



**BANCO DO ESTADO DO RIO GRANDE DO SUL S/A**  
Corporate Taxpayers' ID (CNPJ/MF): 92.702.067/0001-96  
NIRE 43300001083

**MANAGEMENT PROPOSAL**

**EXTRAORDINARY SHAREHOLDER'S MEETING  
TO BE HELD ON APRIL 10, 2018**

**INDEX**

Call Notice Extraordinary Shareholders' Meeting to be held on April 10, 2018 at 2p.m.....2

Management Proposal.....4

Annex A: Information on the reduction of Banrisul's capital stock.....5

Annex B: Information Regarding the Amendment of Banrisul's Bylaws.....7

**BANCO DO ESTADO DO RIO GRANDE DO SUL S/A**  
Corporate Taxpayers' ID (CNPJ/MF): 92.702.067/0001-96  
Publicly Held Company – NIRE 43300001083

**CALL NOTICE**  
**EXTRAORDINARY SHAREHOLDERS' MEETING**

We hereby invite shareholders of BANCO DO ESTADO DO RIO GRANDE DO SUL S/A ("Banrisul") to the Extraordinary Shareholders' Meeting ("ESM") to be held on April 10, 2018, first call at 2:00 pm, at the Company's headquarters located at Rua Capitão Montanha, 177, 4th floor, Porto Alegre, RS, Brazil, entrance at Rua Caldas Junior, 108 / Main Hall, Porto Alegre, RS, Brazil, to deliberate on Banrisul's capital reduction proposal in the amount of R\$353,280,929.46, pursuant to Article 173 of Law 6404/76, for judging it excessive, which will be altered to R\$4,396,719,070.54 from R\$4,750,000,000.00, without cancelling shares and not altering the percentage of participation of current shareholders in the capital stock of Banrisul, with a refund to shareholders of the value of their shares affected by the capital reduction, as explained in the Management proposal, with the corresponding amendment of article 4 of Company's Bylaws.

The capital reduction of Banrisul's Management proposal is part of the optimization of the capital structure in favor of its shareholders. If approved at the ESM convened, the shareholders will receive, as a refund of the value of their shares subject to the capital reduction, preferred shares issued by Banrisul Cartões S/A, currently a private corporation, registered under Corporate Taxpayers' ID 92.934.215/0001-06, headquartered at Rua Caldas Júnior, 108, 9th floor, in Porto Alegre - RS ("Banrisul Cartões"), observing the following (a) the expiration of the 60-day period for opposition by unsecured creditors, as put forth by Article 174 of Law No.6404/76, period that should be counted from the publication of the ESM's Minute in the newspapers "Zero Hora" and "Valor Econômico" and in the Official Gazette of the State of Rio Grande do Sul; and (b) the process of registering the publicly-held company and the initial public offering of Banrisul Cartões, which may occur through a primary offering with a capital increase by public subscription and/or a secondary offering with the sale of shares ("Offer").

The subject to be duly presented and voted on at the ESM reflects the follow-up of Banrisul Management in the development of business produced by Banrisul prudential conglomerate, within which is included Banrisul Cartões.

Shareholders may participate in person or by proxy duly appointed, or via distance ballot bulletin. The detailed guidelines for participation are included in the Manual for Participation in the Annual and Extraordinary General Meetings and are summarized below:

- a) Attendance: shareholders must produce their identity documents and proof of shareholding of the Company's shares. For corporate shareholders, the documents proving the regularity of their representation, including minutes of the election of the directors, should be presented, whenever applicable.
- b) Proxy: Pursuant to the first paragraph of Article 126 of Law no. 6404/76, shareholders may be represented by proxies, been the signature of the grantor recognized by notary. Aiming at organizing the work of the Shareholders' Meeting, the Company's Management requests that the power of attorney and other corporate documents that prove the correctness of the representation be delivered to the Company's headquarters, located at **Rua Caldas Júnior, 108, 4º andar, to the attention of the Corporate Governance Unit**, within 48 (forty-eight) hours prior to the scheduled date of the Meetings.

The documents relating to the items of the Agendas are available to shareholders at the headquarters of Banrisul, at the Company's Investor Relation website (<http://www.banrisul.com.br/ir> - Corporate Governance - ASM, Management Proposal), and also at B3-Brasil, Bolsa, Balcão ([www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)) and CVM ([www.cvm.gov.br](http://www.cvm.gov.br)) websites.

Porto Alegre, March 22, 2018.  
**Luiz Gonzaga Veras Motta**  
Vice-Chairman of the Board of Directors as Chairman

**BANCO DO ESTADO DO RIO GRANDE DO SUL S/A**  
Corporate Taxpayers' ID (CNPJ/MF): 92.702.067/0001-96  
Publicly Held Company – NIRE 43300001083

**MANAGEMENT PROPOSAL TO THE  
EXTRAORDINARY SHAREHOLDER'S MEETING  
TO BE HELD ON APRIL 10, 2018**

Dear shareholders,

BANCO DO ESTADO DO RIO GRANDE DO SUL S.A. ("Banrisul") Management, in compliance with the Brazilian Securities Commission ("CVM") Instruction No. 481/09, of December 17, 2009, hereby submits to its shareholders, with the purpose of deliberating, the following matter during the Extraordinary Shareholders' Meeting (ESM) to be held on April 10, 2018, at 2:00 pm ("Management proposal" and "Extraordinary Shareholders' Meeting", respectively), namely:

Capital reduction in the amount of R\$353,280,929.46, pursuant to article 173 of Law No. 6404/76, for judging it excessive, which will be altered to R\$4,396,719,070.54 from R\$4,750,000,000.00, without cancelling shares and not altering the percentage of participation of current shareholders in the Banrisul's Capital Stock, with a refund to shareholders of the value of their shares affected by the capital reduction, as explained below, with the corresponding amendment of article 4 of Company's Bylaws.

Given the recent financial results of the subsidiary Banrisul Cartões S/A ("Banrisul Cartões") and the growth potential for the segment of means of payments, and to fully optimize the results of Cartões, generating value to the shareholders, Banrisul's Management proposes the reduction of the capital stock and to start the process of registering the publicly-held company and the initial public offering of Banrisul Cartões through a public offering of preferred shares. Therefore, this company would be listed in the Corporate Governance Level 1 of B3 S.A. - Brasil, Bolsa, Balcão ("Offer").

Thus, Banrisul hereby presents its shareholders the proposal to approve of the capital reduction, without the cancelling of shares, pursuant to article 173 of Law No. 6404/76, with a refund of the value of the shares through the distribution to Banrisul shareholders, at the ratio of one (1) preferred share of Banrisul Cartões for each two (2) Banrisul shares held, regardless of their type and class and excluding treasury shares, totaling 204,487,238 preferred shares of Banrisul Cartões, which will represent 50% minus one share of the total capital stock of Banrisul Cartões.

Banrisul will make the best efforts to conduct the Offer, considering that the conclusion of this process depends on external factors, such as the market conditions that will be in place at the time and, if for any reason, the Offer is not priced and registered by the Brazilian Securities and Exchange Commission ("CVM") until December 15, 2018, the process of obtaining the registration of a publicly held company (securities issuer category "A") with CVM will continue to be processed and, as the final step in the reduction of Banrisul's capital stock, the refund of part of the shares value to its shareholders will be made in cash, with funds from Banrisul's internal cash flow, instead of preferred shares of the Banrisul Cartões.

The Capital Reduction will observe: (i) the 60-day deadline for opposition by unsecured creditors, as put forth by Article 174 of Law No. 6404/76, period that should be counted from the publication of the ESM's Minute in the newspapers "Zero Hora" and "Valor Econômico" and in the Official Gazette of the State of Rio Grande do Sul; (ii) the process of registering the publicly-held company and the initial public offering of the Banrisul Cartões, which may occur through a primary offering with a capital increase by public subscription and/or a secondary offering with the sale of shares ("Offer"). (ii) be settled upon completion of the registration process of Banrisul Cartões as a publicly listed company and the pricing and registration of the Offer and (iii) be conditioned to the approval of the Central Bank of Brazil.

The date from which the common, preferred A and preferred B shares issued by Banrisul will be traded ex rights, as well as other necessary information about the Offer and the Banrisul's capital reduction, will be informed in a timely manner to the market and shareholders, to be disclosed after the end of the period of 60 (sixty) days set forth in art. 174 of Law No. 6404/76.

In compliance with CVM Instruction no. 481/09, we also present Appendix A, with information indicated in Annex 16 of CVM Instruction no. 481/09 regarding the Banrisul's capital reduction.

Porto Alegre, March 21, 2018.

Board of Executives Officers

**Banco do Estado do Rio Grande do Sul S/A**

**Annex A**  
**Information relations to the Banrisul's Capital Stock Reduction**  
**(as per Article 16 of CVM 481/09)**

**1.To inform the reduction and the new capital stock values**

Banrisul's Capital Stock totaled R\$353,280,929.46, resulting in a new capital stock of R\$4,396,719,070.54, without the cancelling of shares and without altering the percentage of participation of current shareholders in the Banrisul's Capital Stock.

**2.To explain, in detail, the reasons, form and consequences of the reduction**

To fully optimize the results of the subsidiary Banrisul Cartões S/A ("Banrisul Cartões"), especially given its latest financial results and the growth potential of the segment of means of payments for generating value to shareholders, Banrisul's Management proposes the reduction of the capital stock with a refund of the value of its preferred shares with shares issued by Banrisul Cartões. Banrisul, as the controlling shareholder, will promote the process of registering the publicly-held company and the initial public offering of Banrisul Cartões through a public offering of preferred shares, with capital increase by public subscription and/or a sale of shares ("Offer"), with the subsidiary listed in the CVM and Corporate Governance Level 1 of B3 S.A. - Brasil, Bolsa, Balcão ("Offer"), and from this moment on, Banrisul Cartões would see its preferred shares traded on B3, thus generating greater value to its shareholders. This process will result the distribution at the ratio of one (1) preferred share of Banrisul Cartões for each two (2) Banrisul shares held by Banrisul's shareholders, regardless of their type and class and excluding treasury shares, totaling 204,487,238 preferred shares of Banrisul Cartões, which will represent 50% minus one share of the total capital stock of Banrisul Cartões.

It is proposed that the reduction of Banrisul's capital occurs without cancelling shares and Banrisul's shareholders will receive the amount of the refund indicated below.

If the proposed capital reduction is approved by the General Meeting, Banrisul shall: (i) publish the Minutes of the Extraordinary Shareholders' Meeting in the Official Gazette of the State of Rio Grande do Sul and in the newspapers "Zero Hora" and "Valor Econômico" to start counting the 60-day period for opposition by unsecured creditors, pursuant to article 174 of Law No.6404/76; (ii) submit the capital reduction to the approval of the Central Bank of Brazil; (iii) after the expiration of the 60 day period for opposition by unsecured creditors, to arrange for the filing of the Minutes of the ESM at the Commercial Board of the State of Rio Grande do Sul; and (iv) provide for the return of Banrisul shareholders to the value of their shares subject to the reduction, depending on the settlement of Banrisul Cartões Offer. After the legal deadline of 60 days has elapsed without there being any contrary manifestation of unsecured creditors that would prevent the reduction of capital proposed herein, Banrisul's Management will disclose the base date of the shareholding position that will be entitled to participating in the reduction of capital, date of payment or delivery of preferred shares of the Cards, ex negotiation commencement date of Banrisul shares and the procedures for receiving the refund.

Banrisul will make the best efforts to conduct the Offer, considering that the conclusion of this process depends on external factors, such as the market conditions that will be in place at the time and, if for any reason, the Offer is not priced and registered by the Brazilian Securities and Exchange Commission ("CVM") until December 15, 2018, the process of obtaining the registration of a publicly held company (securities issuer category "A") with CVM will continue to process and, as a finishing step in the reduction of Banrisul's capital stock, the refund of part of the shares value to its shareholders will be made in cash, with funds from Banrisul's internal cash flow, instead of preferred shares of the Banrisul Cartões.

**3.Provide a copy of the statement of the Fiscal Council, if it is in operation, when the capital stock reduction proposed is the initiative of the managers**

The members of Banrisul's Fiscal Council, in the exercise of attributions granted to them by item III, Article 163 of Law NO. 6404/76, and to the limited of their competences, examined Banrisul's capital reduction

proposal in the amount of R\$353,280,929.46, pursuant to Article 173 of Law No. 6404/76, judged excessive, which will be altered to R\$4,396,719,070.54 from R\$4,750,000,000.00, without the cancelling shares and with a return to shareholders of the value of their shares affected by the capital reduction, as indicated on item 4(a), and voted in favor of the approval of the capital reduction, in accordance with the proposal.

The opinion of the Fiscal Council was signed by Cláudio Morais Machado, Urbano Schmitt, Fernando Ferrari Filho, Maria Carmen Westerlund Montera, and Massao Fábio Oya, effective members of the Fiscal Council of Banrisul, on March 21, 2018.

**4. Inform, as the case may be: (a) the value of the restitution per share; (b) the value of the decrease in the value of the shares to the amount of the entries, in the case of non-paid capital; or (c) the number of shares subject to the reduction.**

**(a) The value of the restitution per share:**

It is proposed the capital reduction, without the cancelling shares, with the subsequent distribution of shares of Banrisul Cartões at the ratio of one (1) preferred share of Banrisul Cartões for each two (2) Banrisul shares held, regardless of their type and class and excluding treasury shares, totaling 204,487,238 preferred shares of Banrisul Cartões, which will represent 50% minus one share of the total capital stock of Banrisul Cartões.

**(b) The value of the decrease in the value of the shares to the amount of the entries, in the case of non-paid capital:**

Not applicable, as the Banrisul's capital stock is fully paid-in.

**(c) The number of shares subject to the reduction.**

There will be no decrease in the number of shares, as well as the percentage of participation of current shareholders in the capital stock of Banrisul.

## ANNEX B

### Information Regarding the Amendment of Banrisul's Bylaws

(Pursuant to Article 11 of CVM Instruction 481/09)

#### 1. A copy of the bylaws' incorporation highlighting the proposed changes:

<b>Chapter I</b> <b>Nature, Duration and Head Office</b> <b>Section I</b> <b>Nature</b>
<b>Article 1</b> - The BANCO DO ESTADO DO RIO GRANDE DO SUL S.A., in short 'BANRISUL', is a mixed-capital company constituted as a Corporation (Sociedade Anônima) on September 12, 1928, according to State Law 459 of June 18, 1928, regulated by State Decrees 4079, 4100, 4102 and 4139 of June 22, July 21, July 26, and September 6, 1928, respectively.
<b>Paragraph 1</b> - As per State Law 6223 of June 22, 1971, the interest held by the state of Rio Grande do Sul in the Bank's capital should in no case be lower than 51% (fifty-one percent), of the total voting shares.
<b>Paragraph 2</b> - The Company has undergone restructuring according to these Bylaws, by which it has adopted the provisions of Federal Law 6404 of December 15, 1976.
<b>Paragraph 3</b> - With the admission of the Company in the special listing segment named Level 1 of Differentiated Corporate Governance of the Brazilian Securities and Derivatives Stock Exchange - BM&FBOVESPA, the Company, its Shareholders, Administrators and members of the Fiscal Council are subject to the provisions of the Listing Rules of the Level 1 of Differentiated Corporate Governance.
<b>Section II</b> <b>Duration</b>
<b>Article 2</b> - The duration of the company is indefinite, only depending on the validity of the operating license.
<b>Section III</b> <b>Head Office and Jurisdiction</b>
<b>Article 3</b> - The capital of the state of Rio Grande do Sul is the domicile of the Company for all legal purposes, and the place of the Company's head office.
<b>Sole paragraph</b> - The Company may, based on the Executive Board's initiatives, open or close branches or representative offices in any place in Brazil or abroad, after obtaining authorization from financial authorities.
<b>CHAPTER II</b> <b>Capital and Shares</b> <b>Section I</b> <b>Capital</b>
<b>Article 4</b> - The capital stock is R\$4,396,719,070.54 (four billion, three hundred ninety six million, seven hundred nineteen thousand and seventy <i>Reais</i> and fifty four cents).
<b>Paragraph 1</b> - The Annual General Meeting that decides on capital increase through payment will fix the respective price and payment terms.
<b>Paragraph 2</b> - The subscriber in arrears with regard to payment of capital will be subject to an adjustment of his debt based on the IGP-DI (General Price Index - Internal Availability) or any other index in its place, for the period in arrears, plus interest at 12% (twelve percent) per annum and a fine of 10% (ten percent). The adjustment will be made within the legal limits applicable to the case.
<b>Paragraph 3</b> - The capital stock may be increased, as laid down by Article 168 of Law 6404/76, up to the limit of 600 (six hundred) million shares, within the limit for each class of shares established by legislation and regulations, through a decision of the Board of Directors and independent of any amendment to the Bylaws. The Board of Directors will fix the price and the number of shares to be issued, the period and the conditions for payment.
<b>Paragraph 4</b> - The issue of shares to increase the capital, through sale in the stock exchange or through public subscription, may exclude the preemptive rights, or reduce the period for exercising them, under Article 171 of Law 6404/76.

<b>Section II Shares</b>
<b>Article 5</b> - The capital stock is divided into four hundred eight million, nine hundred seventy four thousand, four hundred seventy seven (408,974, 477) shares without par value, of which two hundred five million, fifty-six thousand and five (205,056,005) are common shares, three million, five hundred fifteen thousand, seven hundred forty-one (3,515,741) are class A preferred shares and two hundred million, four hundred and two thousand, seven hundred thirty-one (200,402,731) are class B preferred shares, being class A preferred shares convertible into common shares or class B preferred shares.
<b>Paragraph 1</b> - Both the common shares and the preferred shares will always be registered shares.
<b>Paragraph 2</b> - Each common share, without restriction, will correspond to one vote at the general meetings of the shareholders.
<b>Paragraph 3</b> - The registered common shares and registered preferred shares will be maintained as book entry shares without issue of certificates, in depository accounts in the name of their holders in the Company itself, which shall bear the legal depository charges.
<b>Paragraph 4</b> - The class A preferred shares will be convertible into common or class B preferred shares as established by Article 8 (eight) below. The common shares and class B preferred shares are not convertible.
<b>Paragraph 5</b> - The state of Rio Grande do Sul, the controlling shareholder is prohibited from selling the class A preferred shares owned by it. However, it can convert them according to Paragraph 4 of this article.
<b>Article 6</b> - Upon authorization from the Board of Directors, the Bank may buy back its shares for cancellation or to hold them in treasury in order to sell them at a future date.
<b>Paragraph 1</b> - The acquisitions mentioned in this article will not reduce the capital and will be made using funds that shall not exceed the available profit balances or reserves in the last balance sheet.
<b>Paragraph 2</b> - The acquisitions cannot be of the shares owned by the controlling shareholder or shares not yet paid up.
<b>Paragraph 3</b> - The Bank cannot hold in treasury more than 5% (five percent) of each class of outstanding shares issued by it.
<b>Paragraph 4</b> - Acquisitions authorized by this article shall strictly comply with the norms laid down by the Brazilian Securities and Exchange Commission in this regard.
<b>Article 7</b> - Preferred shares, except under the provisions of item II of Article 21 and Article 40 of these Bylaws, shall not have voting rights.
<b>Article 8</b> - The class A preferred shares shall confer on their holders the following rights: (i) priority in the receipt of fixed non-cumulative preferential dividend at 6% (six percent) per year, calculated on the result of dividing the capital amount by the number of shares comprised in it; (ii) the right to a share, after the common and class B preferred shares are paid, in the dividend equal to that paid to such shares, in any other dividends or bonuses in cash distributed by the Company, under the same conditions as the common and class B preferred shares, with an increment of 10% (ten percent) on the amount paid to such shares; (iii) share in the capital increases resulting from capitalization of reserves under the same conditions as common and class B preferred shares; (iv) priority in the repayment of capital, without premium; (v) the right guaranteed by Article 85 of these Bylaws; (vi) convertibility into common or class B shares at any time, at the discretion of the shareholder, through a notification to the Company.
<b>Article 9</b> - the class B preferred shares confer upon their holders the following rights: (i) share in the capital increases resulting from capitalization of reserves under the same conditions as common and class A preferred shares; (ii) priority in the repayment of capital, without premium; and (iii) the right guaranteed by Article 85 of these Bylaws. Class B preferred shares are not convertible.
<b>CHAPTER III Corporate Purpose, Operations and Organization Section I Corporate Purpose</b>
<b>Article 10</b> - The purpose of the Company is to carry out borrowing, lending and other ancillary operations inherent to the respective authorized portfolios (commercial, real estate lending - 2nd to 8th Regions, and credit, financing and investment, leasing and development and investment portfolios), including exchange operations, in accordance with legal provisions and regulations.
<b>Sole paragraph</b> - Within the norms established by the Brazilian Central Bank and these Bylaws, the

Bank may own interest in other companies.
<b>Section II Operations</b>
<b>Article 11</b> - The Company's operations will cover all the banking activities compatible with the nature of a multiple-service bank, which are or will be granted to it by the monetary authorities and may be or should be implicit or understood within the corporate objectives.
<b>Article 12</b> - The Company may acquire the property necessary for its installations or those for its expansion, within the appropriate technical limits and, exceptionally, those that are suitable to safeguard its interests.
<b>Sole paragraph</b> - Assets acquired from those responsible for loans with difficult or doubtful settlement, when not of use to the Company, shall be sold at the moment and manner established by the Executive Board in compliance with the pertinent legal and normative provisions.
<b>Section III Organization</b>
<b>Article 13</b> - To carry out its operations, the Bank shall have as many Advisory Services and Units necessary for carrying out its corporate objectives.
<b>Paragraph 1</b> - The Company shall have a Department dedicated to rural lending, which will centralize all types of rural lending operations.
<b>Paragraph 2</b> - Rural lending operations with funds allocated or granted by the shareholder, the state of Rio Grande do Sul, are restricted to persons domiciled in the same state.
<b>Article 14</b> - Long-term operations use funds from BNDES (the Brazilian development bank) on lendings and are limited to 80% (eighty percent) of the Company's net equity.
<b>CHAPTER IV Management of the Company</b>
<b>Article 15</b> - The management of the Company, in the manner envisaged in these Bylaws, rests with the Board of Directors and the Executive Board.
<b>Paragraph 1</b> – It is a condition to the election to a position in the of Board of Directors or Board of Executive Officers the compliance with the requirements established by legislation and regulations, and that the member, resident in Brazil, has the technical qualification required for the duties of the position, which must be demonstrated upon academic or professional experience or other deemed relevant, by means of documents.
<b>Paragraph 2</b> - Names of the nominees for the Executive Board positions should first be approved by the Legislative Assembly of the state of Rio Grande do Sul.
<b>Paragraph 3</b> - Members of the Board of Directors and the Executive Board shall take office after signing the terms of consent in the Company's records, with the waiver of guarantee of management, and only after signing the Statement of Consent From Senior Managers according to the regulations governing Level 1 corporate governance practices of the São Paulo stock exchange, and the regulation relating to the Market Arbitration Panel.
<b>Article 16</b> - Members of the Board of Directors or the Executive Board cannot exercise any identical function in financial institutions in which the Bank or the state do not own direct or indirect shareholding control.
<b>Article 17</b> - The following cannot jointly exercise the functions of the member of the Board of Directors or the Executive Board:
a) parents or children, adoptee or adopted, collateral relatives and others up to the second degree by civil law;
b) persons belonging to the same Company, except if it is a Sociedade Anônima;
c) two or more executive officers, managers or equivalent positions of the same Company.
<b>Paragraph 1</b> - In case of impediments and incompatibilities above, those with the highest number of votes will assume office.
<b>Paragraph 2</b> - If voting is tied, the oldest nominee will be considered elected and, if the age is the same, decision will be by draw of lots.
<b>Article 18</b> - For each session they take part, members of the Board of Directors shall receive remuneration approved for them, in each fiscal year, by the Annual General Meeting convened for the purpose of Article 132 (one hundred thirty-two) of Law 6404 of December 15, 1976.
<b>Article 19</b> - The Annual General Meeting convened for the purpose of Article 132 (one hundred thirty-two) of Law 6404 of December 15, 1976 will set the total annual remuneration of the Executive Board

members.
<b>Paragraph 1</b> - The General Shareholders' Meeting, in the fiscal years during which mandatory dividend and employees' profit sharing are paid, may grant bonuses to members of the Bank's Board of Executive Officers, provided that the sum does not exceed 50% (fifty percent) of the Board members' annual salary, nor five thousandths of the profits (Article 190 of Law No. 6404/76), whichever limit is lower.
<b>Paragraph 2</b> - Members of the Board of Executive Officers who are also members of the Board of Directors shall not accumulate the remuneration of each of the functions and shall be entitled only to the remuneration of the Executive Officer.
<b>CHAPTER V</b> <b>Board of Directors</b> <b>Section I</b> <b>Composition</b>
<b>Article 20</b> - The Board of Directors shall be composed of at least seven (7) and at most nine (9) members elected by the General Meeting of the Company and removable from time to time, for a unified term of two (2) years, with a maximum of three (3) consecutive reelections.
<b>Paragraph 1</b> - Members of the Board of Directors shall be elected without specific designation and the controlling shareholder, the state of Rio Grande do Sul, shall name, among others, the Chairman and the Vice Chairman.
<b>Paragraph 2</b> - The Regional Economic, Accounting and Administration Councils are assured of the right to indicate a representative on the Board of Directors, in compliance with the conditions of Paragraph 1 of Article 15 (fifteen) of these Bylaws. The indication shall be done through a list in triplicate presented to the controlling shareholder, with each Council having the option to indicate a name. The controlling shareholder may select one among the nominees.
<b>Paragraph 3</b> - The term of office of the members of the Board of Directors will extend until the inauguration of their substitutes.
<b>Art. 21</b> - The following rules shall be followed in the election of the members of the Board of Directors by the General Meeting: I - Minority shareholders that hold common shares shall be entitled to elect one (1) member of the Board of Directors; and II - Minority shareholders that hold preferred shares representing, in the aggregate, ten percent (10%) of the Company's capital stock, except the controlling shareholder, shall be entitled to elect and remove one (1) member of the Board of Directors by separate vote at the General Meeting.
<b>Article 22</b> - At least twenty-five percent (25%) of the Board of Directors should be independent members, as laid down by Paragraph 2 below.
<b>Paragraph 1</b> - If, applying the percentage referred to in the first paragraph of this article results in a fraction, the number should be rounded off: (i) to the immediately higher number if the fraction is equal to or greater than 0.5, or (ii) immediately lower number if the fraction is lower than 0.5.
<b>Paragraph 2</b> - For the purpose of these Bylaws, an "Independent Director" is one who: (i) has no relation with the Company, except interest in the capital; (ii) is not the controlling shareholder, spouse or related up to the second degree, or is not or has not been, in the past 3 (three) years, related to the Company or any entity related to the controlling shareholders (persons related to public educational and/or research institutions are excluded from this restriction); (iii) has not been in the past 3 (three) years, employed or was an Executive Officer of the company, the controlling shareholders or the holding company of the company; (iv) is not the supplier or buyer, directly or indirectly, of the Company's products and/or services at a volume that implies loss of autonomy; (v) is not the employee or manager of the company or entity offering or requiring the Company's services and/or products; (vi) is not the spouse or relative up to the second degree of any manager of the Company; and (vii) does not receive any other remuneration from Company than as the board member (cash earnings from interest in the capital are excluded from this restriction).
<b>Paragraph 3</b> - Also will be considered Independent Members those elected by the minority shareholders that hold common or preferred shares and/or appointed by the Controlling Shareholder according to Article 20, Paragraph 2 of these Bylaws, if they meet the requirements of Paragraph 2 of this Article.
<b>Section II</b>

<b>Replacement</b>
<b>Article 23</b> - In case of vacancy on the Board of Directors, the Board, after consulting the controlling shareholder, the state of Rio Grande do Sul, shall designate the replacement to exercise the function till the next Annual General Meeting. The vacancy shall be filled with voting of the minority shareholders at the first annual general meeting.
<b>Paragraph 1</b> - Resignation with the permission of the Board of Directors will not result in a vacancy.
<b>Section III Meetings</b>
<b>Article 24</b> - The Chairman of the Board of Directors, in case of vacancy, absence or temporary impediments, shall be replaced by the Vice Chairman.
<b>Sole paragraph</b> - The vacancy, absence or temporary impediment referred to by this article do not depend on notice or notification to third parties and can be done merely by the replacement signing the actions that the officer being replaced is authorized to carry out.
<b>Article 25</b> - The Board of Directors shall meet ordinarily at least once per month and extraordinarily, when required. Decisions shall be valid when at least five of its members, one of them the Chairman or his/her statutory replacement, are present.
<b>Article 26</b> - The decisions of the Board of Directors shall be taken by majority vote of those present at the meeting.
<b>Sole paragraph</b> - If a decision is tied, the Chairman of the Board of Directors or, in the event of his absence, his/her statutory replacement, besides the personal vote, shall also have the casting vote.
<b>Article 27</b> - The work and decisions of the Board of Directors shall be recorded in the Company's books by means of minutes, which may be summarized, registering the events, matters discussed, decisions taken, disagreement, protests, declaration of vote and other necessary items, signed by the Chairman and other board members present.
<b>Paragraph 1</b> - For the minutes to be valid, it is enough if the number of members of the Board of Directors present needed to constitute the majority required for decision making, sign them.
<b>Paragraph 2</b> - The documents or proposals submitted at the meeting and the declarations of vote, protest and other papers recorded in the minutes shall be numbered and filed at the Company within six months after the term of office of the Board of Directors.
<b>Paragraph 3</b> - The Board of Directors, through two or more of its members present at the meeting, may, at the request of the member interested, authenticate a specimen or copy of the proposals, declarations of vote, disagreement or protest made.
<b>Paragraph 4</b> - From the minutes of the Board of Directors' meetings, which contain decisions affecting third parties, certificates are extracted with a summary of the facts and the transcription of the decisions taken, which will be filed with the Board of Trade and published according to legislation. These certificates can be validated merely by the signature of the Chairman of the Board of Directors or his/her statutory replacement.
<b>Section IV Powers</b>
<b>Article 28</b> - The Board of Directors is empowered to:
1. appoint the Company's executive officers and confer on them their respective duties in accordance with the provisions of these Bylaws;
2. remove the Company's executive officers in consultation with the controlling shareholder, the state of Rio Grande do Sul;
3. lay down the general business guidelines of the Company, in compliance with the governmental strategy of the controlling shareholder, as well as review and approve the annual and long-term strategic business plans submitted by the Executive Board;
4. monitor the activities of the Executive Officers, examine at any time the Company's books and documents, request information about contracts signed or are about to be signed, and any other acts;
5. decide on convening the general meeting of the shareholders when they deem appropriate or in the case of Article 132 of the Lei de Sociedades por Ações;
6. opine on the management's report and accounts, approving the allocation of net income;
7. opine on the provision of guarantee by the Company, when the amount is more than five percent (5%) of the Company's net equity in the last half-yearly balance sheet;
8. fix, annually, the sum of subsidies and grants to be distributed by the Executive Board, in compliance with the provisions of these Bylaws;

9. approve the plans and promotional budgets of the Company and its subsidiaries;
10. appoint and remove the independent auditors, in compliance with these Bylaws;
11. organize and amend the Bylaws of the Board of Directors;
12. set the maximum debt limit per client, including business group, as a percentage of the Bank's net equity, while the Executive Board may approve credit and risk limit operations up to the limit of three percent (3%) of aforementioned net equity;
13. authorize the Company to buy back its shares under the terms of Article 6 of these Bylaws, for cancellation or to be held in treasury for sale at a future date.
14. establish annually the marketing budget based on technical criteria for market monitoring and control, and focused on marketing and institutional strategy, on building and in strengthening customers and community relationship, subject to the limits set forth in law;
15. elect and remove from office the members of the Audit Committee, of the Compensation Committee and of the Risk Committee;
16. approve the operational rules of the Audit Committee, of the Compensation Committee and of the Risk Committee, and subsequent amendments, and become aware of the activities of such committees by means of their reports,
17. establish the compensation of the managers.
<b>Article 29</b> - The Chairman of the Board of Directors is empowered to:
<b>Sole paragraph</b> - In the hypotheses mentioned by Article 23 of these Bylaws, the Vice Chairman of the Board of Directors is empowered to replace the Chairman and validly exercise the actions mentioned in the first paragraph of this article.
1. convene and chair the meetings of the Board of Directors and coordinating their activities;
2. convene the Bank's Annual General meetings and establish their respective agenda;
3. comply with and ensure that the provisions of these Bylaws, the decisions of the Board of Directors and the General Meetings are complied with;
4. use the casting vote in case of tied votes at the Board of Directors' meetings;
5. authenticate copies or certificates of minutes and other documents of the Board of Directors;
6. name relaters, where applicable, to study and forward the matters under the power of the Board of Directors for voting.
<b>CHAPTER VI</b> <b>Executive Board</b> <b>Section I</b> <b>Composition</b>
<b>Article 30</b> - The Company shall have an Executive Board, with executive functions, composed of a Chief Executive Officer, a Deputy Chief Executive Officer and up to seven executive officers, whether shareholders or not, resident in Brazil, who meet the requirements of Article 15 of these Bylaws.
<b>Paragraph 1</b> - One of the Executive Officers shall exclusively be in charge of the Asset Management Department under the regulations of the National Monetary Council and the Brazilian Securities and Exchange Commission, and will not be accountable for other activities affecting the Department.
<b>Paragraph 2</b> - One of the Executive Officers shall be appointed as Investor Relations Officer, position that can be combined with other functions of the Board, pursuant to regulations issued by the Comissão de Valores Mobiliários (CVM - Securities and Exchange Commission of Brazil).
<b>Article 31</b> - The Chief Executive Officer, Deputy Chief Executive Officer and other members of the Executive Board shall be elected or reelected for a term of three years, by the Board of Directors, subject to the following conditions:
a) The Chief Executive Officer and the Deputy Chief Executive Officer will necessarily be chosen from the Board of Directors;
b) One of the members of the Executive Board must compulsorily be selected from among employees with more than ten years of service provided directly to the Bank and who meet the requirements of Article 15 (fifteen) of these Bylaws;
c) The positions of Chairman of the Board and Chief Executive Officer or CEO of the Company must not be exercised by the same person.
d) The positions of Deputy Chief Executive Officer and member of the Board of Directors may be accumulated with the functions of the Executive Board.

e) The mandate of the Board of Executive Officers will extend until the inauguration of their substitutes.
<b>Article 32</b> - The Board of Directors shall assign special designations to the Executive officers, according to the functions it assigns them.
<b>Section II Replacement</b>
<b>Article 33</b> - In case of any vacancy on the Executive Board, the Board of Directors shall name the replacement to exercise the function till the end of the term subject to item “b” of Article 30 mentioned above, where applicable.
<b>Sole paragraph</b> - Any absence/termination with the permission of the Executive Board shall not constitute a vacancy.
<b>Section III Meetings</b>
<b>Article 34</b> - The Executive Board shall ordinarily meet at least once a week and, extraordinarily, when required. Decisions are valid if at least four of its members are present.
<b>Article 35</b> - Provisions of Section III of Chapter V of these Bylaws, with the adaptations specific to this organ, are applicable to the Executive Board meetings.
<b>Section IV Powers</b>
<b>Article 36</b> - The powers and duties of the Executive Board are:
1. to comply with and ensure that the basic laws of the Bank, the decisions of the Annual General Meeting and the Board of Directors’ meetings are complied with;
2. to propose to the Board of Directors, by the date of the last ordinary meeting of the Board of Directors held in the previous year, the business and operational plan of the Bank for the next fiscal year;
3. to organize the internal service regulations of the Bank and amend them when required;
4. to authorize the provision of guarantees, sale of assets and the transfer or renunciation of rights, subject to the pertinent provisions in these Bylaws;
5. to establish general and uniform norms for appointment, promotion, punishment, dismissal, leave, absence, salaries, bonuses and other benefits for employees not in positions of trust, delegating authority for execution of these norms;
6. to create, modify and remove positions or functions of trust, setting for them the respective commissions and benefit amounts, appoint, punish, dismiss, grant leave to the holders of such positions or functions;
7. to distribute and invest the profits while respecting, within the limits of the earnings of each half-year, the compulsory requirement of distribution of fixed and minimum dividends laid down by these Bylaws and other legal norms and regulations about dividends in kind;
8. To set up and close down branches and representative offices in any place in Brazil or abroad; and
9. to prepare, review and propose every year to the Board of Directors, by the date of the last ordinary meeting of the Board of Directors held in the previous year, a long-term strategic plan containing an analysis of risks and opportunities for at least the next five (5) years, indicating the principal guidelines about management policy, human resources, investments and technology, products and services.
<b>Article 37</b> - The Chief Executive Officer is empowered:
1. to coordinate the Executive Board meetings, exercising, in addition to his vote, the casting vote in case of a tie in decisions;
2. to ensure that the decisions taken at the Meeting of the Shareholders, the Board of Directors and the Executive Board are carried out, and ensure that the Bank’s basic principles are complied with;
3. to represent the Bank, actively and passively, in court or in its relations with third parties, to contract loans, sell assets and properties, waive and renounce rights;
4. to constitute the Bank’s attorneys-in-fact, specifying in the instrument the actions or operations they can practice and the duration of such power of attorney which, in case of judicial power of attorney, may be for an indefinite period;
5. to designate the Bank’s representatives in court;
6. to present the annual report on the Bank’s operations and those of the Executive Board, illustrated with the respective financial statements, to the Annual General Meeting, after consulting the Board of Directors on such documents;

7. to exercise other functions conferred on him by the Board of Directors;
8. appoint and remove the Ombudsman.
<b>Article 38</b> - In case of vacancy, absence or temporary impediment of the Chief Executive Officer, the Deputy Chief Executive Officer is empowered to replace him and validly exercise, under the following hypotheses, the actions laid down in the previous article.
<b>Paragraph 1</b> - When the Deputy Chief Executive Officer, under the hypotheses envisaged by this article, is unable to replace the Chief Executive Officer, any of the Executive Officers, who have or do not have any specific designation assigned, temporarily or permanently, can replace the Chief Executive Officer, validly carrying out the actions authorized for the Chief Executive Officer, on such occasions.
<b>Paragraph 2</b> - The vacancy, absence or temporary impediment referred to by this article do not depend on notice or notification to third parties and can be done merely by the replacement signing the actions that the officer being replaced is authorized to carry out.
<b>CHAPTER VII</b> <b>Fiscal Council</b> <b>Section I</b> <b>Composition</b>
<b>Article 39</b> - The Company shall have a permanent Fiscal Council composed of five members and an equal number of alternate members elected annually by the Annual General Meeting. Members to be elected to the Fiscal Council must be natural persons resident in Brazil, who have university level education and senior management experience in financial institutions of the National Financial System or other companies.
<b>Sole paragraph</b> - In addition to the persons referred to in Paragraph 2 of Article 162 of Law 6404 of December 15, 1976, those, by themselves or in relation to the Executive Officers or the members of the Board of Directors, meeting the conditions laid down by Article 17 of these Bylaws, cannot be elected to the Fiscal Council.
<b>Article 40</b> - Owners of preferred shares without voting rights may, in separate voting, elect one member and his alternate to the Fiscal Council; minority shareholders shall have equal rights. The Regional Economic, Accounting and Administration Councils are assured of the right to indicate a representative, through a list provided in triplicate, for one of the vacancies in the Fiscal Council reserved for the majority shareholder. The controlling shareholder may select one among the nominees.
<b>Paragraph 1</b> - The members of the Fiscal Council elected by the minority shareholders and by holders of preferred shares, in case of absence or impediment, may be replaced only by their respective alternate members.
<b>Paragraph 2</b> - Other members of the Fiscal Council, in case of absence or impediment, shall be replaced by any alternate member.
<b>Paragraph 3</b> - Members of the Fiscal Council should sign the Statement of Consent laid down by the Regulations of the Market Arbitration Panel.
<b>Section II</b> <b>Functioning</b>
<b>Article 41</b> - The Fiscal Council shall ordinarily meet once a month and extraordinarily when required. Decisions are valid if taken by at least three of its members present.
<b>Article 42</b> - With the specific adaptations to its functioning, the meetings of the Fiscal Council are also governed by Section III Chapter V of these Bylaws.
<b>Section III</b> <b>Powers</b>
<b>Article 43</b> - The Fiscal Council, in addition to the duties and powers given by it by the Lei de Sociedades por Ações, must meet when convened by the Board of Directors or the Executive Board and submit a report on the matters assigned to it.
<b>Section IV</b> <b>Remuneration</b>
<b>Article 44</b> - The monthly remuneration of members of the Fiscal Council shall be fixed by the Annual General Meeting and cannot be lower, for each member, than one tenth of the average remuneration of each Executive Officer.

<p><b>Sole Paragraph</b> - The alternate member of the Fiscal Council is entitled to the remuneration of the sitting member replaced, in proportion to the number of meetings he participated in the month.</p>
<p><b>CHAPTER VIII</b>  <b>Audit Committee</b>  <b>Section I</b>  <b>Composition</b></p>
<p><b>Article 45</b> - The Company shall have a permanent Audit Committee, as required by the National Monetary Council rules and by the applicable laws, which may be shared with the companies controlled by the Company, composed of 3 (three) members who satisfy the requirements for such office, in accordance with the applicable laws and rules, elected by the Board of Directors in the first meeting following the Annual Shareholders' Meeting, for a term of 2 (two) years, removable at any time and may be reappointed up to the maximum legally allowed.</p>
<p><b>Paragraph 1</b> – Upon election of the members of the Committee, its Coordinator shall be appointed.</p>
<p><b>Paragraph 2</b> – The majority of the members of the Audit Committee shall be independent, and least one member of the Board of Directors, who is not a member of the Executive Board, shall integrate the Committee.</p>
<p><b>Paragraph 3</b> – The members of the Committee shall take office after the ratification by the Brazilian Central Bank and the respective election acts.</p>
<p><b>Article 46</b> - The Audit Committee should directly report to the Board of Directors.</p>
<p><b>Article 47</b> - The members of the Committee must be natural persons resident in Brazil, who have university level education and the technical qualification that qualifies them for these duties, besides meeting the conditions for exercising the function in statutory organs of institutions authorized to function by the Brazilian Central Bank, it being understood that at least one of them shall have proven knowledge in the accounting and audit areas of financial institutions.</p>
<p><b>Article 48</b> - In addition to the previous Article, the following are the basic conditions for a member of the Audit Committee:</p>
<p>I - is not or should not have been, in the twelve months before being nominated:</p>
<p>a) an executive officer of the institution or its associated companies;</p>
<p>b) employee of the institution or its associated companies;</p>
<p>c) technical person responsible, executive officer, manager, supervisor or any other member with managerial function, of the unit involved in audit work for the institution;</p>
<p>d) member of the Fiscal Council of the institution or its associated companies.</p>
<p>II - should not be the spouse, or direct relatives or collateral relatives or affinity relatives, up to second degree of persons mentioned in items "a" and "c" of clause I;</p>
<p>III - not receive any other type of remuneration from the institution or its associated companies, not related to his function as a member of the Audit Committee;</p>
<p>IV - should not hold any licensed position at the state government level;</p>
<p>V - should not or should not have been, in the five months before appointment, in any office or function at the state government level.</p>
<p><b>Article 49</b> - The Audit Committee member can return to such organ in the company only at least three years after the end of his earlier term.</p>
<p><b>Section II</b>  <b>Replacement</b></p>
<p><b>Article 50</b> - In case of any vacancy in the Audit Committee, the Board of Directors shall designate the replacement to exercise the function till the end of the term of the person replaced.</p>
<p>Paragraph 1 - Resignation with the permission of the Board of Directors shall not result in a vacancy.</p>
<p>Paragraph 2 - The duties of member of the Audit Committee cannot be delegated.</p>
<p><b>Section III</b>  <b>Compensation</b></p>
<p><b>Article 51</b> - The monthly remuneration of the Audit Committee members shall be set by the Board of Directors that nominates them, based on their professional qualifications and on the applicable rules and regulations.</p>
<p><b>Section IV</b>  <b>Functioning</b></p>
<p><b>Article 52</b> - The Audit Committee shall ordinarily meet according to the rules governing its functioning, and extraordinarily when required. Decisions are valid if taken by all the members present.</p>

<p><b>Sole paragraph</b> – The participation of members of the Committees in the meetings is permitted by means of the teleconference and videoconference system, with subsequent signature of the respective minutes.</p>
<p><b>Section V Powers</b></p>
<p><b>Article 53</b> - The Audit Committee shall have the following duties:</p>
<p>I- to establish the operating rules for its own functioning, which must be approved by the Board of Directors in writing and placed at the disposal of the shareholders;</p>
<p>II- to prepare an annual workplan, containing a schedule of activities, with definition of the nature and extent of the information required to conduct the works and carry out the activities.</p>
<p>III- to submit the technical report to the Bank management about the firm to be hired to provide independent audit services, as well as recommend the replacement of the firm providing such services, if it deems necessary, subject to the legal norms governing the Company’s rules for contracting;</p>
<p>IV- to review, before publication, the quarterly and half-yearly financial statements, including the notes, management’s report and report of the independent auditor;</p>
<p>V- to evaluate the effectiveness of the independent and internal audits, including with regard to compliance with the legal and normative provisions applicable to the institution, in addition to the internal regulations and codes;</p>
<p>VI- to evaluate the Bank management’s compliance with the recommendations made by the independent and internal auditors;</p>
<p>VII- to establish and report the procedures for receipt and treatment of information about noncompliance with the legal and normative provisions applicable to the Bank, in addition to the internal regulations and codes, including the estimate of specific procedures for protecting the provider and the confidentiality of the information;</p>
<p>VIII- to recommend to the Bank’s Executive Board, rectification or improvement in policies, practices and procedures identified within the scope of its duties;</p>
<p>IX- to meet at least once a quarter with the Executive Board of the Bank, with the Independent Audit firm and with the Internal Audit to check compliance with its recommendations or inquiries, including those relating to the planning of the respective audit work, formalizing the proceedings of such meetings in minutes;</p>
<p>X- to meet the Fiscal Council and the Board of Directors based on their request, to discuss the policies, practices and procedures identified within the scope of their respective powers;</p>
<p>XI – to invite to participate in its meetings members of the management, employees, service providers or other collaborators holding relevant information or in case the items of the agenda are pertinent to their area of operation;</p>
<p>XII – to annually assess the performance and general efficacy of the Committee by means of a self-evaluation, sending the result of this work to the Board of Directors;</p>
<p>XIII- other functions established by the Brazilian Central Bank and by applicable law; and</p>
<p>XIV - to prepare, at the end of the semesters ended June 30 and December 31, a document called the audit committee report containing the following information: (i) the activities exercised in the period within the scope of its powers; (ii) evaluation of the effectiveness of the institution’s internal control systems, with the focus being on compliance with norms laid down by the Brazilian Central Bank, and pointing out the shortcomings detected; (iii) description of the recommendations submitted to the Executive Board, with those not followed and the respective justification; (iv) evaluation of the effectiveness of the independent audit and internal audit, including with regard to checking of compliance with legal and normative provisions applicable to the institution, besides the internal regulations and codes, with evidence of shortcomings detected; and (v) evaluation of the quality of the financial statements relating to the respective periods, with the focus on the application of accounting practices adopted in Brazil and compliance with the norms of the Brazilian Central Bank, evidencing any shortcoming detected.</p>
<p><b>Paragraph 1</b> - The Audit Committee should maintain the audit committee report at the disposal of the Brazilian Central Bank and the Board of Directors for at least five years after it is prepared.</p>
<p><b>Paragraph 2</b> - The Audit Committee should publish, together with the half-yearly financial statements, the summary of the audit committee report, providing the main information contained in the document.</p>
<p><b>CHAPTER IX</b></p>

<b>Ombudsman's Office</b>
<b>Article 54</b> - The Ombudsman's Office, which shall be permanent, will be entrusted with providing final answer to the demands of the clients and users of products and services that have not been resolved in the primary service channels of the institution; serving as the communication channel between the institution and the clients and users of products and services, including for resolving disputes; and informing the board of directors or, in its absence, the executive board of the institution of the ombudsman's activities
<b>Paragraph 1</b> - The Ombudsman's Office shall act on behalf of the Company and of the other companies controlled by it.
<b>Article 55</b> - The attributions of the Ombudsman's Office shall involve the following activities:
a) serve, record, instruct, analyze and formally and appropriately deal with complaints from the clients and users of the products and services;
b) provide the necessary clarifications to the complainants about the progress of the complaints, informing a term of up to ten days for answer;
c) send final response to the complaints within the established term;
d) keep the board of directors or, in its absence, the executive board of the institution informed of the problems and deficiencies detected in the compliance with their attributions and of the result of the measures adopted by the managers of the institution to resolve them, and
e) prepare and forward to internal audit, the audit committee, if any, and the board of directors or, in its absence, the executive board of the institution, at the end of every six months, a report showing the numbers and the quality of the activities carried out by the ombudsman's office in the performance of its duties.
<b>Article 56</b> - The Ombudsman's Office will be administered by the Ombudsman, selected from the Bank's employees for a term of 1 (one) year, and may be extended, who shall be appointed and removed by the Chief Executive Officer.
<b>Paragraph 1</b> - The appointed Ombudsman may be a permanent employee of the company who has: (i) broad knowledge of the activities of the Company and of its products, services, processes and systems; and (ii) technical skills to perform the duties attributed to the position, including assimilating any questions submitted to the Ombudsman's Office, administratively consult with the areas whose activities are questioned, and forward the answers obtained.
<b>Paragraph 2</b> - The Ombudsman may be removed by the Executive Board at any time during his term in the event of non-performance of the obligations inherent in his position or in case he performs below the level expected by the Company.
<b>Article 57</b> - The Ombudsman's Office shall be provided with adequate working conditions and its functioning will be guided by transparency, autonomy, impartiality and independence.
<b>Article 58</b> - The Ombudsman's Office shall have access to the information necessary for preparing the appropriate response to the complaints received, and shall have total administrative support. It can request information and documents for exercising its activities.
<b>CHAPTER X</b> <b>Compensation Committee</b> <b>Section I - Composition</b>
<b>Article 59</b> - The Company shall have an organizational body named Compensation Committee, which shall act on behalf of the Company and of its controlled companies, elected by the Board of Directors, will be made up of three (3) members, resident in the country, with a university degree and the technical skills demanded by the position, as well as the requirements for holding positions in statutory bodies of financial institutions and other organizations authorized to operate by the Brazilian Central Bank, with a term of office of three (3) years, removable at any time, and renewable until the maximum period permitted by Law.
<b>Paragraph 1</b> - One of the persons chosen to form the Compensation Committee must not be an Administrator, and the others will be chosen from among the Board of Directors of the Bank and/or of the Controlled companies.
<b>Paragraph 2</b> - One of the members chosen to form the Compensation Committee will be nominated by the Board of Directors, to hold the position of Coordinator.
<b>Paragraph 3</b> - The members of the Compensation Committee will officially take up office on the occasion of its first meeting, to be held after the election.
<b>Article 60</b> - In the event that a position on the Compensation Committee becomes vacant due to

replacement, removal, resignation, death, proven impediment, invalidity, loss of mandate or any other hypothesis set forth in law, the Board of Directors will appoint a substitute to the vacant position until the end of the replaced member's term of office
<b>Paragraph 1</b> - The temporary absence of any member with the permission of the Board of Directors shall not constitute a vacancy.
<b>Paragraph 2</b> - The duties of member of the Compensation Committee cannot be delegated.
<b>Section II Compensation</b>
<b>Article 61</b> - The members of the Compensation Committee will be compensated as established by the Board of Directors.
<b>Section III Operation</b>
<b>Article 62</b> - The Compensation Committee shall hold ordinary meetings once a month, in accordance with its operational rules, and extraordinary meetings whenever required.
<b>Section IV Powers</b>
<b>Article 63</b> – The duties of the Compensation Committee are:
a) To prepare the compensation policy for the Administrators of the Bank and its subsidiaries, proposing the various forms of fixed and variable compensation to the Board of Directors of the Bank and its subsidiaries, as well as the benefits and specific recruitment and severance packages;
b) To supervise the implementation and operation of the compensation policy for the Administrators of the Bank and its subsidiaries;
c) To review the compensation policy of the Administrators of the Bank and its subsidiaries on an annual basis, recommending any relevant corrections or improvements to the respective Boards of Directors;
d) To propose to the Board of Directors of the Bank and its subsidiaries the total compensation of the Administrators to be submitted to the respective Annual Shareholders' Meetings, pursuant to Article 152 of Brazilian Corporation Law 6404 of 1976;
e) To evaluate future scenarios, both internal and external, and their possible impacts on the compensation policy of the Administrators of the Bank and its subsidiaries;
f) To analyze the compensation policy of the Administrators of the Bank and its subsidiaries in relation to market practices, with a view to identifying any significant discrepancies and proposing any necessary adjustments;
g) To ensure that compensation policy of the Administrators of the Bank and its subsidiaries is permanently compatible with the institutions' risk management policy, targets and current and expected financial situation;
h) To request clarification from the Boards of Executive Officers of the Bank and its subsidiaries or any of their members;
i) To invite employees with proven knowledge of their field to provide additional clarifications; and
j) To obey any other attributions determined by the Brazilian Central Bank.
<b>Article 64</b> – The Compensation Committee shall prepare, on an annual basis, the Compensation Committee Report within ninety days as from December 31, containing, at least, the following information:
a) description of the composition and attributions of the Compensation Committee;
b) activities exercised within its powers during the period;
c) a description of the decision making process adopted to establish the compensation policy;
d) the main characteristics of the compensation policy, including the criteria used to measure performance and adjust for risk, the relation between compensation and performance, the policy for suspending compensation and the parameters used to determine the cash compensation percentage and other forms of compensation;
e) a description of the modifications to the compensation policy realized during the period and the resulting implications to the Institution's risk profile and to the conduct of the Administrators when assuming risk;
f) consolidated quantitative information of the structure of the Administrators' compensation, including:
1) the amount of annual compensation, separated into fixed and variable compensation and the

numbers of beneficiaries;
2) the amount of benefits granted and the number of beneficiaries;
3) the amount and form of variable compensation, separated by type, i.e. cash, shares, share-based instruments and others;
4) the amount of compensation that was deferred for payment in the year, separated into compensation paid and compensation reduced due to adjustments to the Institution's performance;
5) the amounts paid in relation to the recruitment of new Administrators and the number of beneficiaries;
6) the amount paid in severance during the year, the number of beneficiaries and the highest payment to a single person; and
7) the percentages of fixed and variable compensation and benefits granted in relation to period net income and shareholders' equity.
Paragraph 1 – The Compensation Committee shall maintain the report at the disposal of the Brazilian Central Bank and the Board of Directors for at least five years as of its preparation.
Paragraph 2 - The Compensation Committee shall present the information for each Banrisul Group subsidiary.
Paragraph 3 - The Compensation Committee shall present said report to the Board of Directors at its first meeting after the Annual Shareholders' Meeting.
<b>CHAPTER XI</b> <b>Risk Committee</b> <b>Section I</b> <b>Composition</b>
<b>Art. 65</b> - The Company shall have a permanent Risk Committee composed of a minimum of three (3) and a maximum of five (5) members appointed and removable by the Board of Directors of the Company at any time, with a mandate of 2 (two) years, in accordance with the National Monetary Council rules.
<b>Sole paragraph</b> - The duties of member of the Risk Committee cannot be delegated.
<b>Section II</b> <b>Operation</b>
<b>Art. 66</b> - The Risk Committee shall hold ordinary meetings once a month, in accordance with its operational rules, and extraordinary meetings whenever required.
<b>Section III</b> <b>Powers</b>
<b>Art. 67</b> - The Risk Committee shall coordinate its activities with those of the Audit Committee and shall have powers to:
a) propose, at least annually, recommendations to the Board of Directors with respect to the matters mentioned in Article 48, item II of National Monetary Council Resolution No. 4557;
b) assess the risk appetite established in the Risk Appetite Statement of the Company and the strategies for its management, considering the risks individually and in an integrated manner;
c) supervise the activities and the performance of the officer appointed by the Company to manager risks (CRO);
d) supervise the Executive Board's compliance with the terms of the Risk Appetite Statement of the Company;
e) assess the level of adherence of the risk management framework processes to the established policies; and
f) keep records of its resolutions and decisions.
<b>Chapter XII</b> <b>General Meeting</b> <b>Section I</b> <b>General Provisions</b>
<b>Article 68</b> - The General Meeting shall be convened and held and its decisions shall be according to the legal provisions and, subordinately, to these Bylaws.
<b>Article 69</b> - Before starting a meeting, shareholders shall sign the "Attendance Record", indicating their name, nationality, residence, and the number and type of shares held by them.
<b>Article 70</b> - The business of the General Meeting shall be opened by the Chairman of the Board of Directors or his statutory replacement, who will immediately request the shareholders to elect the

presiding board, composed of the Chairman and Secretary.
<b>Section II</b> <b>Annual General Meeting</b>
<b>Article 71</b> - Every year, in the four months following the end of the fiscal year, there will be an Annual General Meeting to examine the material referred to in Article 132 of the Lei de Sociedades por Ações.
<b>Section III</b> <b>Extraordinary General Meeting</b>
<b>Article 72</b> - The Extraordinary General Meeting shall be convened whenever the Company's business demands it.
<b>CHAPTER XIII</b> <b>Committees</b> <b>Section I - Composition</b>
<b>Article 73</b> - Company shall have 15 (fifteen) organs to assist the Executive Board. They are:
a) Banking Management Committee;
b) Economic Management Committee;
c) Business Management Committee;
d) Administrative Management Committee;
e) Internal Controls Management Committee;
f) Information Technology Management Committee;
g) Credit Committee;
h) Personnel Management Committee;
i) Marketing Management Committee;
j) Asset Pricing Committee;
k) Investment Committee;
l) Corporate Risk Committee;
m) Treasury Committee;
n) Credit Restructuring Management Committee;
<b>Sole paragraph</b> - Each Committee shall have at least 4 (four) and at most 12 (twelve) members.
<b>Article 74</b> - Members of the Committees will be the Unit Superintendents, Superintendent of Advisory Boards and the Controller, named by the Executive Board, and, by appointment of the Executive Board, administrators of companies in which Banrisul participates with 50% (fifty percent) or more of the capital stock.
<b>Sole Paragraph</b> - The Banking Management Committee will consist of Directors and Coordinators of other Committees.
<b>Article 75</b> - The Committees may be subdivided into groups based on the service needs and interests of the Executive Board.
<b>Paragraph 1</b> - Each Committee or group shall have a permanent Coordinator who, in the event of impediment, may be substituted by a coordinator to be nominated by the members of the Committee, recorded in minutes.
<b>Paragraph 2</b> - It shall be incumbent upon the Coordinator of the Committee or of the Group to call and preside the meetings of the respective body.
<b>Section II</b> <b>Organization, duties and powers</b>
<b>Article 76</b> - Subject to the regulations of the Executive Board, each Committee envisaged in these Bylaws shall opine on matters pertaining to its respective area, after being submitting them to the Executive Board for discussion.
<b>Paragraph 1</b> - The Executive Board may establish the authority of the Committees, within the limit of which they shall have resolution powers.
<b>Paragraph 2</b> - The Coordinators of the Committees and of the Groups, if any, shall be appointed by the Executive Board and they shall have participating representation in monthly meetings of the Banking Management Committee.
<b>CHAPTER XIV</b> <b>Fiscal Year, Financial Statements, Profits and their allocations</b> <b>Section I</b>

<b>Fiscal Year</b>
<b>Article 77</b> - The Fiscal Year shall have duration of one year, ending on December 31.
Section II Financial Statements
<b>Article 78</b> - At the end of each half-year, in compliance with legal provisions, the Financial Statements shall be prepared, clearly explaining the Company's financial standing, the changes in the period and the respective cash flow statements.
<b>Article 79</b> - Before any profit sharing is made, accumulated losses and provision for income tax shall be deducted from the earnings, in compliance with Article 189 of Law 6404 of December 15, 1976.
<b>Article 80</b> - In compliance with the previous Article, at the discretion of the Executive Board, the employees' profit sharing shall be earmarked for distribution as performance award, up to 10% (ten percent) of the operating results of the half-year.
Section III Profit and its Allocation
<b>Article 81</b> - Shareholders shall have the right to receive as mandatory dividend, every year, a percentage equivalent to 25% (twenty percent) of the year's net income, adjusted according to the following norms:
I. The year's net income shall be reduced or increased with the following amounts: (a) 5% (five percent) for constitution of the Legal Reserve up to the limit established by the Lei das Sociedades Anônimas. The Company is exempted from constituting this Reserve in the year in which its balance, after adding the amount of Capital Reserve mentioned by Paragraph 1 of Article 182 of Law 6404/76, exceeds 30% (thirty percent) of the capital; and (b) the amount allocated to constituting the contingency reserve, as proposed by the Executive Board, and the reversal of this reserve formed in previous years;
II. From the amount allocated for payment of dividend mentioned by this Article, subject to the deductions envisaged in item I above, the following shall be excluded: first, the amount necessary for payment of a fixed dividend of 6% (six percent) per annum to class A preferred shares, calculated by dividing the capital by the number of shares making it (Article 8);
III. Subject to the previous items, if there is any balance, dividend shall be paid to common shares and class B preferred shares, not greater than that allocated to class A preferred shares;
IV. After payment of the dividend mentioned in previous items, any balance in the amount allocated for dividend shall be distributed among all the shareholders. In such a hypothesis, common shares and preferred shares shall enjoy the same conditions, in compliance with item "ii" of Article 8 (eight) of these Bylaws.
<b>Article 82</b> - The Company shall maintain an Investment Reserve for investments in information technology. To constitute such reserve, the Board of Directors may propose up to 25% (twenty-five percent) of the adjusted net income of each fiscal year, up to 70% (seventy percent) of the paid-up capital.
<b>Article 83</b> - Without prejudice to Articles 78 to 82 of these Bylaws, the Board of Directors may determine preparation of the balance sheet and payment of dividend in periods shorter than 6 (six) months, provided the total of dividend paid in each half-year does not exceed the capital reserve amount.
Sole Paragraph - In addition, the Board of Executive Officers, with the concurrence of the Board of Directors and Fiscal Council may, at its discretion, and whenever corporate interests so recommend, declare interim dividends for less than six months from retained profits or profit reserves existing in the last quarterly statement, subject to other statutory and legal provisions on the payment of dividends.
<b>Article 84</b> - The amount of interest, paid or credited, as remuneration on equity, under the terms of Article 9 (nine) Paragraph 7 of Law 9249, of 12/26/95 and pertinent legislation and regulations, may be imputed to the mandatory dividend, with that amount being added to the dividend amount distributed by the Company, for all legal purposes.
<b>CHAPTER XV</b> <b>Sole Section</b> <b>Preservation of the Control of the Company by the State of Rio Grande do Sul and Rights of Minority Shareholders</b>
<b>Article 85</b> - The fundamental and basic rule of the Company is that it shall necessarily be controlled by

the state of Rio Grande do Sul. Under Article 22 of the Rio Grande do Sul State Constitution, any amendment to this rule is the prerogative of the state population. Thus, only through a plebiscite can there be a transfer of shareholding control in the Company, subject to public interest. If such sale is approved following this procedure required by the State Constitution, either through a single operation or through successive operations, it should be based on a suspensive or resolutive condition that the party acquiring the control undertakes to place, within 90 (ninety) days, a public tender offer for acquiring the shares owned by other shareholders, guaranteeing them a price of at least 100% (one hundred percent) of the amount paid per share with voting rights in the controlling block, in order to assure them equal treatment on par with the seller.

**Article 86** - The public tender offer referred to in the previous Article should also be held, subject to the constitutional norms and the plebiscite requirement mentioned in Article 85 above: (a) in cases of encumbered assignment of subscription rights of shares and other bonds or rights related to securities convertible into shares that may result in the disposal of the Company Control; and (b) in the case of indirect sale, that is sale of the control in the company by the Company's controlling shareholder(s), in which case the selling controlling shareholder(s) shall be obliged to inform the São Paulo Stock Exchange (BOVESPA) the amount to be attributed to the Company in such sale and attach documentary evidence.

**Article 87** - Those already holding the Company's shares and, subject to the constitutional norms and the plebiscite requirement mentioned in Article 85 above, acquiring the shareholding control through a private instrument of share purchase agreement entered into with the controlling shareholder(s) involving any amount of shares, shall be bound to: (a) make the public offer referred to in Article 85 hereof; and (b) refund the shareholders from whom they purchased shares in the stock exchange in the (6) six-month period before date of transfer of the shares representing control in the Company, and shall pay them any difference in the price paid to such controlling shareholder(s) and also the amount paid in the stock exchange for shares of the Company in this same period, duly adjusted according to the Extended Consumer Price Index - IPCA ("IPCA") up to the actual payment.

**Article 88** - In the public tender offer for the shares to be made by the controlling shareholder for cancellation of the Bank's registration as an open capital Company, the minimum price to be offered should correspond to the economic value calculated in the valuation report.

**Article 89** - If the shareholders at the Extraordinary General Meeting decide to discontinue the Level 1 Corporate Governance Practices, the controlling shareholder or group of shareholders (as defined in Article 116 of Law 6404/76) should make a public tender offer for acquisition of shares owned by other shareholders, for the economic value of the shares according to the valuation report: (i) within 90 (ninety) days, if the discontinuance of Level 1 Corporate Governance Practices is for the shares to be traded outside the Level 1 of Corporate Governance Practices, or (ii) within 120 (one hundred twenty) days from the date of the Annual General Meeting that approved the corporate restructuring in which the Bank's shares resulting from such reorganization are not admitted for trading in Level 1.

**Article 90** - The valuation report referred to in Articles 88 and 89 should be prepared by a specialist company with proven experience, which is independent of the Bank, its managers or controllers. The report should also satisfy the requirements of Paragraph 1 of Article 8 of Law 6404/76 and contain the responsibility envisaged in Paragraph 6 of the same Article of said Law.

Paragraph 1 - The choice of the specialist company responsible for determining the economic value of the Company is incumbent upon the General Meeting, based on presentation, by the Board of Directors, of a list of three names, and the respective resolution shall be passed by a majority of the shareholders representing the outstanding shares present at the General Meeting that resolves on the matter, not counting the blank votes, excluding the shares owned by the controlling shareholder, his or her spouse, common-law partner and dependents included in the annual income tax return, shares held in treasury and shares held by controlled companies or affiliates the Company, as well as of other companies that, with any of them, forms part of the same group of fact or of law.

Paragraph 2 - The costs to prepare the required appraisal report shall be fully borne by the controlling shareholder.

**Article 91** - In compliance with the hypotheses of Article 85 and subsequent articles, the Company shall not carry out any transfer of shares to shareholder(s) acquiring control if such shareholder(s) do not sign the Statement of Consent to the Regulations of Differentiated Practices of Level 1 Corporate Governance and the Statement of Consent to the Regulations of the Market Arbitration Panel.

Sole Paragraph – Similarly, no Shareholders' Agreement that provides on the exercise of the

controlling power may be registered at the principal place of business of the Company if the signatories thereto have not signed the Statements of Consent referred to in the head provision of this article.

**CHAPTER XVI**  
**Sole Section**  
**Arbitration**

**Article 92** - Disputes related to Regulations of Level 1 Corporate Governance Practices, these Bylaws, any shareholders' agreements filed at the Company's head office, provisions of Law 6404/76, norms of the National Monetary Council, Brazilian Central Bank, the CVM, regulations of the BOVESPA and other norms relating to the functioning of the capital markets in general, or arising from such norms, shall be resolved by means of arbitration held according to the Regulation of the Market Arbitration Panel instituted by the BOVESPA.

**CHAPTER XVII**  
**Sole Section**  
**General Provisions**

**Article 93** - The Bank, in compliance with its corporate objectives, business nature and operational characteristics, following the methods used by the private sector, shall: a) adopt the principle of tenders for purchase of assets, works and services contracted; b) observe the principles instituted by the controlling shareholder for granting subsidies and grants; c) without prejudice to other norms governing the inspection of its activities as a financial institution, provide conditions essential for efficient internal control, the position of Controller and Auditor General of the controlling shareholder and external control, as laid down by the State Constitution of Rio Grande do Sul and pertinent legislation; d) implement the code of ethics governing the relations with external clients and among the employees; e) guarantee to its past and present managers and board members, in cases when there is no incompatibility of interests with those of the Company and in the manner defined by the Board of Directors and proposed by the Executive Board, their defense in legal and administrative proceedings against them for actions in the exercise of their position or function, subject to provisions of Law 8906 of 07/04/1994.

Sole Paragraph – The Company may, as established by its Board of Directors and subject to the main provision of this Article, purchase insurance in favor of its managers and members of the Fiscal Council, Audit Committee, Compensation Committee and Risk Committee in order to protect them from any liabilities for any acts or facts arising from the exercise of their positions and from the performance of their duties, covering the entirety of their respective terms of office or duties, as the case may be.

**Article 94** - Except for the funds needed to meet the objectives of the Fundação Bannisul de Seguridade Social (Bannisul Social Security Foundation), the amount of subsidies and grants to be distributed annually by the Executive Board shall be fixed by the Board of Directors, subject to tax restrictions and the criteria laid down by the State for concession of these.

Sole paragraph - Subject to the limits established by the Board of Directors, the system of this article does not include small aids and subventions, understood as those of an amount equal to or lower than four millionths (0.000,004) of the capital stock granted, individually, in turn, by the Executive Officers.

**Article 95** - The Executive Board shall pass the resolutions establishing the procedures to be adopted in cases of tender bids and grant of subsidies and grants.

**Article 96** - The Executive Board shall send to the Controller and Auditor General of the state of Rio Grande do Sul the balance sheets and the trial balances of the Bank and provide them with all the information required for the internal and external control by the controlling shareholder.

**Article 97** - The Company shall be dissolved and liquidated according to prevailing legislation.

**Article 98** - Recruitment of personnel for the Bank, in Brazil, shall be according to Brazilian Labor Laws (Consolidação das Leis do Trabalho) through a common entrance exam or entrance exams weighted for qualifications, depending on the nature of the position.

**Article 99** - The managers shall receive compensation the global and annual amount of which will be fixed by the Shareholders' Meeting, and the Board of Directors shall regulate the use of the remuneration amount and the sharing thereof among the members of the Board of Directors and of the Executive Board.

Paragraph 1 – The members of the Executive Board of the company and of the controlled companies shall be entitled to Profit Sharing – PLR, calculated in accordance with the same criteria defined by the

collection labor convention of the category of bank employees.
Paragraph 2 - The members of the Executive Board of the company and of the controlled companies shall be annually entitled to enjoy a period of 30 days of vacation, plus the amount equivalent to the vacation pay increased by one third.
Paragraph 3 – Vacation not enjoyed within each annual period and even if proportional at the end of the term of office shall be converted into kind.
<b>Article 100</b> - The Banco do Estado do Rio Grande do Sul S.A. shall, through at least one of the members of its Executive Board, have a presence on the Board of Directors of the companies in which it owns 50% (fifty percent) or more of the capital.
Sole paragraph - The Bylaws of each of the companies referred to in this Article should envisage the participation of the Bank’s representatives on their Boards of Directors, subject to legal provisions.
<b>Article 101</b> - The acquisition or subscription to the Bank’s shares implies in the approval of these Bylaws and acceptance of the responsibilities arising from them and the laws in force.
<b>Article 102</b> - Cases omitted by these Bylaws shall be regulated by applicable legislation.
<b>CHAPTER XVIII</b> <b>Sole Section</b> <b>Temporary Provisions</b>
<b>Article 103</b> - The rights of current holders of preferred shares shall be given to the holders of such shares on the date of the Extraordinary General Meeting held on March 28, 1988, without prejudice to their right to convert them into registered preferred shares anytime with no pecuniary liability.
<b>Article 104</b> - Without prejudice to the terms of office established in these Bylaws and to the limitations set forth in specific rules and/or in applicable law, the Board of Directors of the Company is hereby authorized to implement a non-matching term of office for the members of the Audit Committee, Risk Committee and Compensation Committee, as follows: exceptionally, at the first election following the Annual and Extraordinary General Meetings to be held on April 28, 2017, two (2) members of each of the foregoing bodies may be elected for a regular term of two (2) years, and one (1) member may be elected for a term of three (3) years, except for the Risk Committee, which may have two (2) members with a term of three (3) years when first established.

**2. Justification for the proposed amendments:**

Reflect the new capital stock after approval, at the General Meeting to be held on April 10, 2018, of the capital reduction of R\$353,280,929.46, without the cancellation of shares, as proposed by the Board of Directors of Banrisul.

\* \* \*