

Itaúsa - Investimentos Itaú S.A.

Complete Financial Statements

Periods from January 01 to March 31, 2003 and 2002

Information Published since 05-13-03

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Itaúsa - Investimentos Itaú S.A.

The Management Report

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Management Report - First Quarter 2003

To Our Stockholders:

We are pleased to present the Management Report and financial statements of Itaúsa - Investimentos Itaú S.A. and its subsidiaries for the first quarter of 2003, which have been prepared in accordance with the regulations of the Brazilian Corporate Law and the Brazilian Securities Commission (CVM). They also have the favorable opinion of the Fiscal Council.

THE ECONOMY

The new administration, which took office in January, has taken actions based on market-oriented mechanisms, while demonstrating the will to implement structural reforms. This has had favorable repercussions on Brazil's sovereign risk and the exchange rate.

Accumulated inflation in the first quarter of the year was 5.1% (IPCA). This was primarily attributable to the strong currency devaluation at the end of 2002. Monetary and fiscal policies have remained austere, thus postponing the return to strong economic growth. On the other hand, these policies have been effective in combating inflation provoking valuation of the Brazilian Real.

Foreign investor confidence has been recovering gradually, making it possible for the private sector to borrow US\$ 4.1 billion over the first quarter. A successful offering of US\$ 1 billion in Brazilian government bonds took place at the end of April. In addition, the objectives agreed to with the International Monetary Fund (IMF) will most likely be met, allowing the disbursement of approximately US\$ 26 billion over the year, which together with the growing trade surplus, should guarantee that there will be no surprises in relation to the balance of payments.

Industrial production has recovered, compared to the prior year, particularly the mining industry and manufacturing industries focusing on exports and import substitution.

Production in electrical appliances, chemical and civil construction sectors, however, remained down, although showing an improvement compared to 2002.

The credit granting by the private financial sector with own resources has been practically unchanged related to GDP (around 15%), with expansion relying on the consistent resumption of economic activity and the vote of reforms that will allow a decrease of credit risk.

Main Indicators of Results

(R\$ Thousands)

	Parent company		Minority stockholders		Conglomerate	
	03/31/2003	03/31/2002	03/31/2003	03/31/2002	03/31/2003	03/31/2002
Total net income	335,765	245,332	378,617	269,723	714,382	515,055
Recurring net income	620,858	279,420	662,935	269,723	1,283,793	549,143
Extraordinary net income	(285,093)	(34,088)	(284,318)	-	(569,411)	(34,088)
Stockholders' equity	6,651,932	5,229,803	6,050,605	4,725,612	12,702,537	9,955,415
Annualized return (net income/stockholders' equity) (%)	21.77	20.23	27.48	24.86	24.47	22.36
Dividends/Interest on own capital	142,743	58,562	171,837	65,342	314,580	123,904

Main Financial Indicators

	03/31/2003	03/31/2002	Growth %
Results per thousand shares - R\$			
Net income	106.63	79.90	33.46
Book value	2,112.53	1,703.24	24.03
Price of registered preferred share PN (1)	2,006.32	2,349.00	(14.59)
Price of common share ON (1)	3,273.33	3,462.86	(5.47)
Market capitalization (2) - in thousands of R\$	7,782,265	8,468,304	(8.10)

(1) Based on the average quotation in the month of March 2003.

(2) Calculated based on the average quotation for preferred shares in March 2003.

Main Indicators of the Companies Controlled by Itaúsa

(R\$ Million)

	1st quarter	FINANCIAL AND INSURANCE AREA		INDUSTRIAL AREA			CONSOLIDATED/ CONGLOMERATE (2)
		Banco Itaú Holding Consolidated	Insurance, Pension Plan, Capitalization (1)	Duratex	Itautec Philco	Elekeiroz	
Total assets	2003	113,097,647	7,346,205	1,617,161	928,816	459,834	116,583,288
	2002	79,370,455	5,267,546	1,397,809	786,794	218,420	82,466,576
Operating revenue (3)	2003	6,259,468	1,453,825	248,716	312,480	168,371	6,999,181
	2002	4,886,937	909,555	179,114	301,729	30,932	5,413,163
Net income	2003	714,162	161,145	20,509	10,127	17,149	714,382
	2002	503,692	68,969	12,083	8,011	2,694	515,055
Stockholders' equity	2003	9,983,392	1,931,091	912,321	315,992	222,441	12,702,537
	2002	7,842,448	1,505,478	870,068	275,695	157,647	9,955,415
Annualized profitability (Net income/ Stockholders' equity) %	2003	31.83%	37.79%	9.30%	13.45%	34.59%	24.47%
	2002	28.27%	19.62%	5.67%	12.14%	7.01%	22.36%
Internal fund raising (4)	2003	2,148,550	400,035	36,240	26,861	26,204	2,183,641
	2002	1,070,119	61,725	53,408	21,624	4,947	1,090,383

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

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

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

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

(4) Covers resources arising from operations:

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

Independent Audit - CVM Instruction 381

The policy complied with by ITAÚSA regarding the engagement of services not related to external audit from our independent auditors is based on the principles preserving the independence of the independent auditor. These principles consist, according to internationally accepted principles, in: (a) the auditor not auditing his own work, (b) the auditor not performing managerial roles for his client, and (c) the auditor not promoting the interests of its client.

In the period ITAÚSA S.A. reports that PricewaterhouseCoopers Auditores Independentes was not engaged/did not render services to ITAUSA S.A. or its subsidiaries in amounts higher than 5% of total external audit costs.

BANCO ITAÚ HOLDING FINANCEIRA S.A.

Formation of Banco Itaú Holding Financeira S.A. and stock restructuring

The strong presence of Itaú in the different market segments and the orientation of Itaú-BBA in the corporate market deepen its segmentation process.

On February 27, 2003 the Brazilian Central Bank approved the stock restructuring through which Banco Itaú Holding Financeira S.A. started controlling all companies, segments, and financial businesses of the Itaúsa Conglomerate. Banco Itaú Holding is a multiple bank and will play the role of a financial holding company, centralizing the areas of risk control, audit and treasury of the financial conglomerate. Banco Itaú S.A. became its wholly subsidiary and Banco Itaú-BBA, partial subsidiary with 95.75% of its capital being controlled by Banco Itaú Holding.

As of this restructuring, Banco Itaú Holding incorporated all shares of Banco Itaú on March 24, 2003. The stocks of Banco Itaú were replaced by shares in Banco Itaú Holding, at one share in Banco Itaú Holding to each share in Banco Itaú, of the same kind and with the same features, both for common and for preferred shares. No changes were made regarding dividends to stockholders and negotiability of the shares, thus not requiring any measures from their side.

Conclusion of association between Banco Itaú and Banco BBA Creditanstalt and creation of Banco Itaú-BBA

The association of Banco Itaú S.A. and Banco BBA Creditanstalt S.A. was concluded and approved on February 26, 2003, after approval by the proper authorities and after its financial settlement. The new bank, Banco Itaú-BBA S.A., already operational, is now the distribution channel for specialized services provided to large corporate customers of Itaú. The new team includes specialized professionals who bring together the abilities and know-how required to do business in this important and competitive market segment.

BBA Creditanstalt's private banking, asset management, and brokerage services areas, as

well as the consumer finance portfolio of Fináustria Companhia de Crédito, Financiamento e Investimento, have been transferred to Banco Itaú. The assimilation of these areas significantly strengthens the already prominent position of the Bank in these markets.

Acquisition of Banco Fiat

The formation of a strategic partnership with Fiat Automóveis S.A., was concluded on March 26, 2003, resulting in the acquisition of 99.99% of the capital of Banco Fiat S.A. by Banco Itaú. The Central Bank of Brazil has approved the acquisition; all contracts have been signed; and settlement has occurred.

Insurance, Pension Plans, and Capitalization

Itaú Seguros (Itauseg) and its subsidiaries presented net income of R\$ 163 million in the quarter, representing an annualized return of 38.8% on net stockholders equity of R\$ 1,912 million. Consolidated premiums, excluding medical/health insurance, reached R\$ 450 million and technical provisions totaled R\$ 839 million. The claims ratio was 61.1%, compared to 49.8% in the first quarter of 2002. The combined ratio reached 105.1%, compared to 92.4% in the first quarter of 2002.

The transfer of the individual life insurance portfolio sold through the Bank to Itauprev, concluded in November 2002, changed product mixes. It is important to note that the rest of Itauseg's life insurance portfolio mainly consists of group life insurance, which has a claims ratio profile that is higher than the individual portfolio (which was the major component in the first quarter of 2002).

Itaú Previdência e Seguros (Itauprev) was ranked third in technical provisions and second in revenue and technical provisions for the PGBL and VGBL product families. Revenue from pension plans and VGBL premiums totaled R\$ 331 million in the quarter, growing 144.6% in relation to the same quarter in the prior year. The investment portfolio for pension plans and VGBL grew 102.6% in relation to the first quarter of 2002, reaching R\$ 3,017 million.

Technical provisions for Itaú Capitalização totaled R\$ 897 million.

ITAÚSA PORTUGAL

Focusing the financial activities of the conglomerate in the European Union, the holding company Itaúsa Portugal registered, at the period end, total consolidated assets of €2.2 billion, a 5.6% growth compared to December 2002. Consolidated net income reached €9.0 million, with an annualized return of 12.3% on consolidated stockholders' equity of €299.9 million.

Banco Itaú Europa's performance in capital markets stood out in the quarter, contributing decisively to the first offering of Banco Itaú denominated in Euros, which totaled €60 million, as well as the issue of Euro Certificates of Deposit totaling US\$ 200 million. The Bank worked in a coordinated effort together with the various units of Banco Itaú Holding in Brazil and New York to assure broad geographic distribution among a diversified group of investors.

Also noteworthy were the start-up of activities of the London branch of Itaú Europa on January 1, 2003, the main thrust of which will be the capital markets area, primarily Brazilian debt, as well as the assumption of control over Banco Itaú Europa Luxemburgo S.A. on March 29, 2003, the main business of which is private banking.

The positive financial indicators presented by the Bank confirm its financial soundness and the expansion of the various business areas that contributed decisively to the diversification of revenues.

Associated company BPI, S.A., holding company of one of the most important Portuguese banking groups, in which the Itaú Conglomerate has a 15.1% stake, registered consolidated assets of €25.6 billion and net income of €38.9 million.

(R\$ Million)

	Itaú Europa + Itaú Luxemburgo		
	03/31/2003	03/31/2002	% Change
Consolidated Assets	8,653	4,132	109.4
Credit Operations	2,819	1,189	137.1
Own unrestricted and third-party funds	8,300	3,962	109.5
Managed assets	1,143	668	71.0
Net stockholders equity	848	482	75.8
Net income	21	15	41.4
Annualized return (%)	10.1	12.6	-
Annualized return on assets (%)	1.0	1.4	-
Liquidity ratio %	24.5	26.9	-

DURATEX

Despite the unstable economic scenario, adverse to business expansion, the Company posted consolidated sales of R\$ 280.5 million, a 22.8% increase as compared to 2002. Exports increased 10% in the period to total US\$ 9.8 million. Operating results totaled R\$ 40.3 million, corresponding to an EBITDA of R\$ 55.1 million, 21% higher than the first quarter of prior year. Net income for the quarter was R\$ 20.5 million, way higher than the R\$ 12.1 million obtained in 2002, which was absorbed by the devaluation of the investment in Argentina. Operating cash generation totaled R\$ 33.5 million.

The sales volume of the Wood Division (Divisão Madeira) for the first quarter of 2003 decreased 3% as compared to the prior year. This decline was caused by sluggish furniture sales in shops and department stores. The decrease in the volume of panels sold in the domestic market was offset by an increase in exports, stimulate by a stronger dollar.

Early February, the new MDF/HDF/SDF plant in Botucatu, State of São Paulo (SP).started up operations. This new industrial unit consolidates Duratex as a frontrunner in the production of manufactured wood panels.

The Deca Division's sales volume was 11% higher than in 2002 due to a more aggressive sales policy. On the other hand, the impacts of the foreign exchange rate hike and salary raises in 2002 resulted in an increase in costs and a decrease in margins.

The Company's Investment Plan totaled R\$ 72.6 million in funding, where the main investments in fixed assets represent R\$ 54.8 million. Investment highlights are the assembly of the new MDF/HDF/SDF plant in Botucatu (SP), which started up in February this year, the acquisition of 2,200 ha of forests in the Botucatu region, which will supply the new panel line, the beginning of the assembly of a cut-to-size saw in the Board plant in Jundiaí (SP), and the works to install a new furnace in the Sanitaryware Plant II in Jundiaí (SP).

ITAUTEC PHILCO

Itautec Philco's investment plan (PAR) funding amounted to R\$ 23.3 million for the quarter, and comprised the following: R\$ 2.8 million in equipment for rental to customers, R\$ 11.5 million for technology development, R\$ 3.2 million in fixed assets for industrial automation and modernization of plants and to develop internal IT manufacturing base, and R\$ 5.8 million for promotions and advertising.

In March, Itautec participated for the first time with its own stand in the CeBIT, in Hannover, the world's largest technology fair. This allowed Itautec to show several of its different product lines in the international market. During the event, the Company received, for the second consecutive time, the design award granted by the International Forum Designer, this time for the Password Issuer ATM.

Sales of the ATM Business Unit (BU) grew 64% as compared to first quarter of 2002. The export of booths to Uruguay stands out in foreign trade activities.

In the Banking Automation BU note the export of network equipment for the payment of benefits to retired workers, integrated with the coin dispenser, which will avoid waiting in line to receive the balance in coins. In the quarter, the corporate market remained on standby, which caused a decrease of 40% in sales as compared to the same quarter in 2002.

Sales of the commercial automation BU solutions grew 13% as compared to the same quarter of 2002.

The highlight of the Micros & Mobiles BU (PCs, notebooks and PDAs) in the quarter was the launching of the Infoway Note, using Centrino technology, together with the world launching of the new Intel platform.

In the first quarter, the Servers BU sales were 83% higher than in the same quarter of 2002.

In the domestic market, the interface developed by Itautec's e-business solutions BU was

chosen as standards interface for on-line web-based payments, by a large financial services company.

This quarter, Itaotec.com Serviços started its joint operations with a major Telecom company for the sale of ADSL modems and support to their users. The entire learning operation was transferred to the Tatuapé unit to increase competitiveness and full integration of Itaotec.com Serviços.

This quarter, at Philco, the High End Products BU continued to post a good performance, with a 9% increase in wide screen TV shipments, especially of the Real Flat models, with an increase of 28% compared to prior year.

DVD player sales also recorded a good performance. Another model was launched, the DVP3500 Progressive Scan, a perfect match for the also innovative digital TV, the HDTV Digital Ready.

Net revenues of Itaucom's Semiconductors BU were 14% higher when compared to the first quarter of 2002 because new markets were conquered, despite the downturn of the IT market on the whole. The DDR module represented 54% of the shipped volume, also thanks to the introduction of the product SODIMM – DDR for notebooks.

In the printed circuit boards BU, net revenues increased 40% as compared to the first quarter of 2002. The downturn in the domestic market was offset by exports, the net revenues of which were 84% higher than in the same quarter of 2002, reaching a 48% share in the circuit boards area.

ELEKEIROZ

Total shipments of Elekeiroz were 10% higher than in the first quarter of 2002, reaching 78.4 thousand tons. The Company recorded an increase in all product lines. Organic products increased 17%, to 24.7 thousand tons, where on average this area's plants worked at 85% of total capacity, while inorganic products increased 7%, to 53.7 thousand tons shipped, and recorded an average plant production of 80% of installed capacity.

In Ciquine, total shipments reached 39.0 thousand tons, with an increase of 18% in relation to the first quarter of 2002, of which 26.2 thousand tons to local market (increase of 4%) and 12.8 thousand tons to foreign market (increase of 65%) representing 33% of total volume.

As opposed to this favorable scenario in shipped volumes, there was an expressive increase in raw material prices, due to the increase in US dollar and Brazilian Real oil and petrochemical naphtha prices, leading to lower sales prospects due to a decrease in the end consumers' income, caused by a weaker economy growth, and a probable cut in export margin.

Consolidated export revenues, included in gross sales, reached R\$ 35.1 million for the quarter.

Elekeiroz and Ciquine consolidated figures were as follows: gross revenues R\$ 184.8 million, operating profit R\$ 26.9 million, closing net income R\$ 18.3 million, and EBITDA R\$ 32.8

million. Return on closing equity in quarter was 8.2%.

ITAÚSA EMPREENDIMENTOS

The market for high-standard residential properties continued stable. The Ville Belle Époque condominium sold 51 units since launching in October 2002.

In the second half of 2003, a new residential development will be launched in the Morumbi district, São Paulo, in association with Construtora Liderança, financed by Caixa Econômica Federal.

The large offer of office space in city of São Paulo has been causing a drop in rent prices. The demand for areas over 800 m² has shown some growth signs.

At the Raposo Shopping mall, sales increased 12.8% as compared to the same quarter in 2002, especially due to middle market sales. This results from the investments made and the ongoing improvement of its management.

ACKNOWLEDGEMENTS

We wish to thank our stockholders for their support and trust towards us. We are also grateful to our companies' customers for their loyalty and their welcome to the innovations made to their products and services. To our employees and associates, we also wish to express our appreciation for their endeavor and skilled fulfillment of their activities.

(Approved at the Meeting of the Board of Directors of May 12, 2003).

Itaúsa - Investimentos Itaú S.A.

Consolidated Financial Statements

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Consolidated Balance Sheet

(In Thousands of Reals)

	03.31.2003	03.31.2002
Current assets and long-term receivables	111,741,485	77,977,709
Cash and cash equivalents	1,818,378	1,989,374
Short-term interbank deposits	15,130,841	8,796,653
Securities and derivatives	26,643,877	20,392,583
Interbank accounts of subsidiary companies	10,715,946	7,959,806
Loan and leasing operations	35,753,288	24,892,412
(-) Allowance for loan losses	(2,965,517)	(2,600,283)
Inventories		
Products	449,279	325,307
Real estate	12,969	45,691
Other credits	23,357,362	15,583,481
(-) Allowance for loan losses	(251,341)	(152,756)
Other assets	321,911	311,532
Prepaid expenses	754,492	433,909
Permanent assets	4,841,803	4,488,867
Investments		
Investments in affiliated companies	781,271	428,191
Other investments	134,932	353,201
Fixed Assets		
Property for own use	3,404,372	3,271,336
Leased properties	97,610	62,967
Forest reserves	85,355	74,595
Deferred charges	338,263	298,577
TOTAL ASSETS	116,583,288	82,466,576

	03.31.2003	03.31.2002
Current and long-term liabilities	103,738,230	72,424,813
Funds raised by subsidiary companies		
Foreign currency	13,447,973	6,602,121
Domestic currency	43,589,924	31,393,359
Open market	11,417,344	11,586,202
Subordinated debts	4,965,667	1,408,788
Derivative financial instruments	1,282,790	528,609
Borrowings		
Foreign currency	493,403	381,905
Domestic currency	366,652	455,169
Dividends payable	526,041	316,854
Taxes and social security contributions	2,918,679	2,747,560
Provisions and accounts payable	17,466,608	10,139,636
Interbank accounts of subsidiary companies	2,458,797	3,584,723
Technical provisions for insurance, pension plan and capitalization	4,804,352	3,279,887
Deferred income	142,521	86,348
Minority interest in subsidiaries	6,050,605	4,725,612
Stockholders' equity from parent company	6,651,932	5,229,803
Capital	3,000,000	2,316,939
Capital reserves	25,073	25,392
Revaluation reserve	52,703	54,495
Revenue reserve	3,447,628	2,832,977
Adjustment to market value - securities and derivatives	126,528	-
Stockholders' equity of the ITAÚSA Conglomerate	12,702,537	9,955,415
TOTAL LIABILITIES	116,583,288	82,466,576

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Consolidated Statement of Income

(In thousands of Reais)

	01.01 to 03.31.2003	01.01 to 03.31.2002
Operating revenues	6,999,181	5,413,163
Operating expenses	(4,999,486)	(4,691,279)
Operating income	1,999,695	721,884
Non-operating income	(45,419)	(11,330)
Income before taxation on profit and profit sharing	1,954,276	710,554
Income tax and social contribution	(582,851)	(127,297)
Due on operations for the period	(546,955)	(215,341)
Deferred related to temporary additions	(35,896)	88,044
Extraordinary result	(569,411)	(34,088)
Parent company	(285,093)	(34,088)
Relating to minority interest in subsidiary companies	(284,318)	-
Profit sharing	(87,632)	(34,114)
Employees - Law 10,101 of December 19, 2000	(60,263)	(27,066)
Directors - Statutory - Law 6,404 of December 15, 1976	(27,369)	(7,048)
Net income relating to minority interest of subsidiary companies	(378,617)	(269,723)
Net income of parent company	335,765	245,332
Net income relating to minority interest of subsidiary companies	378,617	269,723
NET INCOME OF THE ITAÚSA CONGLOMERATE	714,382	515,055

Number of outstanding shares (in thousands)	3,148,803	3,070,505
Net income of parent company per thousand shares (R\$)	106.63	79.90
Book value of parent company per thousand shares (R\$)	2,112.53	1,703.24
Recurring net income of parent company	620,858	279,420
Variation of recurring net income of parent company	122.2%	-
Extraordinary result	(285,093)	(34,088)
Total parent company	335,765	245,332

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Note 1 - Operations

(In Thousands of Reais)

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

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Note 2 - Presentation of the Financial Statements

(In Thousands of Reais)

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

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



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Note 3 - Consolidated Financial Statements

(In Thousands of Reals)

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

		Participation (%)	
		03/31/2003	03/31/2002
Financial Institutions			
Banco Itaú Holding Financeira S.A.	(a)	46.66	47.81
Banco Itaú S.A.		46.66	47.81
Banco Banerj S.A.		46.66	47.81
Banco Bemge S.A.	(a)	46.59	47.74
Banco Banestado S.A.	(a)	45.45	46.56
Banco Itaú-BBA S.A.	(b)	44.68	-
Banco BEG S.A.	(a)	46.12	40.38
Banco FIAT S.A.	(c)	46.66	-
Banco Itaú Buen Ayre S.A.		46.66	47.81
Banco Itaú Europa Luxembourg S.A.		89.54	89.76
Banco Itaú Europa, S.A.		89.58	89.80
Itau Bank, Ltd.		46.66	47.81
BBA Creditanstalt Bank Ltd.	(b)	44.68	-
Cia. Itauleasing de Arrendamento Mercantil		46.66	47.81
Itaú Corretora de Valores S.A.		46.66	47.81
Itaucard Financeira S.A. Crédito, Financiamento e Investimento		46.66	47.81
Credicard S.A. Administradora de Cartões de Crédito	(d)	15.55	15.94
Redecard S.A.	(d)	14.91	15.27
Itaú Administradora de Consórcio Ltda.		46.66	47.81
FIAT Administradora de Consórcio Ltda.	(c)	46.66	-
Afinco Americas Madeira, SGPS, Sociedade Unipessoal Limitada		46.66	47.81
Itaú Rent Administração e Participações S.A.		46.66	47.81
ITAÚSA Export S.A.		88.14	88.40
Serasa – Centralização de Serviços dos Bancos S.A.	(d)	14.80	15.16
Insurance, Pension Plan and Capitalization Activities			
Itaú Seguros S.A.		46.66	47.81

Itaú Capitalização S.A.		46.66	47.81
Itaú Previdência e Seguros S.A.		46.66	47.81
Wood and Construction Materials			
Duraflora S.A.		48.69	47.23
Duratex S.A.	(a)	48.47	46.92
Technology and Electronics			
Itautec Philco S.A.	(a)	94.22	94.22
Chemical			
Elekeiroz S.A.	(a)	97.93	97.93
Real Estate			
ITAÚSA Empreendimentos S.A.		100.00	100.00
PRT Investimentos S.A.		100.00	100.00

(a) Listed company.

(b) Investments purchased by the subsidiary ITAÚ on December 31, 2002.

(c) Investments purchased by the subsidiary ITAÚ on March 26, 2003.

(d) Investments proportionally included in the consolidation.



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Note 4 - Summary of the Main Accounting Practices

(In Thousands of Reals)

a) Consolidation - All material intercompany transactions and balances have been eliminated on consolidation. Similarly, the unrealized results arising from intercompany operations were eliminated, and the related taxes were deferred.

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

b) Interbank deposits, remunerated restricted credits - Brazilian Central Bank, loans and leasing operations, remunerated deposits, funds obtained in the open market, exchange acceptances and issue of securities, borrowings and onlendings and other receivables and payables - Transactions subject to monetary correction or foreign exchange rates are recorded at present value, calculated "pro rata die" based on the variation of contracted index. Real estate loans are adjusted to the present value of future installments. Loans and leasing operations are recorded on the accrual basis until 60 days overdue. Receipts from credit recoveries on loans which had been previously written-off are credited to financial income and loan and leasing operations, respectively.

c) Securities and derivative financial instruments

- I. In ITAÚSA and non-financial subsidiaries (Industrial Area) these are recorded at cost of acquisition restated and adjusted to reflect the market value, when this is lower.
- II. In financial subsidiaries, insurance, pension plan security and capitalization companies, and its subsidiaries (Financial and Insurance Area), as from June 30, 2002, in accordance with BACEN Circulars 3068 of November 08, 2001, 3082 of January 30, 2002 and SUSEP Circular 192 of July 25, 2002:

1. Securities are classified in the following categories:

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

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

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

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

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

d) Allowance for loan losses - The balance of the allowance for loan losses was constituted based on an analysis of the credit risk in the loan portfolio, in amounts considered sufficient to cover loan losses according to the rules determined by BACEN Resolution 2682 of December 21, 1999, for the financial subsidiaries, among which are:

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

e) Prepaid expenses - These refer to the investments that will result in earnings in future years.

f) Investments - In subsidiary and affiliated companies, investments are accounted for under the equity method. The financial statements of foreign subsidiaries are adapted to comply with Brazilian accounting policies and converted into Reais. Other investments are recorded at cost, restated up to December 31, 1995.

g) Fixed assets - These are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995. For insurance, private pension and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. Depreciation is calculated using the straight-line method, based on monetarily corrected cost at the following annual rates:

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

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

i) Technical provisions of insurance, capitalization and pension plans

Technical provisions are set up according to criteria established by CNSP Resolution 89 of 08/19/2002, in effect as from January 1, 2003 and relate basically to:

- **Insurance:** provisions for unsettled claims set up based on the notices of loss, in an amount sufficient to cover future commitments and complemented by Provision for Incurred But Not Reported (IBNR) Claims, calculated by actuary based on Provision for unearned premiums relating to the risk coverage period and by provision for insufficient premiums, when necessary.
- **Supplementary Pension Plans and Individual Life Insurance:** benefits and withdrawals claimed but unpaid at the balance sheet date plus, when applicable, the corresponding charges and technical provisions set up by applying mathematical formulas, calculated by an actuary and substantiated by actuarial technical notes approved by SUSEP, denominated mathematical provisions for granted benefits, benefits to be granted, risk fluctuation and coverage for individual life plans.
- **Capitalization:** mathematical provisions for withdrawals, raffles and contingencies calculated according to actuarial technical note for each plan.

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

Income tax	15.00%
Additional income tax	10.00%
Social contribution	9.00%
PIS (*)	0.65%
COFINS	3.00%

(*) As from December 2002 included, for ITAÚSA and its non-financial subsidiaries, the rate is 1.65%.

Amounts subject to litigation have been fully provisioned.



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Note 5 - Short-term Interbank deposits – Financial Area

(In Thousands of Reais)

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

	Accounting value	
	03/31/2003	03/31/2002
Open market investments	9,581,427	5,032,010
Funded position	6,390,299	1,214,918
Financed position	3,191,128	3,817,092
Interbank deposits (*)	5,549,414	3,764,643
Total	15,130,841	8,796,653

(*) Includes allowance for losses in the amount of R\$ 1,842.

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Note 6 - Securities and Derivatives (Assets and Liabilities)

(In Thousands of Reals)

a) Summary

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

ITAÚSA CONSOLIDATED	Cost	Market value	Adjustments to market with impact on :	
			Net income	Stockholders' equity
ITAÚSA and Industrial Area:				
Securities	651,714	651,714	-	-
Financial Area:				
Securities for negotiation	8,830,298	8,843,681	13,383	
Derivative financial instruments (Assets)	2,406,029	2,155,698	(250,331)	
Securities available for sale	14,260,915	14,522,127		261,212
Securities held to maturity	1,015,657	1,015,657	-	
Subtotal	26,512,899	26,537,163	(236,948)	261,212
Tax credits				(71,056)
BBA and FIAT adjustment not reflected in Itaú				27,898
Total Adjustment to Market Value				218,054
Additional Allowance (exceeding minimum requirement) (*)		(545,000)		
Total Securities and Derivative Financial Instruments (Assets)	27,164,613	26,643,877		218,054

Derivative Financial Instruments (Liabilities)	1,457,682	1,282,790	174,892	
Minority Interest				(91,526)
Value reflected in ITAÚSA net equity				126,528

(*) Aims at covering current and future oscillation in the quotations, considering the high volatility scenarios as those observed along last year in local and foreign markets. The amount provisioned, considering in addition to appreciation of securities classified as Available for Sale of R\$ 261,212 from the account of Adjustment to Market Value - Securities (TVM) and Derivatives (reflected in Stockholders' Equity), is sufficient if the Real reaches the exchange rate of R\$ 2.80 per US dollar.

b) Derivatives

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

The derivatives negotiated are purchased for two basic purposes:

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

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

The main risk factors of the derivatives assumed at March 31, 2003 were related to the foreign exchange rate, interest rate, US dollar and Reference Rate Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to maximize the relation risk and return, even

under high volatility situation.

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

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

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

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

ITAÚSA CONSOLIDATED	Memorandum accounts Notional value		Balance sheet account Receivable/received (A Payable/paid)		Market value	Adjustment to market value
	03/31/2003	03/31/2002	03/31/2003	03/31/2002		
Future contracts	30,976,186	33,612,200	(5,272)	(58,146)	(5,272)	-
Purchase commitments	17,532,430	15,832,935	(1,129)	(113,966)	(1,129)	-
Commitment to sell	13,443,756	17,779,265	(4,143)	55,820	(4,143)	-
Swap contracts			806,802	(108,556)	718,749	(88,053)
Asset position	28,265,617	12,874,841	2,055,695	387,028	1,802,148	(253,547)
Liability position	27,458,815	12,983,397	(1,248,893)	(495,584)	(1,083,399)	165,494
Option contracts	8,943,314	4,031,299	(15,487)	(25,060)	(38,600)	23,113

Purchase commitments – purchased position	3,337,743	1,299,535	(141,328)	(52,313)	(159,913)	18,585
Commitments to sell – sold position	2,428,251	1,602,027	(35,783)	(23,283)	(30,913)	(4,870)
Purchase commitments – sold position	1,338,145	464,924	91,593	6,809	95,103	(3,510)
Commitment to sell – purchase position	1,839,175	664,813	70,031	43,727	57,123	12,908
Forward						
Sales receivable			136,754	75,753	126,255	(10,499)
Other derivative financial instruments (1)						
Asset position	1,959,265	-	57,387	-	57,387	-
Liability position	2,967,167	-	(47,165)	-	(47,165)	-
		Asset	2,426,947	538,377	2,176,616	(250,331)
		Liability	(1,457,682)	(546,120)	(1,282,790)	174,892
		Total	969,265	(7,743)	893,826	(75,439)

(1) Amounts basically in foreign currency.

Futures, swaps, options and forward mature as follows:

Clearing	0 - 30	31 - 180	181 - 365	Over 365	03/31/2003	03/31/2002
Futures	6,251,895	13,458,620	4,546,207	6,719,464	30,976,186	33,612,200
Swaps	3,069,784	7,948,987	6,764,349	8,426,802	26,209,922	12,487,813
Options	2,484,988	4,543,290	519,857	1,395,179	8,943,314	4,031,299
Other	711,922	2,570,522	1,182,014	461,973	4,926,432	-

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Note 7 - Loan Portfolio – Financial Area

(In Thousands of Reals)

a) Summary

	03/31/2003	03/31/2002
Loan operations	34,815,644	23,563,583
Lease operations	941,639	1,328,829
Other credits (1)	1,605,730	2,044,714
Advances on exchange contracts (2)	2,354,618	1,128,749
(-) Allowance for loan losses	(3,128,110)	(2,668,289)
Total	36,589,521	25,397,586
Endorsements and sureties (3)	6,672,432	4,474,453
Total with endorsements and sureties	43,261,953	29,872,039

(1) Includes operations with Credit cards, Securities Receivable, Debtors from Purchase of Values and Assets and Honored endorsements and sureties, classified in Other Credits.

(2) Includes Advances on exchange contracts and Income receivable from advances. Recorded in other credits/liabilities – Foreign exchange portfolio.

(3) Recorded in memorandum accounts.

b) Allowance for loan losses

	01/01 to 03/31/2003	01/01 to 03/31/2002
Opening balance	3,172,145	2,568,182
Balance from acquisition of institutions	87,832	-
Extraordinary result (1)	101,252	(28,236)
Net increase for the period	448,550	430,941
Write-Offs (2)	(681,669)	(302,598)
Closing balance	3,128,110	2,668,289
Minimum provision required (3)	2,285,038	1,953,289
Exceeding provision (4)	843,072	715,000

(1) On March 31, 2003, refers to adjustment of risk classification of Loan Portfolio of Banco Itaú-BBA S/A and Banco FIAT S/A and, on March 31, 2002 to additional provision of Banco Itaú Buen Ayre, net of the foreign exchange variation effects, taken to Extraordinary Result.

(2) Includes additional write-offs on the Allowance for loan losses for operations that management considers as having a low realization expectation in the Long term.

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

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



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Note 8 - Borrowings and Onlendings – Financial Area

(In Thousands of Reais)

	03/31/2003	03/31/2002
Deposits	37,991,327	27,110,064
Funds obtained in the open market	11,417,344	11,586,202
Funds from acceptances and issuance	5,256,211	3,135,584
Borrowings and onlendings	13,931,787	7,782,830
Subordinated debts	4,965,667	1,408,788
Total	73,562,336	51,023,468



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Note 9 - Other Accounts

(In Thousands of Reals)

a) Other Credits

	03/31/2003	03/31/2002
Exchange portfolio	10,361,719	3,898,416
Tax credits	3,983,768	2,965,869
Social Contribution to offset – Provisional Measure (MP) 2158 of August 24, 2001	1,369,757	1,366,458
Taxes and contributions to offset	956,126	803,275
Operations with credit cards	1,490,200	1,317,370
Deposits in guarantee	2,271,754	2,032,741
Income receivable	1,000,255	650,704
Negotiation and intermediation of values	443,812	530,275
Sundry	1,479,971	2,018,373
Total	23,357,362	15,583,481

b) Provisions and Accounts Payable

	03/31/2003	03/31/2002
Exchange portfolio	8,094,416	2,960,533
Operations with credit cards	1,664,837	2,147,438
Negotiation and intermediation of values	2,213,175	1,430,999
Provisions for labor liabilities/Contingent	1,423,686	945,085
Personnel	260,033	255,074
Suppliers	116,936	99,564
Provisions and sundry creditors	3,693,525	2,300,943
Total	17,466,608	10,139,636



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Note 10 - Extraordinary Result

(In Thousands of Reals)

For a better analysis of the financial statements for the period, non-recurring income and expenses were segregated to the extraordinary result account, net of taxes (Income tax and Social contribution), relating to the amortization of goodwill referring to the acquisition of the investment in FIAT and the acquisition of BEG shares, adjustment to the risk rating standards of the credit portfolios of BBA and FIAT and reversal of the provision for legal contingency which there is already a final court decision, as well as in ITAÚSA, arising from capital gain in the sale of investment in Union Carbide do Brasil S.A. (UCB), non operating gain for variation of investment in the subsidiary Banco Itaú Holding Financeira and constitution of Provision for Devaluation of Investments Abroad, in face of the valuation of the Real in comparison to U.S. dollar, after March 31, 2003.

	Parent company	Minority	Conglomerate
Amortization of goodwill	(228,673)	(263,125)	(491,798)
Allowance for loan losses	(31,184)	(35,642)	(66,826)
Reversal of the provision for legal contingencies	12,642	14,449	27,091
Capital gain in the sale of UCB	51,300		51,300
Non-operating gain in capital increase and treasury stock – Banco Itaú Holding	60,822		60,822
Set up of provision for devaluation of investments (*)	(150,000)		(150,000)
Total	(285,093)	(284,318)	(569,411)

(*) To cover risks of oscillations of the Real quotations in comparison to the U.S. dollar, considering the high volatility scenarios as those observed along last year in local and foreign financial markets. The amount provisioned is sufficient if Real valuation reaches the parity of R\$ 2.80 per U.S. dollar.



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Note 11 - Taxes

(In Thousands of Reals)

a) Composition of expenses with taxes and contributions

Charges with Income Tax and Social Contribution incident on operations for the period, and to offset related to temporary additions are as follows:

Due on Operations for the Period	01/01 to 03/31/2003	01/01 to 03/31/2002
Income before Income Tax and Social Contribution	1,954,276	710,554
Charges (Income Tax and Social Contribution) at the rates of 25% and 9%, respectively (*)	(664,454)	(241,588)
Increase/decrease in income tax and social contribution payables as a result of:		
Permanent (inclusions) exclusions	75,003	(1,582)
Equity in income of subsidiaries and affiliates	6,297	1,125
Interest on own capital	110,390	15,590
Non-deductible provisions and other	(41,684)	(18,297)
Temporary (inclusions) exclusions	42,496	27,829
Allowance for loan losses	(60,146)	(39,747)
Labor provisions, tax risks and other	102,642	67,576
Expenses with Income Tax and Social Contribution	(546,955)	(215,341)
Withholding tax on distribution of interest on own capital	(47,161)	(18,675)
Total Income Tax and Social Contribution	(594,116)	(234,016)
To offset related to temporary additions		
Constitution (reversal) on temporary additions/exclusions	(29,840)	(27,829)
Constitution (reversal) on tax losses and negative social contribution	13,048	(3,860)

Constitution (reversal) on others	(19,104)	119,733
Total Tax Credits	(35,896)	88,044

(*)According to Note 4j.

b) Tax credits

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

	12/31/2002	Net activity	03/31/2003	03/31/2002
Related to tax losses and negative social contribution	865,215	13,048	878,263	792,808
Temporary differences represented by:	2,987,798	81,261	3,069,059	2,173,061
Allowance for loan losses	1,230,929	116,456	1,347,385	875,825
Adjustment to market value of trading securities and derivative financial instruments (Assets and liabilities)	439,407	(148,927)	290,480	189,234
Interest on own capital	93,882	17,717	111,599	124,888
Tax contingencies	200,491	26,637	227,128	196,512
Labor contingencies	265,566	13,978	279,544	235,480
Civil contingencies	118,326	14,150	132,476	77,456
Allowance for real estate	39,786	(1,298)	38,488	44,048
Other	599,411	42,548	641,959	429,618
Tax credits - reflected in stockholders' equity	10,691	25,755	36,446	-
Adjustment to market value of securities available for sale	10,691	25,755	36,446	-
Total tax credits	3,863,704	120,064	3,983,768	2,965,869
Social Contribution to Offset Arising from Option Foreseen in article 8 of Provisional Measure 2.158-35, of August 24, 2001	1,385,766	(16,009)	1,369,757	1,366,458

- II) The estimate of realization and current value of tax credits and social contribution to offset, arising from Provisional Measure 2158-35, existing at March 31, 2003, 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	
2003	1,722,188	96,240	1,818,428	36,583
2004	556,746	303,403	860,149	120,575
2005	258,734	375,625	634,359	134,821
2006	280,583	102,995	383,578	150,919
2007	104,685	-	104,685	167,443
2008 to 2012	182,569	-	182,569	759,416
TOTAL	3,105,505	878,263	3,983,768	1,369,757
Current value (*)	2,788,318	765,211	3,553,529	1,051,192

(*)To current value adjustment, the average funding rate was used.

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

Net book value 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 development of the realization of tax credits arising from temporary differences, tax losses and negative basis are not used as indicative of future net profits.

- III) Unrecognized tax credits amount to R\$ 466,787.

c) Tax and Social Securities Liabilities

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

	03/31/2003	03/31/2002
Taxes and contributions on income payable	416,826	145,427
Taxes and contributions payable	344,565	258,365
Provision for deferred income tax and social contribution	483,486	270,908
Provision for tax contingencies (*)	1,673,802	2,072,860
Total	2,918,679	2,747,560

(*) The decrease in balance arises, mainly, from the payments made with the benefits of Provisory Measure 38 of May 15, 2002 and 66 of August 30, 2002 during 2002.

II) Change in Deferred Income Tax and Social Contribution

	12/31/2002	Net movement	03/31/2003	03/31/2002
Excess Depreciation - Leasing	234,971	(397)	234,574	203,636
Taxation on Overseas Results - Capital Gains	71,073	(3,165)	67,908	47,657
Revaluation Reserve	18,390	162	18,552	19,476
Adjustment to market value of securities available for sale	16,122	91,381	107,503	-
Adjustment to market value of trading securities and derivative financial instruments (assets and liabilities)	57,358	(2,816)	54,542	-
Other	383	24	407	139
Total	398,297	85,189	483,486	270,908

d) ITAÚSA collected or provisioned taxes and contributions in the amount of R\$ 1,137,956 (R\$ 678,383 from 01/01 to 03/31/2002), which levied basically on interest, income and payroll. Additionally, the amount of R\$ 1,256,523 (R\$ 1,071,917 from 01/01 to 03/31/2002) was provided from customers and collected, which levied directly on financial intermediation.



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Note 12 - Investments

(In thousands of Reals)

a) Composition of investments – ITAÚSA CONSOLIDATED

	03/31/2003	03/31/2002
Share of equity in affiliates – domestic	113,253	143,409
AGF Brasil Seguros S.A.	108,126	103,336
Union Carbide do Brasil S.A.	-	36,65
Other	5,127	3,422
Share of equity in affiliates – foreign	668,018	284,782
BPI S.A.	662,687	283,325
Others	5,331	1,457
Other investments	134,932	353,201
Investments by tax incentives (*)	74,854	247,771
Equity securities	32,022	20,119
Shares and quotas	26,990	22,101
Other	66,273	69,613
Provision for losses	(65,207)	(6,403)
TOTAL	916,203	781,392

(*) Decrease in balance due to the reclassification to Current Assets of Options for Tax Incentives.

b) Composition of equity in income of affiliates and subsidiaries - ITAÚSA CONSOLIDATED

	01/01 to 03/31/2003	01/01 to 03/31/2002
Share of equity in affiliates	24,573	8,425
Foreign exchange variation on investments	(6,054)	(5,116)
Equity in income of affiliates	18,519	3,309



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Note 13 - Related Parties

(In Thousands of Reals)

Transactions between related parties were carried out at amounts and terms 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 from the consolidated financial statements and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- The controlling companies of ITAÚSA;
- Fundação Itaúbanco, Fundação Duratex, Fundação Itaúsa Industrial, FUNBEP – Multi-sponsored Pension Fund and Employees' Social Security Savings of BEG (PREBEG), closed private pension entities, that administer supplementary retirement plans sponsored by ITAÚSA and/or its subsidiaries, as described in Note 17a; and
- Fundação Itaú Social and Instituto Itaú Cultural (IIC), entities sponsored by Banco Itaú S.A. to act in their respective areas of interest. During the period, the consolidated companies made donations to IIC in the amount of R\$ 3,329.

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

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

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

	03/31/2003	03/31/2002
Duratex	300,264	236,212
Elekeiroz	14,912	32,411
Itautec Philco	96,013	96,563
Ciquine	23,209	-
Total	434,398	365,186



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Note 14 - Stockholders' Equity

(In thousands of Reals)

a) Capital

The capital of ITAÚSA comprises R\$ 3,000,000 and is represented by 3,148,802,782 entry shares, with no par value, out of which 1,156,079,213 are common shares and 1,992,723,569 are preferred shares, with no voting rights, but with the following advantages:

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

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

b) Dividends

Stockholders are entitled to a minimum mandatory dividend of 25% of net income, which is adjusted according to the rules set forth in the 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, according to the Administrative Council's decision, at the meeting held on March 17, 2003, was increased from R\$ 4.00 to R\$ 5.60 per thousand shares, as from those which will be paid on July 1, 2003.

c) Reconciliation of net income and stockholders' equity between ITAÚSA and ITAÚSA CONSOLIDATED

	Net Income		Stockholders' Equity	
	01/01 to 03/31/2003	01/01 to 03/31/2002	03/31/2003	03/31/2002
ITAÚSA	510,868	209,591	7,226,939	5,647,523
Goodwill amortization (1)	(185,911)	29,932	(1,184,708)	(965,400)
Tax credit (2)	10,808	5,809	611,207	549,186
Unrealized results	-	-	(1,506)	(1,506)
ITAÚSA CONSOLIDATED	335,765	245,332	6,651,932	5,229,803

(1) Relating to acquisitions of investments in banks BBA Creditanstalt S.A., FIAT S.A., BEG S.A., Banestado S.A., Bemge S.A. and Itaú Buen Ayre S.A. and in Lloyds TSB Asset Management S.A., Ciquine and additional stakes in IBT and BPI.

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



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Note 15 - Financial Instruments - Market Value

(In Thousands of reais)

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

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

	<u>Book Value</u>		<u>Market Value</u>		<u>Unrealized income (loss) (1) (2)</u>			
					<u>Income</u>		<u>Stockholders' equity</u>	
	<u>03.31.2003</u>	<u>03.31.2002</u>	<u>03.31.2003</u>	<u>03.31.2002</u>	<u>03.31.2003</u>	<u>03.31.2002</u>	<u>03.31.2003</u>	<u>03.31.2002</u>
Short-term interbank deposits	15,130,841	8,796,653	15,136,532	8,831,743	5,691	35,090	5,691	35,090
Securities and derivatives	26,643,877	20,175,285	26,643,877	20,805,746	-	630,461	-	630,461
Additional provision (exceeding the minimum required)					545,000		545,000	
Provision for securities available for sale					261,212			
Loan operations	34,811,649	21,192,553	34,753,110	21,172,581	(58,539)	(19,972)	(58,539)	(19,972)
Investment in BPI	662,687	283,324	932,951	529,763	270,264	246,439	270,264	246,439
Other investments	134,932	353,201	136,028	351,542	1,096	(1,659)	1,096	(1,659)
Funds raised by subsidiary companies	68,455,241	49,581,682	68,414,658	49,543,426	40,583	38,256	40,583	38,256
Borrowings	860,055	837,074	860,055	823,408	-	13,666	-	13,666
Other liabilities by negotiation and intermediation of amounts (3)	2,213,175	1,430,999	2,082,372	1,398,402	130,803	32,597	130,803	32,597

Subordinated debts	4,965,667	1,408,788	4,542,802	1,455,949	422,865	(47,161)	422,865	(47,161)
Treasury shares	395,077	409,955	523,499	558,313			128,422	148,358
Total unrealized					1,618,975	927,717	1,486,185	1,076,075

(1) Does not consider the corresponding tax effects.

(2) Include unrealized income of minority of Reais R\$ 804,612 (R\$ 510,228 on 03/31/2002).

(3) Included in Consolidated Balance Sheet in Provisions and Accounts Payable.

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

- Interbank deposits, Bank Deposit Certificates and Mortgage Securities, the latter two included in Securities, were determined on the basis of their nominal values, monetarily corrected to maturity dates and discounted at present value at future market interest rates and swap market rates for fixed-rate securities and fixed interest securities rates for post-fixed securities published in the Gazeta Mercantil on 01/02/2003.
- Public Securities, included in Securities, were determined based on market rates validated through comparison with lists provided by the National Association of Open Market Institutions (ANDIMA). For financial institutions they are determined based on the market value, as prescribed by BACEN Circular Letters 3068 of 11/08/2001 and 3082 of 01/30/2002.
- Variable Income Funds Quotas, included in Securities, were determined based on the net value per quota on the balance sheet date. For financial institutions they are determined based on the market value, as prescribed by BACEN Circular Letters 3068 of 11/08/2001 and 3082 of 01/30/2002.
- Publicly traded shares, when included in Securities, were valued using the average price quote of the last trading day of the month, if available, or on the most recent quotations for the companies' shares published in the daily bulletin of each stock exchange.
- Loan operations with maturity dates over 90 days, when available, were calculated based on their net present value of future cash flows discounted at market interest rates on the balance sheet date, also considering the effects of the hedges (swap contracts).
- Other investments and equity shares in foreign subsidiary and affiliated companies are determined on the basis of stock market quotations, book value per share and auction quotation.
- Time and interbank deposits, and funds from acceptances and issuance of securities, when available, were calculated based on their present value of future cash flows discounted using future market interest rates, the swap market for pre-fixed securities, and fixed income securities market rates for post-fixed securities published in the Gazeta Mercantil on 01/02/2003. The effects of the hedges (swap contracts) are also taken into account.
- Derivatives, comprising swap contracts to hedge other assets/liabilities, are determined based on reference value of each parameter set forth in the contracts (assets and liabilities positions), monetarily corrected through maturity and

discounted to present value using future market interest rates, according to the characteristics of each contract.

- Treasury shares are valued according to the average quotation available on the last trading day of the month, or if this is not available, according to the most recent quotation on prior trading days, published in the daily bulletin of each stock exchange.



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Note 16 - Reclassification for Comparability Purposes

(In Thousands of Reals)

In order to make the March 31, 2003 financial statements comparable, the balances at March 31, 2002, mainly for a better evidence of the Financial Area operations, have been reclassified:

	Previously disclosed	Reclassification	Reclassified balances
ASSETS			
Current assets and long-term receivable	78,364,240	(386,531)	77,977,709
Securities and derivatives	20,311,251	81,332	20,392,583
Loan and leasing operations	22,401,181	2,491,231	24,892,412
Allowance for doubtful accounts	-	(2,600,283)	(2,600,283)
Rents and leasing	1,208,318	(1,208,318)	-
Sundry credits	14,892,750	690,731	15,583,481
Allowance for doubtful accounts	-	(152,756)	(152,756)
Other assets	-	311,532	311,532
TOTAL ASSETS	82,853,107	(386,531)	82,466,576
LIABILITIES			
Current and long-term liabilities	72,689,109	(264,296)	72,424,813
Funds raised by subsidiary companies			
Local currency	32,147,170	(753,811)	31,393,359
Subordinated debts	-	1,408,788	1,408,788
Derivative financial instruments	-	528,609	528,609
Real estate liabilities	1,253	(1,253)	-
Taxes and social securities contributions	1,321,536	1,426,024	2,747,560
Technical provision for insurance, social security and capitalization	492,993	2,786,894	3,279,887
Provisions and accounts payable	13,012,289	(2,872,653)	10,139,636

Technical provisions for insurance, social security and capitalization (*)	2,786,894	(2,786,894)	-
Deferred income	208,583	(122,235)	86,348
TOTAL LIABILITIES	82,853,107	(386,531)	82,466,576
Statement of income			
Operating revenues	5,568,008	(154,845)	5,413,163
Operating expenses	(4,849,538)	158,259	(4,691,279)
Operating income	718,470	3,414	721,884
Non-operating income	(7,916)	(3,414)	(11,330)

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



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Note 17 - Benefits to Employees

(In Thousands of Reals)

In accordance with CVM Resolution 371, of 12/13/2000, the following are the policies used by ITAÚSA and subsidiary companies relating to employee benefits, as well as the accounting procedures adopted:

a) Supplementary pension benefits:

ITAÚSA and its subsidiaries sponsor supplementary pension plans managed by Fundação Itaú Banco, Fundação Itaúsa Industrial, FUNBEP – Fundo de Pensão Multipatrocinado, PREBEG – Caixa de Previdência dos Funcionários do BEG and Fundação Duratex (closed private pension funds), for the purpose of granting lifetime income (in the case of FUNBEP, PREBEG and the plan arising from Fundação Bemge de Seguridade Social – FASBEMGE, also in the form of death benefit pensions), to complement the retirement pension paid by the Social Security system. During the period, the contributions amounted to R\$ 11 (R\$ 11 from 01/01 to 03/31/2002) in ITAÚSA and R\$ 6,785 (R\$ 7,864 from 01/01 to 03/31/2002), in ITAÚSA CONSOLIDATED. The contribution rate increases in accordance with the participant's salary.

b) Post-employment benefits:

ITAÚSA and/or its subsidiaries do not offer other post-employment benefits, except in cases arising from maintenance of commitments assumed in contracts signed by the subsidiary Banco Itaú S/A, under established terms and conditions in which it sponsors partially, or in its totality, the health plans for specific former employees and beneficiaries. During the period, contributions totaled R\$ 1,738 (R\$ 1,291 from 01/01 to 03/31/2002). The contribution rate increases according to the beneficiary's age.

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

Following is the composition of the net actuarial assets and liabilities, which take into consideration the actuarial liabilities, calculated according to CVM Resolution 371/2000.

	03/31/2003	03/31/2002
Net assets of the plans	6,189,092	5,213,555
Actuarial liabilities	(5,297,942)	(4,912,998)
Excess (*)	891,150	300,557

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

In addition to reserves kept by the plans, sponsors have provisions in the amount of R\$ 27,674 (R\$ 59,583 at 03/31/2002) to cover possible actuarial insufficiencies.

d) Changes in Net Asset of Actuarial Liabilities and Excess

Description	01/01 to 03/31/2003			01/01 to 03/31/2002		
	Asset	Actuarial liabilities	Excess	Asset	Actuarial liabilities	Excess
Present value at the beginning of the period	5,808,450	(5,187,778)	620,672	5,079,857	(4,828,666)	251,191
Adjustments in the period (1)	-	-	-	-	12,822	12,822
Estimated gains from assets/cost of current services + interest	176,838	(173,060)	3,778	154,495	(152,981)	1,514
Benefits paid	(62,895)	62,895	-	(55,807)	55,807	-
Contributions sponsors/participants	15,449	-	15,449	15,494	-	15,494
Gains (losses) in the period	251,250	1	251,251	19,516	20	19,536
Present value at the end of the period	6,189,092	(5,297,942)	891,150	5,213,555	(4,912,998)	300,557

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

e) The main assumptions used in the actuarial evaluation

	03/31/2003	03/31/2002
Discount rate (1)	10.24 % p.a.	10.24 % p.a.
Estimated rate of return of assets	12.32 % p.a.	12.32 % p.a.
Staff turn over (2)	Exp. Itaú 99/01	Exp. Itaú 96/98
Future salary increase	7.12 % p.a.	8.16 % p.a.
Increase in social security benefits and plans	4.00 % p.a.	4.00 % p.a.
Inflation	4.00 % p.a.	4.00 % p.a.
Actuarial method	Cred.Unit.Projet.(3)	Cred.Unit.Projet.(3)

(1) For the plans managed by FUNBEP and PREBEG, sponsored by Banco Banestado S/A and Banco BEG S/A, respectively, as from 12/31/2002, the discount rate of 11.80% p.a. started to be used, which consider the weighted average rate of estimated return of the assets that guarantee the referred plans, among them the fixed income securities, with maturity compatible with those of the actuarial liabilities.

(2) The staff turn over assumption is based on the effective experience of the active participants linked to Banco Itaú S.A., which resulted in an average of 2.0% p.a. in the 1999/2001 experience and 3.7% p.a. in the 1996/1998 experience.

(3) In the projected Unit Credit actuarial method, the mathematical reserve is defined by the ratio between the accumulated length of service on the valuation date and the length of service which will be reached on the date that the benefit is granted. Costing is determined by spreading the current amount of the projected benefit over the years of service of each participant.



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Note 18 - Additional Information

(In Thousands of Reals)

a) Insured assets

Although ITAÚSA and its subsidiaries have reduced risk level due to no physical concentration of their assets, their policy is to insure assets at amounts considered sufficient to cover possible claims (fire and robbery).

b) Balances in Foreign Currency

The balance sheet accounts, in local currency, linked to foreign currency, were as follows:

	03/31/2003	03/31/2002
Foreign permanent investments	7,967,084	4,711,311
Net balance of other assets and liabilities indexed to foreign currency, including derivatives	(5,183,071)	198,853
Net foreign exchange position	2,784,013	4,910,164



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Note 19 - Statement of Cash Flow

(In Thousands of Reals)

	ITAÚSA CONSOLIDATED	
	03.31.2003	03.31.2002
Operating activities		
Net Income	335,765	245,332
Provision for devaluation and adjustment to market value of securities and derivatives	(607,224)	(161,365)
Adjustment to market of derivative financial instruments liabilities	130,726	-
Provision for loan losses	448,820	431,738
Change in technical provision for insurance, pension plan and capitalization	344,653	196,624
Assets deferred income tax	35,896	(88,044)
Provision for losses and other assets	(6,307)	(5,415)
Amortization of goodwill	579,545	48
Equity in the results of affiliates and associated companies	(18,518)	(3,309)
(Gain) Loss on currency translation	(6,054)	(5,116)
Provision for losses on other investments and tax incentives	3,589	290
Depreciation and Amortization	180,948	155,557
Minority interest results	378,617	269,723
Change in assets and liabilities		
(Increase) Decrease in short-term interbank investments	1,843,755	1,274,685
(Increase) Decrease in securities and derivative financial instruments	(266,925)	(206,824)
(Increase) Decrease in interbank and interbranch accounts	1,168,016	173,833
(Increase) Decrease in loan and leasing operations	(1,969,862)	953,243
(Increase) Decrease in inventories	11,884	4,652
(Increase) Decrease in other credits and other assets	(1,144,288)	2,712,669
(Increase) Decrease in prepaid expenses	(19,452)	8,580
(Decrease) Increase in technical provisions for insurance, pension plan and capitalization	56,833	(140,423)

(Decrease) Increase in provisions, accounts payable and other liabilities	1,915,527	(2,557,429)
(Decrease) Increase in deferred income	29,976	4,576
Net cash provided by (invested) in operating activities	3,425,920	3,263,625
Investment activities		
Disposal of investments	44,892	12,817
Sale of non-operating assets	8,761	127,215
Decrease in deferred charges	224	3,852
Purchase of investments	(9,633)	(6,233)
Goodwill in investments	(523,094)	(24,437)
Purchase of assets in use and forest reserves	(185,267)	(251,369)
Investments in deferred charges	(44,213)	(17,869)
Change in minority interest	395,592	(94,544)
Net cash provided by (invested) in investment activities	(312,738)	(250,568)
Financing activities		
Increase (Decrease) in funds obtained by subsidiaries - Foreign currency	(329,610)	(885,596)
Increase (Decrease) in funds obtained by subsidiaries - Local currency	(648,030)	(1,454,488)
Increase (Decrease) in funds obtained by subsidiaries in the open market	(458,407)	(937,728)
Increase (Decrease) in borrowings and onlendings - Foreign currency	(17,967)	(77,046)
Increase (Decrease) in borrowings and onlendings - Local currency	(32,894)	(7,895)
Increase (Decrease) in derivative financial instruments	(804,271)	528,609
Increase (Decrease) in subordinated debts	(741,257)	(24,043)
Dividends paid to minority interest	(171,837)	(65,342)
Interest on own capital prior year	(41)	-
Adjustment of securities and derivatives - Financial subsidiaries	69,537	-
Interest on own capital paid and/or provisioned	(142,743)	(58,562)
Net cash provided by (invested) in financing activities	(3,277,520)	(2,982,091)
Increase (Decrease) in cash and cash equivalents, net	(164,338)	30,966
At the beginning of the period	1,982,716	1,958,408
At the end of the period	1,818,378	1,989,374
Increase in cash equivalents, net	(164,338)	30,966



Itaúsa - Investimentos Itaú S.A.

Report of the Independent Accounts

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Report of Independent Accountants on the Limited Reviews

May 9, 2003

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 companies (consolidated) for the quarters ended March 31, 2003 and 2002, consisting of the consolidated balance sheets and the corresponding consolidated statements of income. This information is the responsibility of the management of the Company. The limited reviews of quarterly information of certain indirect subsidiary companies, evaluated on the equity method, were carried out by other independent auditors, and our report on the limited review, regarding the value of these investments in the amount of R\$ 3,112,016 thousand, consolidated assets in the amount of R\$ 18,388,740 thousand and the net income obtained by them in the quarter ended March 31, 2003, in the amount of R\$ 130,703 thousand, is exclusively based on the reports of these other independent auditors.
2. Our reviews were performed in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) in conjunction with the Federal Accounting Council (CFC) and mainly comprised: (a) inquiries 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 Itaúsa - Investimentos Itaú S.A. and its subsidiaries companies.
3. Based on our limited reviews and on the reports of other independent auditors, as mentioned in paragraph 1 above, we are not aware of any material modifications which should be made to the quarterly information referred to above for it to be stated in accordance with accounting practices adopted in Brazil specifically applicable to the preparation of quarterly information and with the standards of the Brazilian Securities Commission (CVM).

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Ricardo Baldin
Partner
Contador CRC 1SP110374/O-0

Itaúsa - Investimentos Itaú S.A.

Opinion of the Fiscal Council

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Opinion of the Fiscal Council

Itaúsa - Investimentos Itaú S.A.

CNPJ - 61.532.644/0001-15

Public Company

OPINION OF THE FISCAL COUNCIL

The members of ITAÚSA – INVESTIMENTOS ITAÚ S.A.'s Fiscal Council, having examined the management report and the financial statements for the first quarter of 2003, have verified the correctness of all elements presented and understand that they fairly reflect the Company's accounts, financial position and the activities during the period, recommending that they be approved by the Company's Administrative Council.

São Paulo-SP, May 12, 2003.

JOSÉ MARCOS KONDER COMPARATO

GERALDO DE CAMARGO VIDIGAL

MARCOS DE ANDRADE REIS VILLELA