

BANCO DO ESTADO DO RIO GRANDE DO SUL S.A.
Corporate Taxpayer's ID (CNPJ) 92.702.067/0001-96

MATERIAL FACT

BANCO DO ESTADO DO RIO GRANDE DO SUL S.A. ("Banrisul"), pursuant to Instruction no. 358 of January 3, 2002, issued by the Brazilian Securities and Exchange Commission ("**CVM**"), as amended ("**CVM Instruction 358**"), and Paragraph 4 of Article 157 of Law no. 6,404 of December 15, 1976, as amended ("**Corporation Law**"), given recent media coverage on Banrisul's shares being auctioned by the State of Rio Grande do Sul ("**State**" or "**Controlling Shareholder**") on B3 S.A. – Brasil, Bolsa, Balcão ("**B3**"), and the termination of the public offering of shares, according to material facts initially published on October 4, 2017 and cancelled on April 6, 2018, hereby informs shareholders and the market of the following.

On October 4, 2017, Banrisul disclosed by means of material fact the interest of the State of Rio Grande do Sul, the Controlling Shareholder, in a public offering involving shares in excess of control, which would include preferred shares and common shares, the latter up to the limit of control.

As local and international capital markets conditions changed, on December 6, 2017, Banrisul informed, through a material fact, the Controlling Shareholder's decision to postpone the public offering of shares issued by Banrisul, yet preserving the intention of carrying it out in the future. The State also informed that they would continue to monitor market conditions for a final decision on the offer, which would be informed to the market through a material fact.

On March 23, 2018, Banrisul released a material fact informing the market that it was evaluating the public listing of its subsidiary Banrisul Cartões S.A. ("**Banrisul Cartões**"), to benefit from its recent results and the potential of growth of the payment industry in Brazil; the listing would be through the initial public offering and distribution of preferred shares issued by Banrisul Cartões on B3, under Level 1 of Corporate Governance, and the corporate restructuring process of Banrisul, which started with the decisions approved at the Extraordinary Shareholders' Meeting (held on April 10, 2018) to reduce Banrisul's capital, with the consequent refunding to shareholders of the value of their shares equivalent in the form of preferred shares issued by Banrisul Cartões. It was also approved at said Extraordinary Shareholders' Meeting to refund shareholders in cash for the value of their shares in the event that Banrisul Cartões' IPO is not concluded by December 15, 2018. In view of this decision, on April 6, 2018, the Controlling Shareholder chose not to carry out any longer the public offering proposed by the material fact released on October 4, 2017.

Dealing with financial challenges, the State of Rio Grande do Sul, in the quality of Banrisul's Controlling Shareholder, used to carry out the sale of their shareholding of Banrisul's shares exceeding the amount needed to maintain control of the Bank, as legally set forth by CVM Instruction 168, dated December 23, 1991, as amended ("**CVM Instruction 168**"). Thus, at a meeting of the Board of the State Reform Fund, and pursuant to State Law No. 10607/1995, which provides for the authorization for the sale of assets owned by the State of Rio Grande do Sul, the Controlling Shareholder granted Banrisul the powers to carry out the sale of their common and preferred shares issued by Banrisul in auctions sessions, according to the regulations applicable to publicly-held companies, particularly CVM Instruction No. 168. Accordingly, at the request of its Controlling Shareholder, Banrisul, through its own broker firm Banrisul S.A. CVMC, contracted the broker firm BTG Pactual CTVM SA to intermediate those auction sessions in B3, according to CVM Instruction No. 168.

On April 9, 2018, upon request B3 published the notice provided for in Annex I of CVM Instruction 168, into "ePUMA" system, as determined by article 8 of CVM Instruction No. 168, announcing that on April 10 it would auction 26,000,000 Class B preferred shares held by the State of Rio Grande do Sul at B3, 2018, representing 12.75% of the total Class B preferred shares issued by Banrisul and 6.35% of the total share capital, at the initial price of R\$18.00 per share. The disclosure of said notice was mandatory pursuant to article 8, paragraph 1, item I, letter "e" of CVM Instruction No. 168, which requires that the public notice be published in the daily bulletin of the stock exchange, 24 hours in advance of the auction date in case the number of preferred shares to be sold be more than 5% and less than 20% of the preferred shares issued by the company, which was the case in the auction held on April 10, 2018. After this auction, since their participation in Banrisul's capital was reduced by 5% of the total

number of existing Class B preferred shares, and in compliance with article 12, paragraphs 4 and 5 of CVM Instruction No. 358, on April 13 the Controlling Shareholder notified Banrisul, which, on the same day, released a notice to the market informing CVM and B3 about the reduction of the Controlling Shareholder shareholding.

Subsequently, on April 27, 2018, the Controlling Shareholder, by means of the same intermediation structure described above, sold 2,974,500 common shares, representing 1.45% of the total common shares issued by Banrisul and 0.73% of the capital stock, at the initial price of R\$17.65 per share, according to the same procedure set forth in article 8 of CVM Instruction No. 168, and observing the communication deadlines provided. Unlike the previous auction, for the purposes of this auction, in which the number of shares sold was significantly lower, the regulation does not require disclosure by means of a public notice, as put forth by Article 8, paragraph 1, item I, letter "d" of CVM Instruction No. 168, in which the auction must be preceded by announcement sent to the stock exchange within one hour interval prior to the auction, should the number of common shares offered be greater than 1% and lower than 2.99% of the common shares of the company, precisely the case of the auction that took place on April 27, 2018 - nevertheless, it should be clarified that B3 released this announcement in the "ePUMA" system within the deadline mentioned above. On April 30, 2018, the Controlling Shareholder sent further communication to Banrisul informing of the change in their shareholding, pursuant to CVM Instruction No. 358, published to the market on the same day.

The transactions involving the sale of shares in excess of the amount needed to maintain control of Banrisul were carried out by the State of Rio Grande do Sul on the stock exchange, pursuant to the rules of CVM Instruction No. 168, and through an intermediary broker company hired specifically for this purpose, with the conditions made public in accordance with the mechanisms provided for in said regulation, as well as CVM Instruction No. 358.

The sale of shares through auctions at B3, pursuant to CVM Instruction No. 168 should not to be confused with a public offering, which must be done as per procedures set forth in CVM Instruction No. 400 and CVM Instruction No. 476.

Porto Alegre, May 15, 2018.

Regards,

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