

Notice to the Market

Payroll deductible loans for public servants play an important role in the businesses of Banrisul. 83% of these clients are state servants who are exclusively served by Banrisul, as provided for by the constitution.

Only 17% of the total clients in the payroll deductible loan portfolio are city servants.

In this sense, it is important to make clear that the main purpose of the agreement between the municipality of Porto Alegre and the Caixa Econômica Federal is regarding the transfer of payroll and the exclusive rights on the payroll deductible loan channel. For the proper understanding of the importance of payroll deductible loans has for these servants regarding the businesses of Banrisul, based on the August 2007 figures, the contracted loan balance of the Porto Alegre servants represented only R\$39 million, which is little significant vis-à-vis the total amount of the Bank's payroll deductible loan portfolio, which is close to R\$1.4 billion, and especially when compared to the total loan portfolio, which topped R\$7.1 billion in the same period. In August, the Bank released a total of R\$177 million in payroll deductible loans.

The Banco do Estado do Rio Grande do Sul S.A. – Banrisul understands that the operating agreement between the municipality of Porto Alegre and the Caixa Econômica Federal (CEF) consolidates its understanding that payroll of the municipalities of the state of Rio Grande do Sul should stay with public banks, as provided for in the constitution and so understood by the Audit Court of the State of Rio Grande do Sul.

Thus, this is a similar situation to that of some municipalities which have bid their payrolls, where approximately 80% of the city servants still hold accounts in Banrisul following the transfer, in view of the facilities offered for account holders. In spite of having their payroll transferred, city servants will continue to enjoy the best interest rates for several credit facilities available, superior services, the largest private-label credit/debt card in Brazil (Banricompras) and the largest branch and outlet network in the state of Rio Grande do Sul (in Porto Alegre, Banrisul has 57 branches, 53 outlets, 171 ATMs and over 7,800 business establishments that accept the Banricompras card). Public servants can still use the banking services provided by Banrisul, transfer their salaries free from fees, abiding by which is provided for in legislation, without alterations to their current status with the bank.

The Bank also understands that a great majority of these servants are clients with long-term business relations with Banrisul, and their loyalty is thus already consolidated.

Porto Alegre, October 26, 2007.

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