120            | 31,752           | 46,036           |
| Other  | 603,670          | (164,241)                | 316,192          | 755,621          | 583,987          |
| <b>Total tax credits</b>   | <b>3,370,427</b> | <b>(1,100,149)</b>       | <b>1,904,013</b> | <b>4,174,291</b> | <b>3,636,226</b> |
| <b>Social Contribution to Offset arising from Option foreseen in article 8th of Provisional Measure 2,158-35, of August 24, 2001</b> | <b>1,277,434</b> | <b>(112,599)</b>         | <b>-</b>         | <b>1,164,835</b> | <b>1,311,054</b> |

- II) The estimate of realization and present value of tax credits and social contribution to offset, arising from Provisional Measure 2,158-35, of August 24, 2001, existing at September 30, 2005, in accordance with the expectation to generate future taxable income, based on the history of profitability and technical studies of feasibility are:

| Realization year  | Tax credits           |                             |                  | Social contribution to offset |
|-------------------|-----------------------|-----------------------------|------------------|-------------------------------|
|                   | Temporary differences | Tax loss and negative basis | TOTAL            |                               |
| 2005              | 907,775               | 20,001                      | 927,776          | -                             |
| 2006              | 1,147,641             | 517,092                     | 1,664,733        | 107,970                       |
| 2007              | 585,524               | 159,283                     | 744,807          | 223,987                       |
| 2008              | 362,090               | -                           | 362,090          | 254,787                       |
| 2009              | 136,651               | -                           | 136,651          | 279,537                       |
| after 2009        | 338,234               | -                           | 338,234          | 298,554                       |
| <b>Total</b>      | <b>3,477,915</b>      | <b>696,376</b>              | <b>4,174,291</b> | <b>1,164,835</b>              |
| Present value (*) | 3,008,147             | 513,560                     | 3,521,707        | 929,869                       |

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

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

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

- III) There are unrecorded tax credits in the amount of R\$ 504,054 (R\$ 662,184 as of September 30, 2004).

## c) Taxes and Social Security Contributions

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

|   | 09/30/2005       | 09/30/2004       |
|---|------------------|------------------|
| Taxes and contributions on income payable                 | 1,113,835        | 609,949          |
| Taxes and contributions payable                           | 415,970          | 389,352          |
| Provision for deferred income tax and social contribution | 1,101,726        | 428,539          |
| Provision for tax and social security contingencies       | 3,026,936        | 2,317,265        |
| <b>Total</b>  | <b>5,658,467</b> | <b>3,745,105</b> |

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

|   | 12/31/2004     | Realization/<br>Reversal | Set up         | 09/30/2005       | 09/30/2004     |
|---|----------------|--------------------------|----------------|------------------|----------------|
| <b>Reflected in income and expense accounts</b>   | <b>473,293</b> | <b>(37,952)</b>          | <b>553,899</b> | <b>989,240</b>   | <b>366,016</b> |
| Depreciation in excess - Leasing  | 350,336        | (13,448)                 | 442,886        | 779,774          | 285,852        |
| Taxation on results abroad - Capital Gains  | 67,039         | (17,554)                 | -              | 49,485           | 65,887         |
| Adjustment from operations in futures market  | -              | -                        | 111,013        | 111,013          | -              |
| Revaluation reserve   | 9,869          | (463)                    | -              | 9,406            | 10,037         |
| Other   | 46,049         | (6,487)                  | -              | 39,562           | 4,240          |
| <b>Reflected in stockholders' equity accounts - Adjustment to market value of securities available for sale (*)</b> | <b>146,980</b> | <b>(34,494)</b>          | <b>-</b>       | <b>112,486</b>   | <b>62,523</b>  |
| <b>Total</b>  | <b>620,273</b> | <b>(72,446)</b>          | <b>553,899</b> | <b>1,101,726</b> | <b>428,539</b> |

(\*) Note 3.

III) Change in Tax and Social Security Contingencies

|   | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|---|------------------------|------------------------|
| <b>Opening balance</b>                    | <b>2,704,606</b>       | <b>2,071,220</b>       |
| Change in the period reflected in results | 331,547                | 257,167                |
| Charges on taxes                          | 130,017                | 77,317                 |
| Net recognition                           | 229,405                | 187,982                |
| Write-offs through reversal               | (27,875)               | (8,132)                |
| Write-offs through payment                | (9,217)                | (11,122)               |
| <b>Closing balance</b>                    | <b>3,026,936</b>       | <b>2,317,265</b>       |

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

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

|                         | <b>01/01 to<br/>09/30/2005</b> |
|-------------------------|--------------------------------|
| <b>Opening balance</b>  | <b>1,450,465</b>               |
| Appropriation of income | 30,076                         |
| Change in the period    | <u>437,182</u>                 |
| Deposited               | 571,668                        |
| Calculations            | (129,243)                      |
| Conversion into income  | (5,243)                        |
| <b>Closing balance</b>  | <b>1,917,723</b>               |

II) Permanent assets in the amount of R\$ 411,483, represented basically by Property for own use, are pledged in guarantee of voluntary resources (article 32 of Law 10,522/02).

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

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

|   | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|---|------------------------|------------------------|
| Taxes paid or provided for                | 5,208,918              | 3,609,720              |
| Taxes withheld and collected from clients | 4,485,452              | 3,988,091              |
| <b>Total</b>                              | <b>9,694,370</b>       | <b>7,597,811</b>       |

**NOTE 15 - PERMANENT ASSETS****a) Investments****I ) Composition of investments**

|                                      | 09/30/2005     | 09/30/2004     |
|--------------------------------------|----------------|----------------|
| <b>Share of equity in affiliates</b> | <b>568,353</b> | <b>751,330</b> |
| Banco BPI S.A. (*)                   | 441,209        | 623,007        |
| AGF Brasil Seguros S.A.              | 123,052        | 124,389        |
| Other                                | 4,092          | 3,934          |
| <b>Other investments</b>             | <b>174,482</b> | <b>145,126</b> |
| Investments by tax incentives        | 110,699        | 114,648        |
| Equity securities                    | 46,705         | 40,028         |
| Shares and quotas                    | 24,891         | 25,882         |
| Other                                | 98,209         | 77,754         |
| Provision for losses                 | (106,022)      | (113,186)      |
| <b>TOTAL</b>                         | <b>742,835</b> | <b>896,456</b> |

(\*) Reflects adjustment mentioned in Note 16c.

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

|   | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|---|------------------------|------------------------|
| Share of equity in affiliates             | 103,718                | 83,426                 |
| Foreign exchange variation on investments | (172,589)              | (18,392)               |
| <b>TOTAL</b>                              | <b>(68,871)</b>        | <b>65,034</b>          |

## b) Fixed Assets and Deferred Charges

|  | 09/30/2005       |   |                  | 09/30/2004       |   |                  |
|--|------------------|---|------------------|------------------|---|------------------|
|  | Cost             | Depreciation/<br>Amortization/<br>Depletion<br>Expenses | Residual Value   | Cost             | Depreciation/<br>Amortization/<br>Depletion<br>Expenses | Residual Value   |
| <b>Fixed Assets</b>                                | <b>7,983,143</b> | <b>(4,629,857)</b>                                      | <b>3,353,286</b> | <b>7,330,456</b> | <b>(3,981,531)</b>                                      | <b>3,348,925</b> |
| <b>Other Fixed Assets</b>                          | <b>7,790,280</b> | <b>(4,580,362)</b>                                      | <b>3,209,918</b> | <b>7,101,106</b> | <b>(3,903,661)</b>                                      | <b>3,197,445</b> |
| <b>Buildings</b>                                   | <b>2,856,664</b> | <b>(1,178,510)</b>                                      | <b>1,678,154</b> | <b>2,772,670</b> | <b>(1,095,135)</b>                                      | <b>1,677,535</b> |
| Land   | 869,541          | -   | 869,541          | 844,856          | -   | 844,856          |
| Buildings  | 1,987,123        | (1,178,510)   | 808,613          | 1,927,814        | (1,095,135)   | 832,679          |
| <b>Other</b>                                       | <b>4,933,616</b> | <b>(3,401,852)</b>                                      | <b>1,531,764</b> | <b>4,328,436</b> | <b>(2,808,526)</b>                                      | <b>1,519,910</b> |
| Installations                                      | 269,700          | (193,253)   | 76,447           | 694,470          | (380,904)   | 313,566          |
| Furniture and Equipment                            | 1,863,804        | (1,045,789)   | 818,015          | 976,994          | (677,652)   | 299,342          |
| EDP Systems  | 2,510,669        | (2,019,506)   | 491,163          | 2,347,473        | (1,589,728)   | 757,745          |
| Other (Communication, Security and Transportation) | 289,443          | (143,304)   | 146,139          | 309,499          | (160,242)   | 149,257          |
| <b>Leased Fixed Assets</b>                         | <b>97,090</b>    | <b>(49,495)</b>   | <b>47,595</b>    | <b>138,735</b>   | <b>(77,870)</b>   | <b>60,865</b>    |
| <b>Buildings</b>                                   | <b>97,090</b>    | <b>(49,495)</b>   | <b>47,595</b>    | <b>138,735</b>   | <b>(77,870)</b>   | <b>60,865</b>    |
| Buildings  | 97,090           | (49,495)  | 47,595           | 138,735          | (77,870)  | 60,865           |
| <b>Forest Reserves</b>                             | <b>95,773</b>    | <b>-</b>  | <b>95,773</b>    | <b>90,615</b>    | <b>-</b>  | <b>90,615</b>    |
| Forests  | 95,773           | -   | 95,773           | 90,615           | -   | 90,615           |
| <b>Deferred Charges</b>                            | <b>779,970</b>   | <b>(487,432)</b>  | <b>292,538</b>   | <b>786,932</b>   | <b>(488,420)</b>  | <b>298,512</b>   |
| Leasehold improvements                             | 255,681          | (114,546)   | 141,135          | 251,822          | (135,683)   | 116,139          |
| Expenses on Acquisition of Softwares               | 200,146          | (103,277)   | 96,869           | 256,627          | (137,594)   | 119,033          |
| Other Deferred Expenses                            | 324,143          | (269,609)   | 54,534           | 278,483          | (215,143)   | 63,340           |

**NOTE 16 – STOCKHOLDERS' EQUITY – ITAÚSA****a) Capital**

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

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

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

|  | NUMBER               |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | Common               | Preferred            | Total                |
| <b>Capital Shares</b>                        |                      |                      |                      |
| <b>Number of shares at 12/31/2004</b>        | <b>1,206,398,844</b> | <b>2,046,936,642</b> | <b>3,253,335,486</b> |
| Cancellation of shares - E/OGM 04/29/2005    | -                    | (28,776,000)         | (28,776,000)         |
| Capital increase with subscription of shares | 9,353,207            | 15,646,793           | 25,000,000           |
| <b>Number of shares at 09/30/2005</b>        | <b>1,215,752,051</b> | <b>2,033,807,435</b> | <b>3,249,559,486</b> |
| <b>Number of shares at 09/30/2004</b>        | <b>1,206,398,844</b> | <b>2,046,936,642</b> | <b>3,253,335,486</b> |
| <b>Treasury Shares</b>                       |                      |                      |                      |
| <b>Number of shares at 12/31/2004</b>        | <b>-</b>             | <b>28,776,000</b>    | <b>28,776,000</b>    |
| Purchase of shares (*)                       | 1,022,000            | 53,287,000           | 54,309,000           |
| Cancellation of shares - E/OGM 04/29/2005    | -                    | (28,776,000)         | (28,776,000)         |
| <b>Number of shares at 09/30/2005 (*)</b>    | <b>1,022,000</b>     | <b>53,287,000</b>    | <b>54,309,000</b>    |
| <b>Number of shares at 09/30/2004</b>        | <b>-</b>             | <b>28,776,000</b>    | <b>28,776,000</b>    |
| <b>Outstanding at 09/30/2005</b>             | <b>1,214,730,051</b> | <b>1,980,520,435</b> | <b>3,195,250,486</b> |
| <b>Outstanding at 09/30/2004</b>             | <b>1,206,398,844</b> | <b>2,018,160,642</b> | <b>3,224,559,486</b> |

(\*) Based on authorization of the Board of Directors, in the period own shares were purchased to be held in treasury, later cancellation or replacement in the market. The cost of shares purchased in the period are shown below, as well as the average cost of treasury shares and their market value at 09/30/2005:

| Cost/Market value (R\$ 1/per thousand shares) | Preferred  |            |
|---|------------|------------|
|   | 09/30/2005 | 09/30/2004 |
| <b>Purchases in the period</b>                |            |            |
| Minimum                                       | 4.90       | 2.85       |
| Weighted average                              | 5.46       | 3.31       |
| Maximum                                       | 6.46       | 3.55       |
| <b>Balance of treasury shares</b>             |            |            |
| Average cost                                  | 5.53       | 3.23       |
| Market value                                  | 6.42       | 3.82       |



**b) Dividends**

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

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

**c) Prior years' adjustments**

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

**NOTE 17 - RELATED PARTIES**

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

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

The unconsolidated related parties are the following:

- The controlling companies of ITAÚSA;
- Fundação Itaú Banco, Fundação Itaúsa Industrial, FUNBEP – Multi-Sponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG), closed private pension entities that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 20a; and
- Fundação Itaú Social and Instituto Itaú Cultural - IIC, entities sponsored by Banco Itaú Holding Financeira S.A. and its subsidiaries to act in their respective areas of interest. During the period, the consolidated companies made donations to Fundação Itaú Social of R\$ 1,725 (R\$ 1,733 from 01/01 to 09/30/2004) and to IIC of R\$ 16,450 (R\$ 15,000 from 01/01 to 09/30/2004).

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

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

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

|                     | 09/30/2005     | 09/30/2004     |
|---------------------|----------------|----------------|
| Duratex S.A.        | 153,056        | 199,612        |
| Elekeiroz S.A.      | 54,633         | 21,827         |
| Itautec Philco S.A. | 37,491         | 62,346         |
| <b>Total</b>        | <b>245,180</b> | <b>283,785</b> |

**NOTE 18 - FINANCIAL INSTRUMENTS - MARKET VALUE**

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

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

|   | Book value |            | Market value |            | Unrealized income (loss) <sup>(1) (2)</sup> |                  |                         |                  |
|---|------------|------------|--------------|------------|---|------------------|-------------------------|------------------|
|   |            |            |              |            | In result                                   |                  | In stockholders' equity |                  |
|   | 09/30/2005 | 09/30/2004 | 09/30/2005   | 09/30/2004 | 09/30/2005                                  | 09/30/2004       | 09/30/2005              | 09/30/2004       |
| Interbank deposits                                    | 23,175,542 | 25,396,978 | 23,190,832   | 25,407,259 | 15,290                                      | 10,281           | 15,290                  | 10,281           |
| Securities and derivative financial instruments       | 31,811,174 | 29,005,983 | 31,811,174   | 29,005,983 |   |                  |                         |                  |
| Securities unrealized result                          |            |            |              |            | 1,037,666                                   | 1,556,524        | 565,585                 | 782,435          |
| Additional provision (exceeding the minimum required) |            |            |              |            | 400,000                                     | 600,000          | 400,000                 | 600,000          |
| Adjustment of securities available for sale           |            |            |              |            | 455,753                                     | 677,830          |                         |                  |
| Adjustment of securities held to maturity             |            |            |              |            | 181,913                                     | 278,694          | 165,585                 | 182,435          |
| Loan and leasing operations                           | 51,916,950 | 41,780,007 | 52,159,050   | 42,088,741 | 242,100                                     | 308,734          | 242,100                 | 308,734          |
| Investment in Banco BPI S.A.                          | 441,209    | 623,007    | 1,209,231    | 1,314,132  | 768,022                                     | 691,125          | 768,022                 | 691,125          |
| Funds raised by subsidiaries                          | 78,194,789 | 74,968,546 | 78,202,653   | 74,881,811 | (7,864)                                     | 86,735           | (7,864)                 | 86,735           |
| Securitization of foreign payment orders              | 1,204,606  | 2,032,131  | 1,209,503    | 1,899,041  | (4,897)                                     | 133,090          | (4,897)                 | 133,090          |
| Subordinated debts                                    | 4,448,871  | 4,834,829  | 4,432,960    | 4,750,791  | 15,911                                      | 84,038           | 15,911                  | 84,038           |
| Treasury shares                                       | 760,117    | 564,441    | 1,012,346    | 851,623    | 252,199                                     | 270,345          | 252,229                 | 287,182          |
| <b>Total unrealized</b>                               |            |            |              |            | <b>2,318,427</b>                            | <b>3,140,872</b> | <b>1,846,376</b>        | <b>2,383,620</b> |

(1) Does not include the related tax effects.

(2) Includes unrealized gains from minority interest amounting to R\$ 1,042,176 (R\$ 1,513,796 at 09/30/2004) on income and R\$ 927,565 (R\$ 1,246,637 at 09/30/2004) on stockholders' equity.

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

- Interbank deposits, bank deposit certificates and mortgage notes, the last two included in Securities, were determined on the basis of their nominal values, monetarily restated to maturity dates and discounted to present value using futures market interest rates and swap market rates for fixed-rate securities and using rates published in the Gazeta Mercantil on October 3, 2005, for floating-rate securities.
- Government securities, in Securities, were determined based on their market value, approved by the comparison with information provided by the National Association of Open Market Institutions (ANDIMA). For the companies of the Financial and Insurance Areas, were determined based on their market value, according to the rules established by BACEN Letters 3,068 of November 8, 2001 and 3,082 of January 30, 2002 and SUSEP Letter 295, of June 14, 2003, except when classified as held to maturity.
- Shares of listed companies, when included in Securities, by the average rate available in the last trading session of the month, or, if not, the most recent rate quotation in prior trading sessions, published in the Daily Report of each Stock Exchange.
- Loan operations with maturity over 90 days, when available, based on net present value of future cash flows discounted at the interest rate used by the market at the balance sheet date, also considering the effects of the hedge operations (swap contracts).
- Interest in overseas subsidiary (Banco BPI S.A.), by the share value at the stock exchanges, by equity value of the share and auction quotation.
- Time and interbank deposits and funds from acceptances and issuance of securities, when available, were calculated based on their present value determined by means of future cash flows discounted using future market interest rates, swap market rates for fixed-rate securities, and market rates for floating-rate securities published in the Gazeta Mercantil on October 3, 2005. The effects of hedges (swap contracts) are also taken into account.
- Securitization of the Foreign Payment Orders, based on the net present value of the future cash flows estimated as from the interest curves of the indexation marketplaces, net of the interest rates practiced in the market on the balance sheet date, considering the credit risk of the issuer, calculated based on the market price of other securities issued by the same.
- Subordinated Debts, based on the net present value of future fixed or post-fixed cash flows in foreign currency, net of the interest rates practiced in the market on the balance sheet date and considering the credit risk of the issuer. The post-fixed cash flows are estimated as from the interest curves of the indexation marketplaces.
- Derivatives, related to swap operations contracted to hedge the remaining assets/liabilities, based on reference values of each of the contracts parameters (part and counterpart), restated up to the maturity dates and discounted at present value at the future market interest rates, in compliance with the characteristics of each contract.
- Treasury shares are valued according to the average quotation available on the last trading session of the month or, if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each Stock Exchange.

**NOTE 19 – RECLASSIFICATION FOR COMPARISON PURPOSES**

In order to keep a comparison standard for the September 30, 2005 financial statements of ITAÚSA CONSOLIDATED, reclassifications were made in the September 30, 2004 balances, mainly to make the Financial Area's transactions clearer.

|  | Prior disclosure   | Reclassifications | Reclassified balances |
|--|--------------------|-------------------|-----------------------|
| <b>LIABILITIES</b>                       |                    |                   |                       |
| <b>CURRENT AND LONG-TERM LIABILITIES</b> | <b>125,732,099</b> | -                 | <b>125,732,099</b>    |
| Funds raised by subsidiaries             |                    |                   |                       |
| Foreign currency                         | 10,062,425         | 77,427            | 10,139,852            |
| Domestic currency                        | 42,977,511         | (77,427)          | 42,900,084            |
| <b>TOTAL LIABILITIES</b>                 | <b>142,383,089</b> | -                 | <b>142,383,089</b>    |

**NOTE 20 – BENEFITS TO EMPLOYEES**

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

**a) Supplementary retirement benefits:**

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

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

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

Fundação Itaú Industrial gave to the participants of BD-Duratex plan the option of migrating to the defined-contribution plan (CD-PAI). As of September 30, 2005, 97% of the participants accepted to migrate.

During the period, the contributions paid totaled R\$ 20,929 (R\$ 19,595 from January 1 to September 30, 2004). The contribution rate increases based on the participant's income.

**b) Post-employment benefits:**

ITAÚSA and/or its subsidiaries do not sponsor other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by controlling Banco Itaú Holding Financeira S.A., under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries. During the period, the contributions made totaled R\$ 6,659 (R\$ 12,605 from January 1 to September 30, 2004). The contribution rate increases based on the beneficiary's age.

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

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

|                         | 09/30/2005  | 09/30/2004  |
|-------------------------|-------------|-------------|
| Net assets of the plans | 9,068,334   | 8,075,911   |
| Actuarial liabilities   | (7,443,020) | (6,319,208) |
| Surplus (*)             | 1,625,314   | 1,756,703   |

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

In addition to the reserves kept by the plans, the sponsors have provisions in the amount of R\$ 26,948 (R\$ 27,670 on September 30, 2004) to cover insufficient actuarial reserves.

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

|  | 01/01 to 09/30/2005 |                       |                                   | 01/01 to 09/30/2004 |                       |                                   |
|--|---------------------|-----------------------|-----------------------------------|---------------------|-----------------------|-----------------------------------|
|  | Assets              | Actuarial liabilities | Excess of assets over liabilities | Assets              | Actuarial liabilities | Excess of assets over liabilities |
| Present value – beginning of the period                      | 8,685,202           | (7,235,424)           | 1,449,778                         | 7,272,962           | (5,967,582)           | 1,305,380                         |
| Adjustments in the period (1)                                | (333,064)           | 201,598               | 131,466                           | -                   | -                     | -                                 |
| Expected return on assets/Cost of current service + Interest | 794,677             | (680,769)             | 113,908                           | 664,848             | (589,644)             | 75,204                            |
| Benefits paid  | (271,575)           | 271,575               | -                                 | (238,018)           | 238,018               | -                                 |
| Contributions employer/Participants                          | 46,888              | -                     | 46,888                            | 52,262              | -                     | 52,262                            |
| Gains/(Losses) in the period (2)                             | 146,206             | -                     | 146,206                           | 323,857             | -                     | 323,857                           |
| Present value - end of period                                | 9,068,334           | (7,443,020)           | 1,625,314                         | 8,075,911           | (6,319,208)           | 1,756,703                         |

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

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

**e) Main assumptions used in actuarial evaluation**

|   | 09/30/2005                  |                           | 09/30/2004                  |                           |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
|   | Financial Services Area (1) | Industrial Area (2)       | Financial Services Area (1) | Industrial Area (2)       |
| Discount rate   | 10.24% p.a.                 | 11.30% p.a. (3)           | 10.24% p.a.                 | 10.25% p.a. (3)           |
| Expected return rate on assets                          | 12.32% p.a.                 | 13.40% p.a.               | 12.32% p.a.                 | 13.40% p.a.               |
| Mortality table   | GAM-83                      | GAM-83                    | GAM-83                      | UP-94                     |
| Turnover  | Exp. Itaú 1999/2001         | Exp. Towers               | (4)                         | (4)                       |
| Future Salary Growth                                    | 7.12% p.a.                  | 9.20% p.a. (5)            | 7.12% p.a.                  | 9.20% p.a. (5)            |
| Growth of the pension fund and social security benefits | 4.00% p.a.                  | 5.00% p.a.                | 4.00% p.a.                  | 5.00% p.a.                |
| Inflation   | 4.00% p.a.                  | 5.00% p.a.                | 4.00% p.a.                  | 5.00% p.a.                |
| Actuarial method  | Projected Unit Credit (6)   | Projected Unit Credit (6) | Projected Unit Credit (6)   | Projected Unit Credit (6) |

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

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

(3) The BD-Itaútec plan uses a discount rate of 9.20% p.a.

(4) The turnover assumption is based on the effective participants of Banco Itaú S.A., resulting in an average of 2.0% p.a. based on experience 99/01. The BD-Duratex plan is based on the experience of Duratex and the BD-Itaútec plan uses zero turnover rate.

(5) The BD-Itaútec plan uses a future salary growth rate of 11.30% p.a.

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

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

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

**b) Foreign currencies**

The balances in reais linked to foreign currency were:

|   | 09/30/2005         | 09/30/2004         |
|---|--------------------|--------------------|
| <b>Permanent foreign investments</b>  | <b>6,322,881</b>   | <b>6,856,355</b>   |
| Net amount of assets and liabilities indexed to foreign currency, including derivatives | (10,212,665)       | (9,927,180)        |
| <b>Net foreign exchange position</b>  | <b>(3,889,784)</b> | <b>(3,070,825)</b> |

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

**c) Strategic Alliance with America Online Latin America Inc.**

ITAÚSA, through its subsidiaries, holds 35,937,840 class A common shares of America Online Latin America Inc. (AOLA) capital, related to the strategic alliance with that company, a joint venture established by America Online Inc. and by the Cisneros group for providing interactive services in Latin America. The agreement, signed on June 12, 2000, and amended through the Memorandum of Understandings, dated December 14, 2002, includes the services contracted by América Online Brasil Ltda. (AOLB), subsidiary of AOLA, of interactive and marketing services by ITAÚSA, considering the final contractual term at March 24, 2006.

The original acquisition of shares did not result from any monetary disbursements, since, at the time of the subscription, an advance of the same amount was received in respect of a service agreement. Of this, the remaining amount of R\$ 137,662 (R\$ 208,963 at 09/30/2004), classified as sundry obligations (Note 12c), is being used in rendering services contracted and is being appropriated as revenue.

On March 23, 2005, AOLA management filed a document with the Securities and Exchange Commission (SEC) informing that, due to the non-existence of funds available or sources of funds to maintain the economic and financial equilibrium of the company, it believes that its common shares do not have nor will they have any value. In view of such disclosed information, the investment value was fully recorded as permanent loss, which resulted in expenses for the period amounting to R\$ 37,026. At 06/24/2005 AOLA filed a report with SEC submitting a petition for voluntary bankruptcy.



## NOTE 22 - STATEMENT OF CASH FLOWS

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

|  | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|--|------------------------|------------------------|
| <b>Adjusted net income</b>   | <b>8,560,466</b>       | <b>7,767,811</b>       |
| Net income   | 1,755,614              | 1,369,257              |
| Adjustment to net income:  | 6,804,852              | 6,398,554              |
| Adjustment to market value of securities and derivative financial instruments (assets/liabilities) | (27,855)               | 273,869                |
| Allowance for loan losses  | 2,497,071              | 1,151,489              |
| Adjustment to provision and contingent liabilities   | 57,549                 | 111,370                |
| Results from operations with subordinated debt   | (21,906)               | 305,434                |
| Results from operations with securitization of foreign payment orders                              | (262,040)              | 14,469                 |
| Change in technical provision for insurance, pension plan and capitalization                       | 1,832,088              | 2,113,997              |
| Depreciation and amortization  | 505,440                | 497,766                |
| Extraordinary result in subsidiaries   | 207,572                | 424,018                |
| Deferred taxes   | (141,310)              | 27,056                 |
| (Income) Loss on sales of assets   | 10,843                 | 12,940                 |
| Equity in the results of subsidiaries and associated companies                                     | 68,871                 | (65,034)               |
| Exchange variation of permanent assets   | (31,770)               | 1,105                  |
| (Reversal) Provision for losses  | 596                    | 1,121                  |
| Minority interest results  | 2,109,703              | 1,528,954              |
| <b>Changes in assets and liabilities</b>   | <b>(10,913,743)</b>    | <b>(10,268,171)</b>    |
| (Increase) Decrease in short-term interbank investments  | (3,387,845)            | (4,139,576)            |
| (Increase) Decrease in securities and derivative financial instruments (assets/liabilities)        | (1,285,818)            | 281,109                |
| (Increase) Decrease in interbank accounts of subsidiaries  | 824,488                | (1,097,728)            |
| (Increase) Decrease in loan and leasing operations   | (10,061,980)           | (7,445,575)            |
| (Increase) Decrease in inventories   | 39,208                 | (45,237)               |
| (Increase) Decrease in other credits and other assets  | (362,591)              | (619,350)              |
| (Increase) Decrease in foreign exchange portfolio  | 113,999                | 7,678                  |
| (Increase) Decrease in prepaid expenses  | (487,506)              | 20,593                 |
| (Decrease) Increase in technical provisions for insurance, pension plan and capitalization         | 630,468                | 244,514                |
| (Decrease) Increase in provisions and accounts payable and other liabilities                       | 3,050,294              | 2,577,411              |
| (Decrease) Increase in deferred income   | 13,540                 | (52,010)               |
| <b>OPERATING ACTIVITIES - Net cash provided by/(invested)</b>                                      | <b>(2,353,277)</b>     | <b>(2,500,360)</b>     |
| Interest on own capital/Dividends received from affiliates   | 32,682                 | 39,163                 |
| Sale of investments  | 5,612                  | 17,905                 |
| Sale of fixed assets in use  | 14,473                 | 31,633                 |
| Decrease in deferred charges   | -                      | 6,010                  |
| Purchase of investments  | (26,758)               | (27,523)               |
| Goodwill on purchase of investments  | (200,000)              | (380,541)              |
| Purchase of fixed assets and forest reserves   | (414,239)              | (370,572)              |
| Investment in deferred charges   | (71,148)               | (68,014)               |
| Change in minority interest  | (765,986)              | (191,967)              |
| <b>INVESTMENT ACTIVITIES - Net cash provided by/(invested)</b>                                     | <b>(1,425,364)</b>     | <b>(943,906)</b>       |
| Increase (Decrease) in funds obtained by subsidiaries - foreign currency                           | (1,509,268)            | (1,022,493)            |
| Increase (Decrease) in funds obtained by subsidiaries - domestic currency                          | 3,375,238              | 708,641                |
| Increase (Decrease) in funds obtained by subsidiaries - open market                                | 4,330,713              | 4,996,401              |
| Increase (Decrease) in borrowings - foreign currency   | (16,329)               | (32,953)               |
| Increase (Decrease) in borrowings - local currency   | (2,358)                | (55,818)               |
| Increase (Decrease) in credit card operations  | 176,841                | 19,534                 |
| Increase (Decrease) in securitization of foreign payment orders                                    | (436,381)              | 42,722                 |
| Increase (Decrease) in liabilities by subordinated debt  | (294,563)              | (284,176)              |
| Interest on own capital paid to minority stockholders  | (785,424)              | (617,984)              |
| Capital increase   | 100,000                | 158,500                |
| Goodwill on issuance of shares   | 328                    | 612                    |
| Purchase of treasury shares  | (300,883)              | (138,764)              |
| Interest on own capital paid   | (723,358)              | (614,162)              |
| <b>FINANCING ACTIVITIES - Net cash provided by/(invested)</b>                                      | <b>3,914,556</b>       | <b>3,160,060</b>       |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>                                       | <b>135,915</b>         | <b>(284,206)</b>       |
| At the beginning of the year   | 2,035,381              | 2,342,549              |
| At the end of the year   | 2,171,296              | 2,058,343              |

## Report of Independent Auditors on Limited Reviews

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

- 1 We have carried out limited reviews of the accounting information included in the Quarterly Information of Itaúsa - Investimentos Itaú S.A. and its subsidiaries (consolidated) for the nine-month periods ended on September 30, 2005 and 2004, consisting of the consolidated balance sheets and the corresponding consolidated statements of income. This financial information is the responsibility of the Company's management.
- 2 Our reviews were carried out in conformity with specific standards established by the IBRACON - Institute of Independent Auditors of Brazil, 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 regard to the main criteria adopted for the preparation of the Quarterly Information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of Company and its subsidiaries.
- 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 Brazilian Securities Commission (CVM) regulations.

São Paulo, November 4, 2005

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Ricardo Baldin  
Contador CRC 1SP110374/O-0

# ITAÚSA - INVESTIMENTOS ITAÚ S.A.

CNPJ. 61.532.644/0001-15

Publicly-listed Company

NIRE. 35300022220

## OPINION OF THE FISCAL COUNCIL

The members of **ITAÚSA - INVESTIMENTOS ITAÚ S.A.**'s Fiscal Council, after examining the management report and the financial statements for the quarter ended September 30, 2005, have verified the correctness of all elements presented and understand that they fairly reflect the Company's accounts, financial position and the activities during the period, recommending that they be approved by the Company's Board of Directors.

São Paulo-SP, November 7, 2005.

JOSÉ MARCOS KONDER COMPARATO  
*Chairman*

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA

**ITAÚSA - INVESTIMENTOS ITAÚ S.A.**  
**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**  
**PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In thousands of reais)

**NOTE 1 - TAXES****a) Composition of expenses with taxes and contributions**

Charges with income tax and Social contribution on operations for the period related to temporary additions and exclusions are as follows:

| Due on Operations for the Period   | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|--|------------------------|------------------------|
| <b>Income before income tax and social contribution</b>                                      | <b>2,355,739</b>       | <b>1,676,943</b>       |
| <b>Charges (Income tax and social contribution) at the rates of 25% and 9%, respectively</b> | <b>(800,951)</b>       | <b>(570,161)</b>       |
| <b>Increase/decrease in income tax and social contribution charges arising from:</b>         |                        |                        |
| <b>Permanent (inclusions) exclusions</b>   | <b>608,315</b>         | <b>523,760</b>         |
| Investments in affiliates and associated companies   | 647,280                | 524,950                |
| Interest on own capital  | (36,890)               | 5,519                  |
| Other provisions   | (2,075)                | (6,709)                |
| <b>Temporary (inclusions) exclusions</b>   | <b>221</b>             | <b>1,200</b>           |
| Other provisions   | 221                    | 1,200                  |
| <b>Offset on tax losses/Negative social contribution basis</b>                               | <b>44,897</b>          | <b>18,879</b>          |
| <b>Total income tax and social contribution</b>  | <b>(147,518)</b>       | <b>(26,322)</b>        |

**b) Tax credits**

There are unrecorded tax credits in the amount of R\$ 983 (R\$ 33,705 from 01/01 to 09/30/2004).

**c) Taxes and Social Security Contributions**

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

|                                 | 09/30/2005    | 09/30/2004   |
|---------------------------------|---------------|--------------|
| <b>Short-term</b>               |               |              |
| Taxes and contributions payable | 43,270        | 1,500        |
| <b>Long-term</b>                |               |              |
| Provision for tax contingencies | 10,212        | 7,614        |
| <b>Total</b>                    | <b>53,482</b> | <b>9,114</b> |

**NOTE 2 - FOREIGN CURRENCIES**

The balances in reais linked to foreign currency were:

|   | 09/30/2005       | 09/30/2004         |
|---|------------------|--------------------|
| Permanent foreign investments   | 149,157          | 189,565            |
| Net amount of assets and liabilities indexed to foreign currency, including derivatives | (761,045)        | (1,364,497)        |
| <b>Net foreign exchange position</b>  | <b>(611,888)</b> | <b>(1,174,932)</b> |

### NOTE 3 – DERIVATIVE FINANCIAL INSTRUMENTS

**a) Derivative financial instruments** - At September 30, 2005 there were no outstanding derivative transactions.

**b) Market value** - The financial statements are prepared in conformity with the accounting principles, which presupposes the normal continuity of the operations of ITAÚSA.

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.

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

- Government securities, in Securities, were determined based on their market value, approved by the comparison with information provided by the National Association of Open Market Institutions (ANDIMA).
- Investment Fund Quotas, in Securities, at the quota value on the balance sheet date.
- Shares of listed companies, when included in Securities, by the average rate available in the last trading session of the month, or, if not, the most recent rate quotation in prior trading sessions, published in the Daily Report of each Stock Exchange.

**NOTE 4 - 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.

**I. Calculation**

|                               |           |        |
|-------------------------------|-----------|--------|
| Net income                    | 1,834,366 |        |
| Adjustments                   |           |        |
| (-) Legal reserve             | (91,718)  |        |
| Calculation basis of dividend | 1,742,648 |        |
| Interest on own capital       | 522,794   | 30.00% |

**II. Payment/provision for interest on own capital**

|  | Gross          | WHT           | Net            |
|--|----------------|---------------|----------------|
| <b>Paid/Prepaid</b>  |                |               |                |
| Quarterly - 1 installment of R\$ 9.50 per thousand shares, paid in July 2005.          | 30,758         | 4,614         | 26,144         |
| Supplementary - R\$ 38.00 per thousand shares, paid at 08/22/2005.                     | 122,369        | 18,356        | 104,013        |
| <b>Provisioned</b>   |                |               |                |
| Quarterly - 1 installment of R\$ 9.50 per thousand shares, paid in October 2005.       | 30,408         | 4,561         | 25,847         |
| Quarterly - 1 installment of R\$ 9.50 per thousand shares, to be paid in January 2006. | 30,355         | 4,553         | 25,802         |
| Supplementary to be declared   | 401,162        | 60,174        | 340,988        |
| <b>Total at 09/30/2005</b>   | <b>615,052</b> | <b>92,258</b> | <b>522,794</b> |
| <b>Total at 09/30/2004</b>   | <b>433,116</b> | <b>64,968</b> | <b>368,148</b> |

**NOTE 5 - REVENUE RESERVES**

|                                      | <b>09/30/2005</b> | <b>09/30/2004</b> |
|--------------------------------------|-------------------|-------------------|
| <b>Revenue reserves</b>              | <b>5,190,590</b>  | <b>4,589,616</b>  |
| Legal                                | 562,448           | 423,804           |
| Statutory                            | 4,628,142         | 4,165,812         |
| Dividends equalization (1)           | 1,791,624         | 1,785,809         |
| Working capital increase (2)         | 1,329,840         | 1,071,822         |
| Increase in capital of investees (3) | 1,506,678         | 1,308,181         |

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

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

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

## NOTE 6 - RECONCILIATION OF NET INCOME AND STOCKHOLDERS' EQUITY BETWEEN ITAÚSA AND ITAÚSA CONSOLIDATED

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

|                            | Net income             |                        | Stockholders' equity |                  |
|----------------------------|------------------------|------------------------|----------------------|------------------|
|                            | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 | 09/30/2005           | 09/30/2004       |
| <b>ITAÚSA</b>              | <b>1,834,366</b>       | <b>1,550,099</b>       | <b>10,118,795</b>    | <b>8,623,402</b> |
| Goodwill amortization      | (4,553)                | (181,191)              | (774,107)            | (446,235)        |
| Tax credit                 | (74,199)               | (1,037)                | 279,715              | 376,434          |
| Unrealized results         | -                      | 1,386                  | (120)                | (120)            |
| <b>ITAÚSA CONSOLIDATED</b> | <b>1,755,614</b>       | <b>1,369,257</b>       | <b>9,624,283</b>     | <b>8,553,481</b> |



## NOTE 7 - INVESTMENTS

## a) Interest in Subsidiaries - ITAÚSA

| Companies                                     | Balances at 12/31/2004 (a) | Subscriptions/ Purchases | Receipt/ Provision for divid. and Interest on Own Capital | Interest in subsidiaries | Adjustment to marketable securities of subsidiaries | Amortization of goodwill | Prior-year adjustments (d) | Other            | Balances at 09/30/2005 (a) | Book value of investment at 09/30/2004 (a) | Interest in subsidiaries at 09/30/2004 |
|---|----------------------------|--------------------------|---|--------------------------|---|--------------------------|----------------------------|------------------|----------------------------|--|--|
| Banco Itaú Holding Financeira S.A.            | 6,957,499                  | 75,770                   | (629,465)   | 1,910,422 (b)            | (83,841)  | (1,567)                  | (40,727)                   | (370,944) (e)    | 7,817,147                  | 6,375,653                                  | 1,397,586 (b)                          |
| Itaúsa Export S.A.                            | 603,423                    |                          | -   | (124,558)                | (8,607)   | (449)                    | (51,389)                   |                  | 418,420                    | 584,267                                    | 19,533                                 |
| Itaucorp S.A.                                 | 452,032                    |                          |   | 59,118                   |   |                          |                            |                  | 511,150                    | 431,461                                    | 59,276                                 |
| Duratex S.A.                                  | 316,598                    |                          | (11,630)  | 26,171 (b)               |   |                          |                            |                  | 331,139                    | 317,623                                    | 24,650 (b)                             |
| Itautec Philco S.A.                           | 193,681                    |                          | (3,885)   | 63,697                   |   |                          |                            | (42,768) (f)     | 210,725                    | 183,487                                    | 24,256                                 |
| Itaúsa Europa - Investimentos, SGPS, LDA.     | 115,516                    |                          |   | (17,983) (c)             | (1,529)   |                          | (13,830)                   |                  | 82,174                     | 111,011                                    | 6,547 (c)                              |
| Elektopart Participações e Administração S.A. | 66,180                     |                          |   | 793                      |   |                          |                            |                  | 66,973                     | 65,868                                     | 893                                    |
| Ith Zux Cayman Company Ltd.                   | 42,434                     |                          |   | (7,734) (c)              |   |                          |                            |                  | 34,700                     | 46,271                                     | (132) (c)                              |
| Elekeiroz S.A.                                | 7,608                      |                          | (356)   | 1,393                    |   |                          |                            |                  | 8,645                      | 7,311                                      | 1,923                                  |
| Companhia Brasileira de Componentes           |                            |                          |   | (2,419)                  |   |                          |                            | 42,768 (f)       | 40,349                     |  |  |
| Other subsidiaries                            | 5,915                      |                          |   | 52                       |   |                          |                            | (17) (g)         | 5,950                      | 5,649                                      | 386                                    |
| <b>GRAND TOTAL</b>                            | <b>8,760,886</b>           | <b>75,770</b>            | <b>(645,336)</b>  | <b>1,908,952</b>         | <b>(93,977)</b>                                     | <b>(2,016)</b>           | <b>(105,946)</b>           | <b>(370,961)</b> | <b>9,527,372</b>           | <b>8,128,601</b>                           | <b>1,534,918</b>                       |

(a) Includes total goodwill/negative goodwill, being: R\$ 7,655 at 12/31/2004, R\$ 52,630 at 09/30/2005, and R\$ 7,804 at 09/30/2004;

(b) Includes non-operating expense for variation of interest, being: revenue of R\$ 5,187 at 09/30/2005, and expense of R\$ 9,052 at 09/30/2004;

(c) Includes total exchange variation, being: expense of R\$ 40,352 at 09/30/2005, and expense of R\$ 3,728 at 09/30/2004;

(d) Note 16c - consolidated;

(e) Non-recurring expenses segregated to Extraordinary Result (see Note 8);

(f) Partial spin-off of Itautec Philco at 07/29/2005, for the incorporation of Companhia Brasileira de Componentes;

(g) Disposals occurred during the first quarter of 2005.

| Companies                                     | Capital   | Adjusted net equity | Adjusted net income for the period | Number of shares owned by ITAÚSA |             | Holding in voting capital (%) | Holding in capital (%) |
|---|-----------|---------------------|------------------------------------|----------------------------------|-------------|-------------------------------|------------------------|
|   |           |                     |                                    | Common                           | Preferred   |                               |                        |
| Banco Itaú Holding Financeira S.A.            | 8,300,000 | 16,124,843          | 3,931,389                          | 53,442,566                       | 2,803       | 88.34                         | 47.98                  |
| Itaúsa Export S.A.                            | 450,000   | 685,753             | (160,153)                          | 13,496,788,170                   | 136,168,384 | 80.00                         | 77.77                  |
| Itaucorp S.A.                                 | 220,000   | 526,084             | 58,867                             | 23,819,714                       | 7,871,959   | 99.99                         | 99.99                  |
| Duratex S.A.                                  | 325,000   | 1,035,450           | 105,777                            | 14,183,161                       | 4,911,557   | 64.36                         | 32.43                  |
| Itautec Philco S.A.                           | 194,835   | 314,716             | 39,250                             | 155,411,287                      | -           | 89.17                         | 89.17                  |
| Itaúsa Europa - Investimentos, SGPS, LDA.     | 653,958   | 851,853             | 112,534                            | 29,708,318                       | -           | 12.14                         | 12.14                  |
| Elektopart Participações e Administração S.A. | 102,000   | 243,329             | 40,077                             | 10,126,925                       | -           | 1.97                          | 1.97                   |
| Ith Zux Cayman Company Ltd.                   | 77,778    | 45,765              | 976                                | 35,000,000                       | -           | 100.00                        | 100.00                 |
| Companhia Brasileira de Componentes           | 38,657    | 45,251              | (2,714)                            | 155,411,287                      | -           | 89.17                         | 89.17                  |
| Elekeiroz S.A.                                | 200,000   | 313,544             | 34,758                             | 11,183,657                       | 12,628,787  | 3.85                          | 3.78                   |

**NOTE 8 – EXTRAORDINARY RESULT**

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

|   | <b>09/30/2005</b> |
|---|-------------------|
| Non-operating loss - Itaú Holding - acquisition of treasury shares (1)(2) | (347,418)         |
| Provision for corporate restructuring - Itaú Holding (3)                  | (23,526)          |
| <b>Total</b>  | <b>(370,944)</b>  |

*(1) Corresponds to non-operating loss of equity investment arising from acquisition, by subsidiary Banco Itaú Holding Financeira S.A., of shares of own capital for maintenance in treasury, held by Caja de Ahorros Y Pensiones de Barcelona (LA CAIXA), as disclosed in significant event at 06/07/2005.*

*(2) Includes non-operating loss of equity investment amounting to R\$ 14,589 arising from acquisition of own shares by subsidiary ITAÚ HOLDING.*

*(3) Refers to participation in operating expenses on New Agreement for Credicard Management (disclosed in significant event by subsidiary at 02/01/2005) and other corporate restructuring, net of tax effects.*

**NOTE 9 - STATEMENT OF CASH FLOWS**

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

|  | 01/01 to<br>09/30/2005 | 01/01 to<br>09/30/2004 |
|--|------------------------|------------------------|
| <b>Adjusted net income</b>   | <b>299,109</b>         | <b>113,264</b>         |
| Net income   | 1,834,366              | 1,550,099              |
| Adjustment to net income:  | (1,535,257)            | (1,436,835)            |
| Goodwill amortization  | 2,016                  | 449                    |
| Equity in the results of affiliates and associated companies                 | (1,908,952)            | (1,534,916)            |
| Extraordinary result   | 370,944                | 97,488                 |
| (Reversal) provision for losses  | 69                     | (569)                  |
| Depreciation and amortization  | 666                    | 713                    |
| <b>Changes in assets and liabilities</b>                                     | <b>867</b>             | <b>(63,781)</b>        |
| (Increase) Decrease in securities and derivative financial instruments       | (75,108)               | (77,108)               |
| (Increase) Decrease in other credits and other assets                        | 26,108                 | 13,212                 |
| (Increase) Decrease in prepaid expenses                                      | -                      | (30)                   |
| (Decrease) Increase in provisions and accounts payable and other liabilities | 49,867                 | 145                    |
| <b>OPERATING ACTIVITIES - Net cash provided by/(invested)</b>                | <b>299,976</b>         | <b>49,483</b>          |
| Sale of investments  | 42,776                 | 12                     |
| Sale of fixed assets   | 5                      | -                      |
| Purchase of investments  | (118,539)              | (3,347)                |
| Purchase of fixed assets   | (3)                    | (105)                  |
| Interest on own capital/dividends received                                   | 699,100                | 547,961                |
| <b>INVESTMENT ACTIVITIES - Net cash provided by/(invested)</b>               | <b>623,339</b>         | <b>544,521</b>         |
| Goodwill on subscription of shares   | 328                    | 612                    |
| Capital increase   | 100,000                | 158,500                |
| Purchases of treasury shares   | (300,883)              | (138,764)              |
| Interest on own capital paid   | (723,358)              | (614,162)              |
| Reserves arising from tax incentives   | 535                    | -                      |
| <b>FINANCING ACTIVITIES - Net cash provided by/(invested)</b>                | <b>(923,378)</b>       | <b>(593,814)</b>       |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>                 | <b>(63)</b>            | <b>190</b>             |
| At the beginning of the period   | 193                    | 2                      |
| At the end of the period   | 130                    | 192                    |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET</b>                 | <b>(63)</b>            | <b>190</b>             |