

NOTICE TO THE MARKET

Pursuant to the *caput* of article 12 of CVM Instruction 358 of January 3, 2002, Capital Research and Management Company, a company constituted in accordance with the laws of the United States of America, with headquarters at 333, South Hope Street, Los Angeles, California 90071, USA (“CRMC”), in its capacity as a manager of foreign investments, hereby announces that it has increased, on behalf of its clients, its position in Units comprising two class B preferred shares (“PNB Shares”) and one subscription unit (“Units”) issued by Banco do Estado do Rio Grande do Sul S.A., a publicly-held company, inscribed in the Corporate Roll of Taxpayers (CNPJ/MF) under no. 92.702.067/0001-96 (“Company”), and now holds 6,820,000 Units, representing 15.34% of the Company’s PNB shares. In addition to the above-mentioned interest in the Company, Capital Group International, Inc., a company belonging to the same group as CRMC, in its capacity as a holding company for foreign investment management firms, holds 2,500,000 Units, representing 5.62% of the Company’s PNB shares. This is a minority interest which does not alter the control or management of the Company. At present, CRMC is not pursuing any particular number of shares issue by the Company. Furthermore, CRMC, and persons linked to it, do not hold, either directly or indirectly, any share-convertible debentures, nor is CRMC, or persons linked to it, party to any agreement or contract regulating voting rights or the purchase and sale of securities issued by the Company.

August 6, 2007.

CAPITAL RESEARCH AND MANAGEMENT COMPANY