



ANNOUNCEMENT OF CLOSURE OF INITIAL AND SECONDARY PUBLIC OFFERING OF CLASS B PREFERRED SHARES

"This announcement is exclusively informative. This is not a securities sales offering"

BANCO DO ESTADO DO RIO GRANDE DO SUL S.A.
 Authorized Capital Publicly-Held Company - CVM nº 00121-0
 Company Taxpayer's ID (CNPJ/MF) 92.702.067/0001-96 - Company Registry ID (NIRE) 43.3.00001083
 Rua Capitão Montanha, nº 177, CEP 90010-040, Porto Alegre - RS

ISIN CODE OF CLASS B PREFERRED SHARES: BRBRSRACNPB4

TRADING SYMBOL OF CLASS B PREFERRED SHARES AT LEVEL 1 OF THE SÃO PAULO STOCK EXCHANGE: BRSR6



GOVERNO DO ESTADO DO RIO GRANDE DO SUL

Pursuant to the provisions in article 29 of Instruction 400, issued by the Securities and Exchange Commission of Brazil ("CVM"), as of December 29, 2003, and further amendment ("Instruction 400"), BANCO DO ESTADO DO RIO GRANDE DO SUL S.A., financial institution headquartered at Rua Capitão Montanha, nº 177, in the city of Porto Alegre, state of Rio Grande do Sul, Corporate Taxpayer's ID (CNPJ/MF) 92.702.067/0001-96 ("Bank") and its shareholder, the STATE OF RIO GRANDE DO SUL, public law legal person, Corporate Taxpayer's ID (CNPJ/MF) 87.934.675/0001-96, through the Treasury Department of the State of Rio Grande do Sul, headquartered at Avenida Mauá, nº 1.155, 5º andar, in the city of Porto Alegre, state of Rio Grande do Sul ("Selling Shareholder"), jointly with BANCO DE INVESTIMENTOS CREDIT SUISSE (BRASIL) S.A., as Offering leading coordinator, as defined below, ("Leading Coordinator") and BANCO UBS PACTUAL S.A. ("UBS Pactual" and, jointly with the Leading Coordinator, the "Coordinators"), inform the public of the primary and secondary public offering of 173,913,043 non-par, registered, book-entry, class B preferred shares, free and clear of any lien or burden, issued by the Bank ("Class B Preferred Shares"), of which 66,666,666 new Class B Preferred Shares issued by the Bank and 107,246,377 Class B Preferred Shares held by the Selling Shareholder, paid through securities depository receipts ("Units") composed of two (2) Class B Preferred Shares held by the Selling Shareholder and one (1) subscription receipt of non-par, book-entry Registered Class B Preferred Shares of the Bank, representing the capital increase related to the primary portion of the Offering ("Subscription Receipts" and "Offering"). Units are registered for trading under the special securities trading segment at the São Paulo Stock Exchange ("BOVESPA"), ruled by BOVESPA's Corporate Governance Level 1 Listing Rules ("BOVESPA's Governance Level 1") under the symbol BRSR11 and Class B Preferred Shares will be traded at Corporate Governance Level 1 under the symbol BRSR6 as of the date informed in the notice to the market to be published by the Bank following Central Bank's ratification of the capital increase of the Offering's initial portion, as described in section "Information about the Offering" of the Prospectus.

The Offering initially comprised the distribution of: (i) 66,666,666 new Class B Preferred Shares issued by the Bank ("Primary Offering"), (ii) 107,246,377 Class B Preferred Shares held by the Selling Shareholder ("Secondary Offering"), in the form of Units and was held simultaneously in Brazil, at the unorganized over-the-counter market, pursuant to CVM Instruction 400, jointly by the Coordinators with certain institutions of the distribution system, which executed the Placement Agreement ("Institutions Participating in the Offering") as indicated below and, with efforts of placement in the United States of America by Credit Suisse Securities (USA) LLC and UBS Securities LLC, through investment mechanisms regulated by the National Monetary Council, by the Brazilian Central Bank and by CVM, to qualified institutional investors, as per definition in Rule 144A, issued by the Securities and Exchange Commission ("SEC"), in operations that are exempt from registry in compliance with the provisions of the Securities Act of 1933 ("Securities Act") and of rules issued to support the Securities Act, and, in other countries, except for Brazil and the United States of America, pursuant to the procedures set forth in SEC Regulation S, in compliance with the applicable laws of each investor's country of residence.

The Greenshoe Option granted by the Selling Shareholder to UBS Pactual for the acquisition of an additional amount of up to 15% of Class B Preferred Shares, pursuant to article 24 of CVM Instruction 400, was not exercised.

The preemptive right of current shareholders was excluded in the issuance of new Class B Preferred Shares by the Bank, pursuant to the provisions in article 172, item 1, of Law 6,404, as of December 15, 1976 and further amendments ("Brazilian Corporation Law"), and the issuance was carried out within the limit of authorized capital set forth in the Bank's Bylaws.

Considering the subscription and acquisition of all Class B Preferred Shares initially offered, the total amount of 173,913,043 Class B Preferred Shares were distributed, of which 66,666,666 new Class B Preferred Shares issued by the Bank and 107,246,377 Class B Preferred Shares held by the Selling Shareholder, at the issuance/sale price of R\$12.00 per share ("Price per Share"), with a total distribution amount of:

R\$2,086,956,516.00

The Initial Offering terms and conditions, the exclusion of preemptive right of current shareholders of the Bank in the subscription of Class B Preferred Shares in the Initial Offering was approved at the Bank's Board of Directors Meeting held on July 2, 2007, minutes of which were published in the Official Gazette of the State of Rio Grande do Sul and in the newspapers "Zero Hora" and "Valor Econômico", on July 3, 2007. The corresponding determination of Price per Share, the establishment of the amount of Class B Preferred Shares issued and the Bank's respective capital increase were approved by the Bank's Board of Directors at the meeting held on July 24, 2007, minutes of which were published in the Official Gazette of the State of Rio Grande do Sul and on the newspapers "Zero Hora" and "Valor Econômico", on July 25, 2007.

The State of Rio Grande do Sul is authorized, pursuant to State Law nº 6,233, as of June 22, 1971, and Law nº 6,283, as of July 12, 1971, to sell any amount of Bank shares thereof, provided that it maintains at least 51% of the voting capital.

The Secondary Offering was approved to take place by act of the Rio Grande do Sul State Governor (Written Notice nº 040/07-GG), as of April 27, 2007.

The sale price of Class B Preferred Shares in the scope of the Secondary Offering was approved by act of the Treasury Secretary of the State of Rio Grande do Sul as of July 24, 2007, pursuant to the authorization granted on July 2, 2007 by Rio Grande do Sul State Governor, as per administrative process nº 28815.1400/007-01.

The Bank's capital increase related to the Initial Offering was ratified by the Brazilian Central Bank on August 29, 2007. The Bank must publish a notice to the market informing of said ratification and the Units stock split as of August 31, 2007, in the newspapers "Valor Econômico", "Zero Hora" and in the Official Gazette of the State of Rio Grande do Sul, as described in section "Information about the Offering" of the Prospectus.

• Total Class B Preferred Shares effectively placed in the scope of the Offering: 173,913,043

DEFINITIVE SHARE PLACEMENT DATA IN THE SCOPE OF THE OFFERING

TYPE OF INVESTOR	NUMBER OF SUBSCRIBERS	AMOUNT OF SUBSCRIBED AND /
	BUYERS	OR CLASS B PREFERRED SHARES ACQUIRED
Individuals	13,220	11,236,917
Investment Clubs	99	841,209
Investment Funds	72	13,492,866
Private Pension Institutions	13	253,800
Insurance Companies	-	-
Qualified Foreign Investors	186	168,985,257 ⁽¹⁾
Interim Institutions participating in the Distribution Consortium	3	4,689,000
Financial Institutions Linked to the Bank, to the Leading Coordinator, to the Contracted Coordinators and/or to the Stockbrokers in the Consortium	-	-
Other Financial Institutions	2	105,882
Other Legal Entities Linked to the Bank, to the Leading Coordinator, to the Contracted Coordinators and/or to the Stockbrokers in the Consortium	-	-
Other Legal Entities	204	395,067
Partners, Managers, Employees, Representatives and Other Persons Linked to the Bank, to the Leading Coordinator, to the Contracted Coordinators and/or to the Stockbrokers in the Consortium	-	-
Other	-	-
TOTAL	13,799	173,913,043

(1) It includes 18,900,000 Class B Preferred Shares acquired by Credit Suisse Securities (Europe) Limited used as hedging for operations with derivatives of shares performed abroad, as informed in BOVESPA's Daily Information Bulletin - BDI, in the August 17, 2007 issue and 24,462,000 Class B Preferred Shares acquired by UBS A/G, London Branch as hedging for operations with derivatives of shares performed abroad.

This Offering was previously submitted to the CVM and registered under numbers: Primary Distribution CVM/SRE/REM/2007/046 and Secondary Distribution CVM/SRE/SEC/2007/037, as of July 25, 2007.

The financial institution responsible for providing the Shares bookkeeping service is the Bank itself, which is authorized by CVM to provide shares bookkeeping services. Shares issued by the Bank will be held in deposit accounts on behalf of their holders in the Bank. The institution hired to provide Units issuance services is Banco Itaú S.A. UBS PACTUAL CORRETORA DE TÍTULOS E VALORES MOBILIÁRIOS S.A., in compliance with the Private Instrument of Price Stabilization Service Agreement of Class B Preferred Shares Issued by Banco do Estado do Rio Grande do Sul S.A. entered into on July 24, 2007, informs that, in the scope of the stabilization efforts, 26,086,955 Class B Preferred Shares were acquired.



"This public offering/program was prepared in accordance with the provisions of the Code of Self-Regulation of the National Association of Investment Banks (ANBID) for the Public Offerings of Securities registered in the 4th Written Letter for Registration of Securities and Documents of the State of São Paulo under the nº 4890254, complying with the minimum information standards therein, and it is not incumbent upon ANBID any responsibility over the referred information, the quality of the issuer/offering company, the participating institutions and the securities, purpose of the offering/program".

LEADING COORDINATOR



COORDINATORS



CONTRACTED COORDINATOR



JOINED BROKERS

