



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

MATERIAL FACT

BANCO DO ESTADO DO RIO GRANDE DO SUL S.A. ("Banrisul"), in compliance with the Brazilian Securities Commission ("CVM") Instruction no. 358, of January 3, 2002, as amended, and Paragraph 4th of Article 157 of Law 6404 of December 15, 1976, as amended ("Law 6404/76"), hereby informs its shareholders and the market of the following measures.

Public Listing of Banrisul Cartões

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 explicit the results of Banrisul Cartões, Banrisul's Management is studying the public listing of Banrisul Cartões through an initial primary and/or secondary public offering of preferred shares, to be listed in the Corporate Governance Level 1 of B3 S.A. - Brasil, Bolsa, Balcão ("Offer").

Corporate Restructuring

As part of the process of preparing for the potential listing of Banrisul Cartões, the Board of Directors of Banrisul approved, at a meeting held on March 21, 2018, to deliberate at the Extraordinary Shareholders' Meeting ("ESM") on Banrisul's capital reduction proposal in the amount of R\$353,280,929.46, pursuant to article 173 of Law 6404/76, 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 ("Capital Reduction").

The proceeds resulting from the Capital Reduction will be distributed to Banrisul shareholders at the ratio of one (1) preferred share of Banrisul Cartões for each two (2) Banrisul shares, 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. The current Banrisul Cartões shareholders holders of common shares will preserve their shareholdings.

The conclusion of the Capital Reduction will: (i) observe the 60-day deadline for opposition by unsecured creditors, as put forth by Article 174 of Law 6404/76, (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 conclusion of the Offer depends on applicable corporate and regulatory approvals, as well as on numerous factors unrelated to Banrisul, such as market conditions prevailing at the time of the Offer.

In the event, for any reason, that the Offer is not priced and registered on CVM until December 15, 2018, and the Capital Reduction, as a consequence, is settled in cash, the process of obtaining the registration as a publicly listed company for Banrisul Cartões (issuer of securities under category "A") will continue on CVM. However, as the final step of the Capital Reduction, Banrisul's shareholders will be entitled to receiving the proceeds from part of the value of their shares, in the total amount of R\$353,280,929.46, in local currency paid by Banrisul, instead of preferred shares of Banrisul Cartões.

Further information on the Capital Reduction and the Offer can be found in the Proposal of the Board of Executive Officers, available to shareholders and the market in general at www.banrisul.com.br/ri (Corporate Governance - Assemblies), as well as on the websites of BM&FBovespa (www.bmfbovespa.com.br) and CVM (www.cvm.gov.br).

Banrisul will keep its shareholders and the market informed of any new facts related to the matters in question.

This Material Fact is for information purposes only and under no circumstances must be construed as, nor constitute, an investment recommendation/offer to sell, or a solicitation/offer to purchase any securities related to Banrisul and/or its subsidiaries.

Porto Alegre, March 23, 2018.

Ricardo Richiniti Hingel
Chief Financial and Investor Relations Officer
Banco do Estado do Rio Grande do Sul S.A.