

MATERIAL FACT

Banco do Estado do Rio Grande do Sul S.A. ("Banrisul"), pursuant to Instruction No. 358 of the Comissão de Valores Mobiliários ("CVM", the Brazilian Securities and Exchange Commission), of January 3, 2002, and Paragraph 4 of Article 157 of Law no. 6,404 of December 15, 1976, hereby informs its shareholders and the market in general that, in connection with the material facts dated January 19, February 17 and 26 and May 2, 2016 related to the progress of the onerous assignment negotiation of services related to the payroll of active and retired state civil servants ("Transaction"), it has concluded the terms of the financial conditions of the Transaction with the State of Rio Grande do Sul ("State"), which were approved by the Board of Directors, with the exception of those members deemed conflicted, at the meeting held on May 30, 2016, and are summarized below:

1. Price and Form of Payment: Banrisul will pay the State the amount of R\$ 1,275,000,000.00 (one billion, two hundred seventy-five million reais), in a single installment, on a date yet to be agreed by the parts;
2. Term of the Agreement: the agreed price will be paid by Banrisul in order to be entitled exclusive rights for the provision of services related to the payroll of active and retired civil servants of the State of Rio Grande do Sul for the term of ten (10) years commencing on the date of the signing of the Agreement between the parties ("Term"); and
3. Price Adjustment: in view of the Term of the Contract, the agreed price may be adjusted according to the variation of the SELIC Rate variation and inflation forecasts in Brazil, which is why, at the 61st (sixty-first) month of the Agreement, the amount corresponding to the remaining term of the Agreement may be subject to adjustment in the event that the discount rate used be reduced.

The Bank will begin the negotiation of all other terms and conditions of the Agreement to conclude the Transaction with the State.

The minutes of the meeting of Banrisul's Board of Directors held on May 30, 2016 is available at the address <http://banrisul.com.br/ir> - Corporate Governance - Meetings of Statutory Bodies – Board of Directors.

Banrisul will maintain its shareholders and the market in general informed of any new material facts regarding to this matter.

Porto Alegre, May 31, 2016.

Ricardo Richiniti Hingel

Chief Financial and Investor Relations Officer
Banco do Estado do Rio Grande do Sul S/A