

## NOTICE TO THE MARKET

### Escrow Deposits in the State of Rio Grande do Sul

During Banrisul's IPO process and Closure Announcement published on August 31 this year, the issuer thoroughly explained in the offering memorandum available information as well as in the meetings held during the roadshow phase, how escrow deposits in the State are collected and their implications for Banrisul.

It is essential to stress that the application of these deposits in the State of Rio Grande do Sul occurs quite differently from other Brazilian states.

On September 11, 2001, the Law 11,667 was enacted, establishing the Escrow Deposits Financial Management System by the Judiciary Branch of the State of Rio Grande do Sul, transferring the deposits previously collected with Banrisul to be held in a specific fund, thus these deposits no longer composing the Bank's funding, but in transit of memorandum accounts. The law provision comprised "funds derived from deposits under notice available to the court in general and financial investments within the scope of the Judiciary Branch" (extract from the Law).

Subsequently, this law transferred to escrow deposit funds eventual gains earned from the differences between rates due as per court order, usually savings account earnings, and the Bank's opportunity cost, represented by the Selic Rate (overnight lending rate).

At that moment, Banrisul ceased to earn the revenue from the rate differences, but started to be remunerated by the system management services, thus receiving 10% of the difference between the rates. In 2006, this revenue totaled little less than R\$8 million.

To the extent that the balance of the escrow deposits on an accounting basis no longer composed the funding account, while this fund remained liquid, the product of this liquidity would remain deposited at the Bank, also by force of the legal provision.

On April 22, 2004, the Law 12,069 was enacted, supplementing the Law 11,667, authorizing the State Government to withdraw funds proceeds, up to the limit of 70%. Subsequently, on August 29, 2006, the Law 12,585 was enacted, extending the withdrawing limit to 85%. The allocation of the 15% remainder is ruled by the Law as a Reserve Fund to ensure the liquidity of payment of released escrow deposits, and controlled under the responsibility of Banrisul, as trustee, and this portion that may remain deposited at the Bank.

Therefore, the group of the three abovementioned laws clearly states that since 2001, as of the enactment of the first law, escrow deposits were no longer a funding item of Banrisul, and, already existing at that time a loss of 90% of revenues deriving from the differences between rates determined by court proceedings and the Selic Rate, not composing, since then, a funding factor or significant revenue for the Bank, issues which we attempted to make evident during our IPO.