



SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

— ANNUAL REPORT — OF THE BOARD OF DIRECTORS FOR 2016 FINANCIAL YEAR

PREPARED PURSUANT TO LAW NO. 297/2004, CNVM REGULATION NO. 1/2006,
CNVM REGULATION NO. 15/2004 AND ASF NORM NO. 39/2015

*This report of the Board of Directors is provided as a free translation from Romanian,
which is the official and binding version*

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MAIN FINANCIAL AND OPERATIONAL INFORMATION

FINANCIAL POSITION [RON mn]	2013	2014	2015	2016
Total assets, of which	1,612.83	1,638.61	1,941.52	2,110.19
Total financial assets	1,515.19	1,537.76	1,763.12	2,071.89
Equity	1,441.56	1,540.04	1,788.81	1,954.25
Total liabilities	171.27	98.56	152.72	155.94

FINANCIAL PERFORMANCE (IFRS) [RON mn]	2013	2014	2015	2016
Income	28.23	22.60	51.28	107.16
Gains on investment	56.98	140.52	52.85	2.26
Expenses	17.77	14.61	15.78	25.12
Gross profit	67.44	148.51	88.34	84.30
Net profit	45.12	139.00	75.32	81.36

FINANCIAL INDICATORS [%]	2013	2014	2015	2016
ROE (net profit / equity)	3.13	9.03	4.21	4.16
ROA (net profit / total assets)	2.8	8.48	3.88	3.86
Gross profit margin (gross profit / total income)	58.7	61.6	63.5	36.91

SHARES AND NET ASSET PERFORMANCE	2013	2014	2015	2016
Share price (year end, in RON)	1.292	1.303	1.688	1.848
Net asset value* / share (RON)	2.9094	2.9228	3.3541	3.7075
PER	15.72	5.14	12.30	11.5
Dividend / share (RON)	-	0.1	-	**
Accounting net asset* / share (RON)	2.6265	2.8059	3.2592	3.7727
Nominal value of share (RON)	0.1	0.1	0.1	0.1
Number of issued shares	548,849,268	548,849,268	548,849,268	548,849,268
Number of outstanding shares	548,849,268	548,849,268	548,849,268	518,000,000

OPERATIONAL DATA	2013	2014	2015	2016
Number of employees, year end	51	48	41	38
Number of branch offices	2	2	1	1

SHAREHOLDING STRUCTURE as at December 31, 2016		
	number of shareholders	stake
Romanian individuals	5,765,205	39.97%
Non-resident individuals	1,962	0.39%
Romanian legal entities	177	30.35%
SIF Banat-Crişana (treasury stock)***	1	5.62%
Non-resident legal entities	37	23.67%
TOTAL	5,767,382	100%

* non-portfolio items calculated based on accounting records pursuant to RAS for 2013 -2015; and under IFRS for 2016

** as per GMS decision

*** own shares repurchased in the public tender offer from August 2016

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GENERAL INFORMATION

COMPANY NAME	Societatea de Investiții Financiare Banat-Crișana S.A. (hereinafter referred to as “SIF Banat-Crișana” or “the Company”)
COMPANY TYPE	<ul style="list-style-type: none">▪ closed-end investment company with a diversified investment policy▪ set-up as a joint stock company in November 1996 pursuant to the provisions of Law 133/1996 for the conversion of the Private Property Funds (FPP) into Financial Investment Companies (SIF)▪ Romanian legal entity with private capital
SHARE CAPITAL	<ul style="list-style-type: none">▪ RON 54,884,926.80 – subscribed and paid-in capital▪ 548,849,268 issued shares▪ shares with a nominal value of RON 0.10
REGISTRATIONS	<ul style="list-style-type: none">▪ J02/1898/1992 at Trade Registry of the Arad Court▪ Unique Registration Code 2761040▪ Number in ASF Registry PJR09SIIR/020002/2006
MAIN ACTIVITY	Main activity is, as per the classification of economic activities in the national economy (CAEN): financial intermediation, except insurance and pension funding (CAEN code 64), and the main object of activity: Other financial intermediation n.c.a. (CAEN code 6499): <ul style="list-style-type: none">▪ financial investments to maximize the value of own shares pursuant to the regulations in force;▪ management of the investment portfolio and exercising all rights associated to the investments;▪ other additional and related activities pursuant to the regulations in force.
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB) – Premium category - ticker SIF1
FINANCIAL AUDITOR	KPMG Audit S.R.L. for financial year 2015 PricewaterhouseCoopers Audit SRL starting with the financial year 2016
DEPOSITARY	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	Arad , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
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1. ANALYSIS OF SIF BANAT-CRIȘANA ACTIVITY

Economic environment

Domestic economic environment

- **Romania's gross domestic product (GDP) rose 4.8% in 2016** over the previous year (acc. to INSSE), the highest growth rate in the European Union, following the fiscal loosening measures, including tax and charges reductions and the rise of minimum wage. Significantly contributed the robust industrial production and the substantial exports. The growth comes mainly from consumption, as response to fiscal stimulus, and we expect for 2017 the growth to stabilize around 3.7%. Macro indicators as unemployment (4.77% acc. to ANOFM), inflation (-1.5% acc. to INSSE), consumption, lending and productivity, show positive trends and a more stable, strengthened economy.

(source: European Commission, INSSE, ANOFM)

- **Low interest rates** (0.25% for deposit, 3.25% for credit, 1.75% for monetary policy) facilitated the support for the market capitalizations also during the last months of 2016.
- **Leu (RON), stable currency.** Local currency vs. the Euro had a moderate variation, resulting in an average annual rate of 4.4908 RON / EUR for 2016. The spread of the period stood within the range of 4.4444 to 4.5411. In the last 5 years, there was no excessive exchange rate volatility. Vs. the US dollar, exchange rate movements may also be considered stable.
- **BVB (BSE) - growth potential.** The Bucharest Stock Exchange (BVB) was included in FTSE Russel's watch list and is likely that in 2017 to be reclassified into the emerging markets category, that could lead foreign investors towards BVB should it meet the liquidity and size criteria of the listed companies (the listing of Hidroelectrica etc.). Foreign pension and investment funds have only marginal holdings at present on the domestic market.
- Market Indicators, as compared with other exchange markets in the region place BVB in a favourable perspective. Both dividend yields and mk. cap. of the issuers show undervalued prices: P/E 6.54; P/BV 0.85; DIY 6.95 (stock indicators for December 2016) so a market with considerable growth potential.
- BVB rose in December, following the trend of economic growth. Although, average daily volumes are extremely low: EUR 9.17 mn / December, EUR 8.05 mn average daily YTD, monthly trends show an upward trend. For an institutional investment environment, however, these amounts mean very limited market liquidity and hide huge risks if the decision or the need for sale of holdings listed on BVB appear (difficulty / impossibility of exit).

Evolution of main market indicators for CEE 1Y as at 16.02.2017

Austria	(ATX)	+34.69%
Bulgaria	(BSE SOFIX)	+32.34%
Czech Republic	(PX)	+12.94%
Croatia	(CROBEX)	+34.56%
Poland	(WIG 20)	+22.44%
Romania	(BET)	+25.55%
Hungary	(BUX)	+47.66%

International economic environment

- **The euro relatively depreciated** in 2016 vs. the US dollar, mainly influenced by the monetary policies adopted by the EU. President Mario Draghi announced that the ECB extends the QE quantitative easing program (meant to stimulate economic growth and increase inflation) until the end of 2017. Although it reduced the monthly pace of public bonds purchases from EUR 80 billion to EUR 60 billion, ECB extended its acquisitions area, including corporate bonds, since April 2016. The interest persisted at very low levels, anchoring the financial markets on a neutral or upward trajectory. The reduced rates also support funding European budgets (at favourable prices), which is important given the declined budget revenues following the adopted fiscal relaxation measures. The decision to maintain the monetary policy made its effect felt by the rise of consumer price indices. Increases in the international prices of raw materials (oil, natural gas, copper, aluminium, etc.) continued to unfold throughout the year, this also encouraging the “reflation”.
- **Fragile European economies, ongoing stabilization.** European Commission forecasts a growth of 1.6% for 2017. Even if European Central Bank (ECB) deemed necessary to continue the QE, the economic condition is slowly and gradually recovering. The growth rates of 1.7% recorded in 2016 probably will not be achieved, but prospects for 2017 are positive. Deflationary pressures have diminished, unemployment indicators although quite high (9.6%) had a downward trend which favours productivity and loosen the tension on the weakened budgets of EU member countries. For the current year easing of fiscal and economic policies are expected, targeting the support of consumption. The mix of low interest rates, combined with QE and the relaxation of fiscal policies create a devalued currency, benefiting exporting European countries. Both the Greek and Spain economies showed signs of consolidation, but structural problems, accumulated huge debts cannot be solved with such modest growth rates.

The Netherlands, Germany or France, where elections are to be held in 2017, are countries where polls show that extremist parties rise in political power due to the inefficient management of the immigrants’ issue. Interventions tightening the security systems for counterterrorism, humanitarian assistance, social benefits and mutual commitments with Turkey are extremely expensive.

Important events impacting the markets:

- The events from Deutsche Bank and Volkswagen that have hit the finances of the strongest European economies;
 - Italy, with a banking sector that has a huge deficit of over 400 bn. Euro;
 - PMI indicators falling on the service sector and composite;
 - European unemployment still high at 9.6%;
 - Lending to the private sector in the doldrums;
 - The failure to face challenges on the resolution of immigrants’ crisis
 - There are indicators that have performed below investors’ consensus.
- **Brexit** has impacted the UK and the European Union economy, and the British pound. Analysts estimate the following possible consequences resulting from the triggering of Art. 50:
 - rise of inflation due to the depreciation of pound sterling,
 - GDP growth of around 1.5% for 2017, but depending on future negotiations.
 - The possibility of relocating economic activities due to uncertainty of exit's impact (possible export restrictions, enlarged risk of exchange difference, penalty fees, customs duties, etc.)
 - Eroding the purchasing power, respectively of income that will constrain domestic consumption;
 - The possibility of partial relocation of the financial center into another capital that would trigger another massive loss for England.

- **United States of America** - GDP growth is estimated at 1.6% for 2016, with the progress accelerating towards the end of the year, a trend will probably continue in the coming year. The unemployment rate has diminished in the past three years from 7.4% to 4.9% at the end of 2016. Inflation, consumption indicators and exports have progressed favourably, suggesting a strong, solid functional economic activity.

The start of raising interest rates by the FED in the US, expected to be completed in several tranches, was only partially performed during 2016, a single increase, from 0.50% to 0.75% in December occurred. Along higher yields for US bond are also expected relocations of capital from equity markets to fixed income instruments overseas.

Following the US presidential election, the government program lines were received with optimism by investors, these having as blueprints:

- Massive investments in infrastructure
- Bringing outsourced industrial production in the US (from China, Mexico, etc.)
- Simplification of tax system, and reducing them
- Easing the regulations for energy industry and financial
- Repeal or amendment of health insurance legislation
- More favourable repositioning of the US in relationship with NATO, NAFTA and other alliances, treaties.

Measures taken so far comply with the promises made in the election program.

- Indices such as DOW, Nasdaq, S&P or DAX broke important resistance, marking new highs (in some cases all-time highs), signalling an optimism investment based on increased budget spending in the US, and on the legislative reforms promised during the campaign.

Analysis of the portfolio

Progress of net asset value (NAV)

The net asset value (NAV) of SIF Banat-Crişana recorded a positive performance in 2016, **4.3%** above the value recorded 2015-year end, reaching **RON 1,920.5 mn** as at December 30, 2016 (2015¹: RON 1,840.9 mn).

The net asset value per share (NAV/S) rose 10.5%, to RON 3.7075 as at 2016 year-end, as compared to RON 3.3451, the value recorded on December 31, 2015.

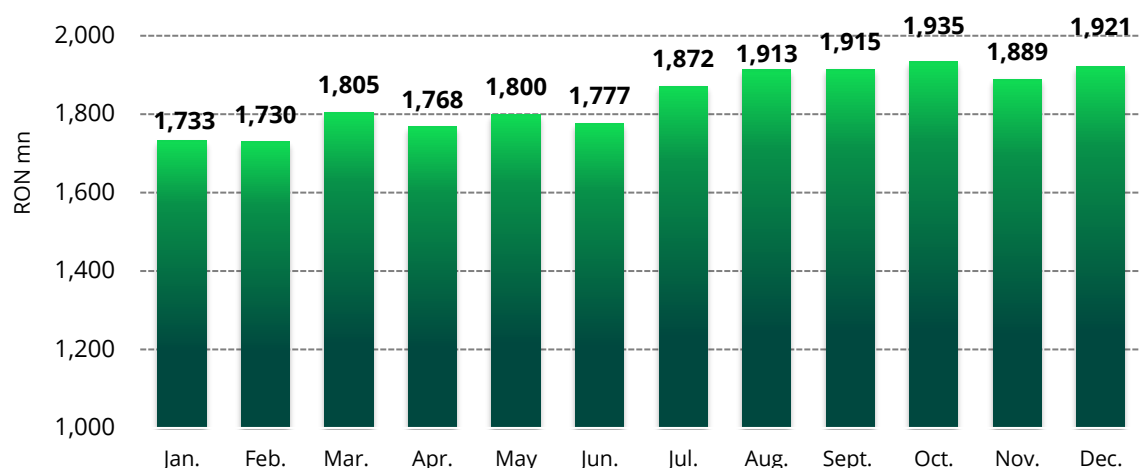
The difference in terms of variation (%) between NAV and NAV/S is due to the change in the number of outstanding shares starting August 2016, following the public tender for repurchase of own shares. The own shares purchased under the buyback program (treasury stock) are excluded from the number of shares used in the calculation of NAV/S.

The monthly net asset values were calculated by SIF Banat-Crişana during 2016 pursuant to the regulations issued by the Financial Supervisory Authority (ASF). The calculated values for NAV were certified by BRD - Groupe Société Générale, the depositary bank of Company's assets.

The monthly reports for the calculation of NAV were submitted to the Bucharest Stock Exchange and ASF – Securities and Financial Investment Sector, and were published on SIF Banat-Crişana's website - www.sif1.ro - no later than 15 calendar days from the end of the reporting month.

MONTHLY NET ASSET VALUE

January - December 2016

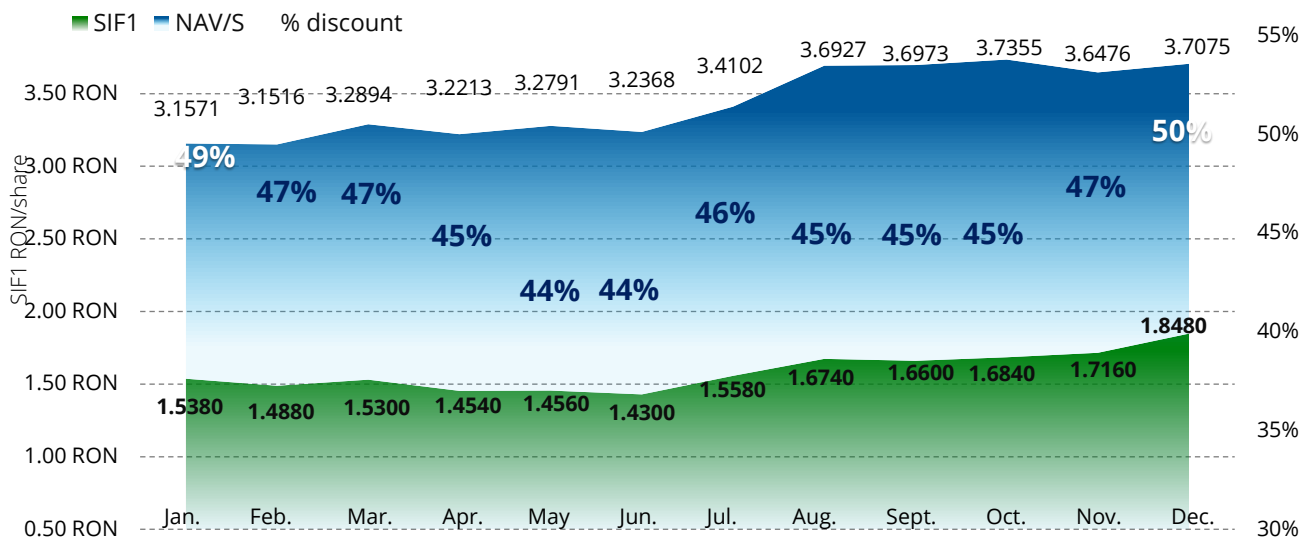


The statement for SIF Banat-Crişana assets and liabilities as at December 31, 2016, prepared pursuant to the provisions of Regulation no. 15/2004 (Annex 16), Regulation no. 9/2014 and Regulation no. 10/2015, is presented in Annex 2 of this report.

The net asset value was on an uptrend in 2016, mainly driven by the rise of prices of listed shares in the portfolio (Banca Transilvania, Erste Bank, BRD-Groupe Société Générale, Vrancart).

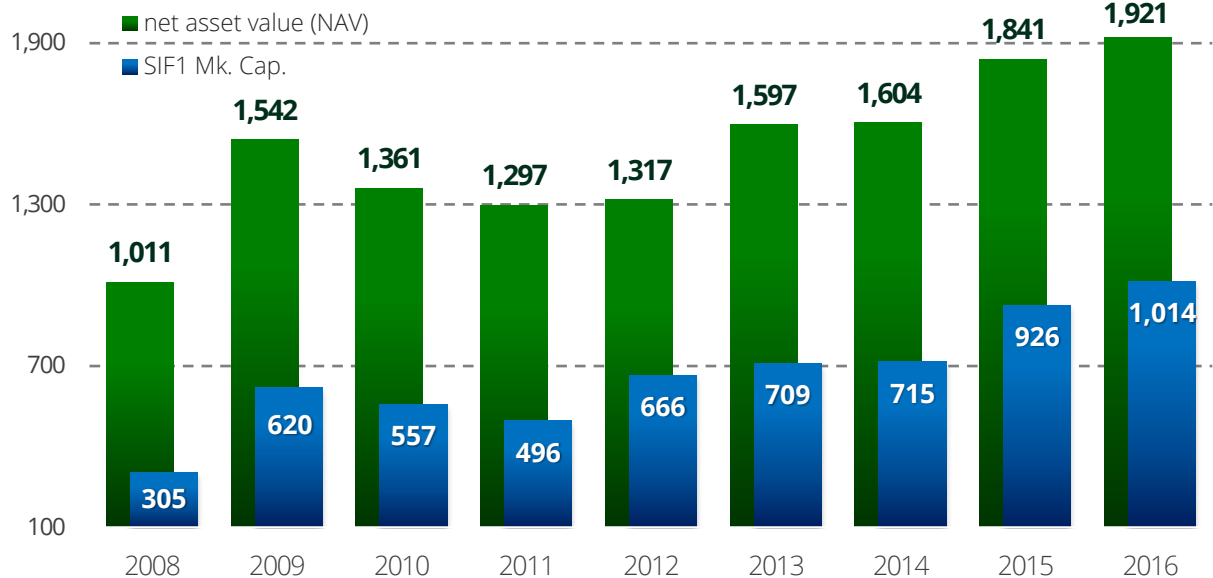
¹ Although SIF Banat-Crişana has prepared annual financial statements for the year ended December 31, 2015 pursuant to IFRS, restating the accounts prepared as per Romanian Accounting Regulations ("RAS"), based on the ASF letter no. DRA1232.1/08.03.2016, the non-portfolio items in the calculation of NAV as at December 31, 2015 are treated as per RAS.

SIF1 DISCOUNT TO NAV in 2016



NOTE: SIF1 closing price at the date of report for NAV/S

NET ASSET VALUE vs. MARKET CAPITALIZATION



NOTE: net asset values are those reported for the end of December for each year; for 2008 – 2015 non-portfolio items were calculated based on accounting records pursuant to Romanian Accounting Regulations (RAS); and under IFRS for 2016 mk. cap. calculated using closing price for SIF1 in the last trading day of the year;

The methodology for calculating the net asset value

During 2016 (January - December), net asset value calculation was performed pursuant to the provisions of Art. 113-122 of ASF Regulation no. 9/2014 and ASF Regulation no. 10/2015.

Per these regulations, listed securities are valued at the closing market price for the day for which the calculation is made. The securities not admitted to trading on a regulated market or not traded during the last 30 trading days are valued at the book value per share recorded in the most recent

annual financial statements, or equity value comprised in the monthly reports submitted to BNR (the Romanian central bank) for credit institutions. Fixed income instruments are valued using the method of daily interest recognition and amortization of discount / premium for the period passed from the date of the investment. Shares of companies undergoing insolvency proceedings, liquidation or reorganization are valued at zero until the completion of the procedure.

Value of non-portfolio items considered for the calculation of net asset value are based on accounting records under International Financial Reporting Standards (IFRS).

Structure of the portfolio

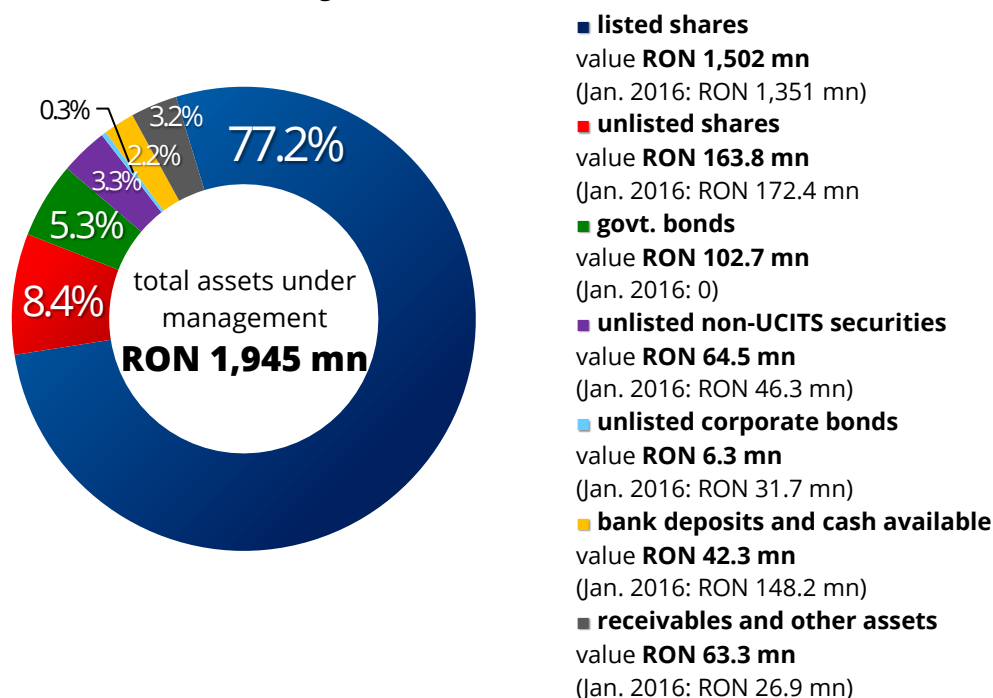
SIF Banat-Crişana has as investment objective the management of a diversified portfolio of high-quality assets, able to provide a constant flow of revenues, the preservation and the medium-long term growth of capital, aiming at delivering more value to the shareholders.

The strategic vision is to develop the Company through and effective administration and the increase of the value of the assets under managements, by improving resource allocation and attaining higher yields for the invested capital.

The strategy for asset allocation aims to maximize the performance of the portfolio within the prudential conditions set by regulations applicable to the company's business. The prudential limits applicable to investments performed by the Company are set by Law no. 297/2004 regarding the capital market with subsequent amendments and Regulation no. 15/2004 regarding authorization and operation of asset management companies, collective investment undertakings and depositories.

ASSETS UNDER MANAGEMENT as at December 31, 2016

asset class breakdown (weight in total assets)



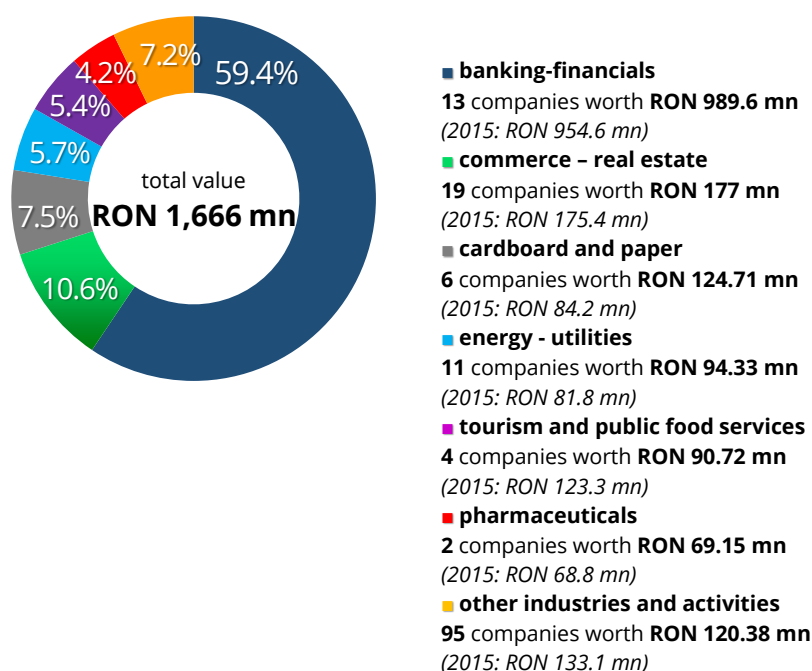
Note: values calculated acc. to ASF Reg. no. 9/2014 and ASF Reg. no. 10/2015

The detailed statement of SIF Banat-Crișana's investments as at December 31, 2016, prepared pursuant to Regulation no. 15/2004 (Annex 17), is presented in Annex 2 to this report.

As at December 31, 2016, the value of SIF Banat-Crișana's stock portfolio reached RON 1,665.97 mn (calculated pursuant to ASF Reg. no. 9/2014 and ASF Reg. no. 10/2015), having the dominant weight, of 86.75% of the total assets under management.

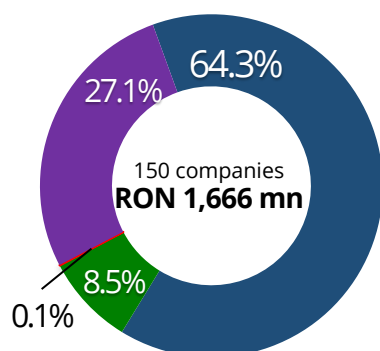
The assets managed by SIF Banat-Crișana have been within the allowed limits provided by ASF regulations throughout 2016.

STOCK PORTFOLIO - sector breakdown



Note: percentages in the chart represent the stake of the category in the stock portfolio as at Dec. 31, 2016; values calculated pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015

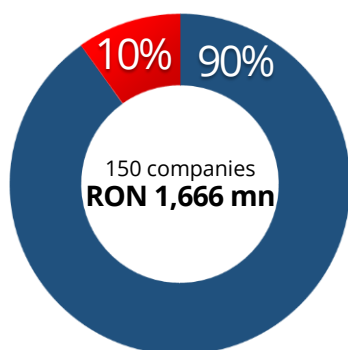
STOCK PORTFOLIO - breakdown on shareholdings



- up to 5%
shareholdings **up to 5%** in **59** companies
worth **RON 1,071 mn** (2015: RON 1,026 mn)
- 5-33%
shareholdings **between 5-33%** in **77** companies
worth **RON 142.4 mn** (2015: RON 139 mn)
- 33-50%
shareholdings **between 33-50%** in **3** companies
worth **RON 1.06 mn** (2015: RON 0.95 mn)
- above 50%
majority stakes, above 50%, in **11** companies
worth **RON 451.3 mn** (2015: RON 453.9 mn)

Note: percentages in the chart represent the stake of the category in the stock portfolio as at Dec. 31, 2016; values calculated pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015

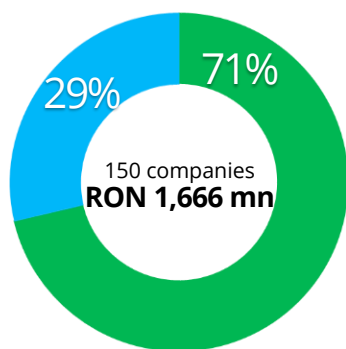
STOCK PORTFOLIO - breakdown by liquidity



- listed companies
RON 1,502.14 mn (2015: RON 1,448.83 mn) value of holdings in **58** companies
(2015: 58)
- unlisted companies
RON 163.84 mn (2015: RON 172.46 mn) value of holdings in **93** companies
(2015: 103)

Note: percentages in the chart represent the stake of the category in the stock portfolio as at Dec. 31, 2016; values calculated pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015

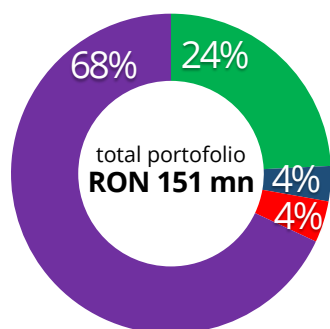
STOCK PORTFOLIO - breakdown by region



- Romania
RON 1,196.16 mn (2015: RON 1,140.78 mn) value of holdings in **148** companies (2015: 159)
- external markets
RON 469.82 mn (2015: RON 480.51 mn) value of holdings in **2** companies
(2014: 2): Austria (1 issuer – Erste Bank), Cipru (1 issuer – SIF Imobiliare)

Note: percentages in the chart represent the stake of the category in the stock portfolio as at Dec. 31, 2016; values calculated pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015

PORTFOLIO OF FIXED INCOME FINANCIAL INSTRUMENTS breakdown as at December 31, 2016



- bank deposits in RON
RON 36.59 mn (Jan 31, 2016: RON137.54 mn)
- bank deposits in RON
equivalent of **RON 5.36 mn** (Jan. 31, 2016: RON 9.88 mn)
- corporate bonds denominated in euro
equivalent of **RON 6.34 mn** (Jan. 31, 2016: RON 6.17 mn)
- govt. bonds
RON 102.72 mn (Jan. 31, 2016: 0)

Note: percentages in the chart represent the weight of the respective category in the value of the portfolio of fixed income financial instruments as at Dec. 31, 2016; values calculated acc. to ASF regulations

Portfolio management

Stock portfolio management

General considerations concerning portfolio management

As at the end of 2016, SIF Banat-Crişana held *majority stakes* - over 50% of share capital - in 11 companies (2015: 11), with an aggregate value of RON 451.3 mn, representing 23.5% of NAV. The companies in which SIF Banat-Crişana holds majority stakes and control are classified as per International Financial Reporting Standards as subsidiaries. Information regarding the Company's subsidiaries are presented in Note 29 to the Separate Financial Statements accompanying this report.

During 2016, SIF Banat-Crişana's management focused on streamlining the administration process of majority stakes, as to ensure a high financial return, a competitive management and the structuring of the development programs.

The companies in which SIF Banat-Crişana holds majority stakes are being analysed and rigorously monitored by our analysts, the managerial involvement of SIF Banat-Crişana focusing on:

- providing support in preparing and optimizing budgets,
- negotiating competitive performance criteria with the management teams;
- valuating and analysing on a monthly basis the recorded results and supporting the implementation of measures to streamline the activities;
- implementing best practice of corporate governance, up-to-date management techniques and promoting resourceful management teams;
- periodical visits to companies and analyses, together with the management teams, of the results, prospects, opportunities and potential risks.

In 2016, the *objective to improve the quality of stock portfolio* was aimed, focusing on companies with stable dividends and a high dividend yield, above the market average. Thus, opportunities from energy sector were seized, consolidating stakes in Romgaz (SNG), Electrica (EL), Transgaz (TGN), but also other sectors, such as Biofarm (BIO). It was also addressed the inert part of the portfolio, providing no yield, by the sale of shares held in some companies (e.g. Albalact (ALBZ), Comat Alba).

Dividend income as at December 31, 2016, amounted to RON 101.62 mn, showing a significant increase of 198.3% as compared to 2015.

Budget indicators for 2016 were focused on the performance of assets under management and their capacity to generate revenue translating into real profit. SIF Banat-Crișana's leadership commitment was to achieve sustainable results and avoiding company's decapitalization by selling assets as the primary means of making a profit. The proposed objectives were attained, a consistent profit was achieved from the dividends collected from the portfolio companies, without resorting to the sale of valuable assets.

However, during the year, have been taken advantaged of several sale opportunities, mainly divestments from holdings that fell outside the investment strategy. The volume and value of sales made were, however, substantially lower as compared to the previous year.

The company uses VaR to *calculate global exposure*, adapted to the managed portfolio to determine a benchmark reference portfolio. The risk manager supervises and ensures the continuity of the model, monitors and controls VaR limits to comply to the profile and risk limits approved. The indicators of market risk analysis are structured into 2 categories: construction and reference portfolio analysis and interpretation of market risk measurement of reference portfolio.

Portfolio concentration risk is monitored through the evolution of shareholdings in companies in the financial sector by implementing measures leading to the advance of portfolio liquidity and lowering risk exposure on the banking sector.

Top 10 companies in the portfolio

TOP 10 as at December 31, 2016

Company (ticker)	sector	SIF1 stake	values* of holding (RON mn)	% of NAV
BANCA TRANSILVANIA (TLV)	banking – financial	4.44%	385.84	20.09
ERSTE GROUP BANK AG (EBS)	banking – financial	0.61%	330.96	17.23
BRD - GROUPE SOCIÉTÉ GÉNÉRALE (BRD)	banking – financial	1.95%	161.75	8.42
SIF IMOBILIARE (SIFI)	financial services applicable to real estate	99.99%	138.86	7.23
VRANCART (VNC)	cardboard and paper	74.72%	116.49	6.07
BIOFARM (BIO)	pharmaceuticals	23.22%	61.78	3.22
SIF HOTELURI (CAOR)	tourism and public food services	98.99%	45.82	2.39
AZUGA TURISM	tourism and public food services	98.94%	42.72	2.22
SIF MOLDOVA (SIF2)	other financial intermediations	4.96%	40.17	2.09
SNGN ROMGAZ (SNG)	energy - utilities	0.41%	39.29	2.05
TOTAL			1,363.68	71.01

* calculated pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015

The most important holdings as per their weight in SIF Banat-Crișana's NAV are shareholdings in companies listed on regulated markets. Given the specific of SIF Banat-Crișana's business, portfolio's structure and exposure should be adapted to current economic realities to obtain performant yields correlated to the investment risks assumed.

For an efficient portfolio management and having in view the risk management, the Company continuously analyses the dynamics of the Romanian economy and the capital market, as well as the progress of macroeconomic and geopolitical factors, and foreign capital markets evolution that generate major influences on the development of the domestic capital market, to identify the risk factors that may devalue the portfolio.

Following are presented the largest holdings in the stake portfolio:

1. BANCA TRANSILVANIA

	2014	2015	2016*
Net income [RON mn]	1,601	1,908	2,310
Net profit [RON mn]	443	2,448	1,282
Net Cost of Risk [RON mn]	-667	-795	-654
Total assets [RON mn]	35,796	47,579	51,952
CAR	17.6%	17.8%	18.5%
NPL rate (PAR>90 days)	10.9%	9.8%	4.6%
Cost/income ratio	42.2%	49.3%	42.3%
ROE (without VBR effect in 2015)	13.2%	18.5%	21.6%

* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2016, SIF Banat-Crişana held 4.44% of Banca Transilvania's share capital.

The bank announced in March 2016 the takeover of Capital Partners through BT Securities brokerage company, to add investment banking to its provided services.

Also in March 2016, for the second time since bank's establishment, the Board has proposed a dividend distribution, in the gross amount of RON 0.39 / share, from the 2015 net profit of RON 2.4 bn (a dividend distribution rate of 50%).

On November 22, 2016, the European Bank for Reconstruction and Development lowered its stake in Banca Transilvania from 11.47% to 8.6% through the sale of 104,542,738 shares at the price of RON 2.355 / share, through an accelerated bookbuild process (ABB).

On February 15, 2016, the bank announced the preliminary results for the year 2016. Net income announced is of RON 1,282 mn, while assets amounted to RON 51,952 mn, thus surpassing BRD-GSG to become the second bank in Romania by assets.

Banca Transilvania, ticker TLV, is listed on BVB since October 15, 1997, traded in the Main segment, Premium category, and is included in local indices BET, BET-BK, BET-TR, BET-XT, BET-XT-TR, BETplus and ROTX.

2. ERSTE GROUP BANK AG

	2014	2015	2016*
Net income [EUR mn]	6,365	6,307	6,158
Net profit [EUR mn]	-1,442	968	1,265
Operating result [EUR mn]	3,091	2,903	2,663
Net Cost of Risk [EUR mn]	2,084	729	196
Total assets [EUR mn]	196,287	199,743	208,227
CAR	15.7 %	17.9 %	18.5 %
NPL rate	8.5 %	7.1 %	4.9 %
Cost/Income ratio	55.1 %	57.1 %	60.2 %
ROTE	-15.8 %	10.8 %	12.3 %

* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2016, SIF Banat-Crişana held a stake of 0.61% of Erste Bank's share capital.

Erste Bank reported a net profit for 2016 of EUR 1264.7 mn, an all-time at level group. The bank's management proposes a gross dividend for 2016 of EUR 1 per share.

Although banking net income is on a slightly downward trend, while the level of interest rates is historically low, and administrative expenses are growing especially due to the cost of technology, the bank succeeded in generating all time high net profit, facilitated by cost of risk, which is at an all-time low (15 basis points in 2016 vs. 56 in 2015).

The NPL ratio – non-performing loans as a percentage of gross loans to customers – declined significantly to 4.9% while the NPL coverage ratio improved to 69.1% vs. 64.5% in 2015 on the back of the higher quality of credits and degree of recovery of loans previously classified as non-performing.

The higher progress of growth of deposits from customers (7.9%) vs. loans (+3.8%) improved the loan-to-deposit from 98.4% to 94.7%.

As the bank operates in a region where GDP growth rates of the respective countries for 2016 and the years to come, were higher than for EU level, bank's management is confident that will continue to grow by 5% for loans and as well, to further generate a two digits ROTE (return on tangible equity).

Shares issued by Erste Group Bank AG, ticker EBS, are listed on Vienna, Prague and Bucharest Stock Exchange.

3. BRD - GROUPE SOCIÉTÉ GÉNÉRALE

	2014	2015	2016*
Net income [RON mn]	2,232	2,140	2,219
Net profit [RON mn]	43	445	728.3
Net Cost of Risk [RON mn]	-1,193	-631	-461
Total assets [RON mn]	45,180	49,193	50,658
CAR	17.0 %	18.1 %	18.9 %
NPL rate	20.3 %	16.9 %	12.8 %
Cost/ratio	47.4 %	53.4 %	50.0 %
ROE	0.8 %	7.8 %	11.8 %

* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2016, SIF Banat-Crişana held 1.95% of BRD-Groupe Société Générale share capital.

After three difficult years with no distribution of dividends, in March 2016 the Board of the Bank announced a dividend proposal of RON 0.32 / share, following an improved financial condition of the bank and cleaning of non-performing assets from the balance sheet.

The general operation progress continued throughout 2016, the bank announced the preliminary results on February 9, 2017, operating profit increased by 14% yoy and net profit rose by 63.5% yoy to RON 728 mn. Banks' total assets at 2016-year end valued RON 50.7 bn, slightly up from 2015, thus surpassed by Banca Transilvania and stepping down one position, to 3rd place in the top of banks in Romania by total assets.

In the last 12 months, some changes occurred in the bank's management, Mr. Philippe Lhotte was replaced as CEO by Mr. François Bloch, and in the Board of Directors were brought Mr. Jean-Pierre Georges Vigroux and Mr. Benoît Ottenwaelter.

BRD-Groupe Société Générale, ticker BRD and ISIN ROBRDBACNOR2, is listed on BVB since January 15, 2001, currently traded in the Main segment, Premium category and included in local indices BET, BET-BK, BET-TR, BET-XT, BET-XT-TR, BETplus and ROTX.

4. SIF IMOBILIARE

	2013*	2014*	2015*
Revenue [Eur mn]	2.13	5.19	12.35
Gross profit [Eur mn]	-0.46	13.32	8,61
Net profit [Eur mn]	-0.5	13	6.37

* consolidated financial statements

SIF Imobiliare Plc is an important company in SIF Banat-Crişana's portfolio, the stake of 99.99% of its share capital weights 7.23% in SIF Banat-Crişana's NAV.

SIF Imobiliare Plc is listed on BVB since December 23, 2013, its securities are traded on AeRo exchange segment under the ticker SIFI (ISIN: CY0104062217). The independent auditor for SIF Imobiliare Plc is Evoserve Auditors Limited from Cyprus.

The holding SIF Imobiliare Plc, registered in Cyprus, was established in August 2013 as an investment vehicle by incorporating 18 companies from SIF Banat-Crișana's portfolio having activities in the real estate sector, to unify management, increase rates of return for the companies in the portfolio and to seize the opportunities arising in the market.

In 2014, SIF Imobiliare Plc contributed to the establishment of three new companies, that entered into its portfolio: two companies with activities in renting commercial premises and one in agriculture.

In 2015 SIF Imobiliare Plc held stakes in 21 companies, of which 19 companies having assets in the real estate and rental activity and two companies with operations in the agriculture.

In 2016, SIF Imobiliare Plc contributed to the establishment of a new companies, that entered its portfolio: SIFI Properties.

The holding SIF Imobiliare Plc has optimized its activity by restructuring the management and the activities of the companies held in the portfolio. Thus, it was implemented a resource planning system - ERP Atlantis at companies' level, the integration of all internal information at subsidiaries level into a single platform, aiming to ensure data transparency within the group and facilitate decision-making process to improve the efficiency and effectiveness of the business.

During 2016, continued the analyses of some business opportunities, aiming to improve the performance of SIFI's global portfolio, as well as rationalization and review of operational processes at affiliates level, to increase their efficiency, and achieving a quantum leap on performance measures such as return of investments, cost reduction and improving the quality of services.

In 2016, SIF Imobiliare Plc increased its social capital by EUR 2.99 mn in cash by shareholders' contribution for the development of activity with investments in agriculture.

Also in 2016, it continued the portfolio restructuring, by launching two merging projects, SIFI B One (absorbent) which will merge with SIFI CS Retail, Urban SA and Agrorent SA as absorbed companies and Cora SA (acquiring) with Central SA (absorbed).

5. VRANCART

	2014	2015	2016*
Turnover [RON mn]	197.4	209.8	227.1
Operating profit [RON mn]	22.8	21.8	23.8
Net profit [RON mn]	18.8	18.2	19.9
Dividends [RON mn]	2.6	13.8	n/a

*preliminary results; source: Company report submitted to BVB

SIF Banat-Crișana held 74.72% of the share capital of Vrancart SA as at December 31, 2016. In January 2017, after recording the share capital increase carried out in 2016, the stake rose to 75.06%.

The main activity of Vrancart is the production and sale of papers to produce corrugated cardboard in various assortments, corrugated cardboard, packages made of corrugated cardboard (boxes) of various sizes, embossed and printed, toilet and various hygienic-sanitary papers.

Large investments in recent years aimed at internal development and acquisitions, have led to a steady increase in turnover and the performance of the company. For 2016, per company's preliminary report, turnover rose by + 8.2% and net profit by +9.3%.

Significant events in 2016 for the company:

- the acquisition, in July, of the majority stake in Rompaper SRL Brașov, one of the leading converters in the industry;
- the share capital increase by RON 16,796,562.70, from RON 86,371,792 to RON 103,168,354.70;

- EGM approved a bond issue worth RON 38.2 million to support the development plans of the company.

Vrancart SA, ticker VNC, is listed on BVB since July 15, 2005, currently traded in the Main segment, Standard category.

6. BIOFARM

	2013	2014	2015	2016*
Turnover [RON mn]	117.6	128.5	149.3	152.1
Operating profit [RON mn]	22.3	27.4	31.5	35.5
Net profit [RON mn]	25.5	26.5	27.2	29.5
Dividends [RON mn]	-	14.7	15.7	

*preliminary results; source: Company report submitted to BVB

As at December 31, 2016, SIF Banat-Crișana holds a stake of 23.22% of Biofarm social capital, increasing its share during the year from 22.06%.

Founded in 1921, Biofarm is one of the most important medicines and dietary supplements manufacturers in Romania, with a competitive portfolio, of over 200 products, covering 61 therapeutic areas.

With a strong balance sheet and outstanding performances every year, Biofarm is ready of a new period of development, is close to completing a modern factory, with streams for all forms of conditioning of pharmaceutical products, along with warehouses and laboratories.

In 2016, the turnover increased by +1.8% and net profit rose by +8.4%.

On the export market, Biofarm delivers products in 10 countries.

Biofarm, ticker BIO, is listed on BVB since November 19, 1996, currently traded in Main segment, Premium category.

7. SIF HOTELURI

	2014	2015	2016*
Turnover [RON mn]	11.5	11.98	20.00
Operating profit [RON mn]	-0.8	-9.44	1.21
Net profit [RON mn]	0.2	-9.59	0.20
EBITDA	4.13	0.30	6.45

* preliminary results submitted to Bucharest Stock Exchange

SIF Banat-Crișana holds a stake of 98.99% of SIF Hoteluri's share capital.

The company SIF Hoteluri resulted from the change of Calipso's company name in 2014, and is listed on BVB with the ticker CAOR.

In late October 2015, SIF Hoteluri completed the merger by absorption of the other five companies, majority held with activity in hospitality, taking their entire assets.

With the completion of the merger, the establishment of an integrated management system to improve the financial performance of the acquired units and creating more value for the shareholders was envisioned. In March 2016, a new management team was elected, who reviewed the company's business opportunities to improve the performance, operational processes were reviewed at the work units and was established a rigorous cost control and of the operating profit.

The most important asset of the Company's portfolio is DoubleTree by Hilton hotel in Oradea providing tourist services at the highest level. In August 2016, the hotel has been reclassified to 4-stars in the light of the new business strategy and the higher potential on this market segment, and the expected results began to confirm starting 2016 (revenues over RON 12 mn and increase of occupancy rate to 57% (2015: 49%).

8. AZUGA TURISM

	2014	2015	2016 budget*
Turnover [RON mn]	3.37	3.42	2.95
Operating profit [RON mn]	-1.05	-0.11	-0.41
Net profit [RON mn]	-1.08	-0.16	-0.41
EBITDA	0.04	1.13	0.84

* Budget approved in the EGM held on 28.05.2016

SIF Banat-Crișana holds 98.94% of Azuga Turism SA share capital.

The company Azuga Turism SA is part of SIF Banat-Crișana's portfolio of closed unlisted companies, operating in the field of tourist services.

The company has as assets a hotel, an entertainment centre, a sports field, the facility of cableway transportation - gondolas, ski lifts, baby ski, center for renting sports equipment, public food services units, all assets located in the city Azuga, in the touristic area of Prahova Valley.

The facility of cableway transportation with gondolas, the most valuable asset of the company and also the largest revenue generator, has a transport capacity of 1200 persons per hour, with a length of 2 km, covering a difference in height of 600 m, and serves two ski slopes Sorica and Cazacu, under the administration of the company. The city of Azuga entered in the winter tourism circuit starting with the commissioning of this equipment.

The Hotel "Azuga Ski&Bike Resort", with an accommodation capacity of 60 beds, ranked as a 3-stars hotel, is located at the bottom of the ski slopes, offering guests accommodation, food and leisure. For the high-quality services provided to customers, Booking.com granted the hotel the prize for excellence "Guest Review 2015 Award".

Located in a mountainous tourist area, the company operates mainly in two seasons - winter and summer - which induces large periodic fluctuations cash inflows.

To counteract periods less productive on the tourism side, the company offers services for hosting events organized by private companies for training, team building and other events.

Moreover, there is a tradition for the company to hold, during spring-autumn, several annual competitions for mountain biking (on various difficulty levels), providing full services to the participants (accommodation, food, transport from place of departure, washing and repair bicycles etc.)

2016 was not representative for the company, as opposed to 2015, when total days for ski were almost 90, in 2016 were not even 30, which significantly impacted the turnover of the Company.

9. SIF MOLDOVA

	2014	2015	2016*
Net profit [RON mn]	237.0	100.3	123.3
Dividends [RON mn]	52.5	46.2	45.6**

*preliminary results; source: Company report submitted to BVB

** as announced in the Convening Notice for the GSM

SIF Banat-Crișana held, as at December 31, 2016, a stake of 4.96% of SIF Moldova's share capital.

SIF Moldova is a closed-end financial investment company established pursuant to Law 133/1996.

SIF Moldova, ticker SIF2, is listed on BVB since November 1, 1999, traded currently in Main segment, Premium category.

10. SNGN ROMGAZ

	2014	2015	2016*
Turnover [RON mn]	4,493.3	4,052.6	3,411.8
Operating profit [RON mn]	1,753.8	1,454.0	1,258.6
Net profit [RON mn]	1,409.9	1,194.2	1,024.9
Dividends [RON mn]	1,214.1	1,040.6	

* preliminary results; source: Company report submitted to BVB

As at December 31, 2016, SIF Banat-Crişana held a stake of 0.41% of SNGN Romgaz share capital. Having more than 6,000 employees, Romgaz is the largest natural gas producer and supplier in Romania, with a market share of 45% of total domestic consumption of natural gas in 2016. Romgaz recorded annual revenues of RON 3 bn, with an average net return between 20% - 30%. Main business segments of Romgaz: exploration, production and supply of natural gas, underground storage of natural gas, and electricity production.

During 2016, Romania natural gas consumption declined due to the high temperatures recorded in Q1 2016, and the decrease natural gas consumption in key sectors.

The financial results reported by Romgaz were influenced on the one hand by the decline of prices for natural gas, and on the other hand by the intense competition of OMV Petrom and the imported gas, amid imprecise regulations. However, the company's management, by improving the structure of sales on the two market segments, and of a strict management of natural gas and deposits portfolio, managed to achieve an increase in the profitability of operational activity.

Company's majority shareholder is Romanian State, through the Ministry of Energy, with a holding of 70%, the average liquidity on BVB goes above RON 2 mn daily.

SNGN Romgaz S.A., ticker SNG, is listed on BVB since November 12, 2013, traded in the Main segment, Premium category.

Portfolio of fixed income financial instruments

During 2016, SIF Banat-Crişana held a diversified portfolio of fixed income financial instruments, consisting in bank deposits denominated in RON and foreign currency, govt. bonds on the primary market denominated in RON, corporate bonds denominated in RON and foreign currency.

As at December 31, 2016, SIF Banat-Crişana portfolio holds a portfolio of fixed income financial instruments in RON and RON equivalent worth RON 151 mn (RON and RON equivalent), calculated as per ASF rules.

Operations carried out in 2016 with fixed income financial instruments were the consisted in the purchase of government bonds and monetary investments in bank deposits.

During 2016 the whole pack of corporate bonds issued by Industrial Energy SA (formerly Romenergo SA) was redeemed in advance. The amount of the redemption proceeds was of RON 26.95 mn, to which it was added to the coupon interest (RON 2.8 mn).

In the current context of the money market, the diversification of the portfolio of fixed income instruments was achieved through the acquisition of the government bonds, considering the specific features of these low-risk instruments, with higher yields as compared to bank deposits from local banks, and the immediate liquidity.

In 2016 govt. bonds issued by the Ministry of Finance were purchased, in several issue tranches, their discounted value at December 31, 2016 was of RON 102.7 mn representing 5.35% of SIF Banat-Crişana's net assets.

Purchases and sales of financial assets in 2016

During 2016 the following acquisitions and entries of financial assets were performed:

- purchases of shares on the domestic markets, totalling RON 11.35 mn;
- direct investment in the share capital increase of subsidiaries: Vrancart, in the amount of RON 12.9 mn, paid in full; SIF Imobiliare Plc, amounting to EUR 2.99 million, of which was paid EUR 2.59 mn;
- shares acquired free of charge, following the share capital increase by incorporation of reserves by Banca Transilvania (27.5 mn shares);
- purchase of fund units in the amount of RON 14 mn;
- purchase of govt. bonds denominated in RON, amounting to RON 100.99 mn (including accrued coupon on acquisition and acquisition costs).

Disposals and outflows of financial assets during 2016 include:

- sales of shares listed on the domestic markets totalling RON 1.53 mn;
- direct sales of shares held in closed companies totalling RON 2.25 mn;
- value of the securities portfolio written-off the portfolio following the liquidation of companies amounting to RON 113 mn (provisions for the full amount was performed in the previous years);
- proceeds from the redemption in advance of bonds issued by Industrial Energy denominated in RON, with a nominal value of RON 26.95 mn.

Workout portfolio

In the internal structure of holdings management, the workout portfolio includes companies undergoing various stages during the procedure of judicial liquidation, insolvency or those inactive, and those likely to enter the insolvency proceedings.

	December 31, 2015	December 31, 2016
No. of companies in the workout portfolio	75	66
Book value of companies in the workout portfolio (RON mn)	503.11	390.11

These companies originate from the historic portfolio taken from FPP1 at the moment of the incorporation of SIF Banat-Crişana, and they are not the result of portfolio investment decisions.

During 2016, were written-off the portfolio following their liquidation a number of 9 companies (whose purchase value totals RON 113 mn, provisioned in the previous years) and two companies became insolvent. At the end of 2016, were still in bankruptcy / insolvency / dissolution of 58 companies in the portfolio. All these companies are recorded at zero value in the calculated value of the portfolio. During 2016, there was no company of those insolvent to come out from under Law no. 85/2006, to rebecome operational.

As for the company ARIO Bistriţa, the bankruptcy proceedings continued during 2016, following the verdict of the bankruptcy judge, and the judicial reorganization initiated in 2009.

The Company monitors the progress of these companies, without allocating significant resources. The main activities concerning these companies are: (i) monitoring and recording important events occurring in their status; (ii) exercising shareholder's duties, monitoring the legality and expediency of the decisions of their governing bodies; (iii) choosing the appropriate legal means to protect the interests of the Company as a result of possible unlawful OGM decisions; (iv) preparing and submitting declarations of debt / other legal papers that need to be prepared; (v) periodically checking of the files for insolvency in Insolvency Bulletin and Courts' Portal and Trade Register website; (vi) the removal of records when companies are de-registered.

Risk management

SIF Banat-Crişana acknowledges its exposure to financial and operational risks resulting from daily activities, and the achievement of its strategic objectives.

The risk management policy can be found in the Company organizational structure and it encompasses both general and specific risks, as set forth in Law no. 297/2004 and the CNVM Regulation no. 15/2004, as amended and completed.

Effective risk management is considered of the highest importance by the Company to achieve the strategic objectives and to provide benefits to shareholders in a sustainable manner. In this context, the strategy of the Company on the management of significant risks provides a framework for identifying, assessing, monitoring and controlling these risks, to keep them within acceptable levels depending on the risk appetite of the Company and its ability to cover, reduce or absorb these risks.

The strategy for the management of significant risks is based on the objectives concerning risk management and follows the risk parameters.

By the nature of its business, the Company is exposed to various types of risks associated with the financial instruments and the markets it is exposed to.

1. Main types of risks SIF Banat-Crişana is exposed to

Risk management considers the maximizing of Company's profit, in relation to the risk level to which it is exposed. The company uses a variety of policies and procedures for the management and evaluation of the types of risk to which it is exposed. These policies and procedures are presented in the following subsections.

The most important types of financial risks to which the Company is exposed are credit risk, liquidity risk and market risk. Information regarding the Company's exposure to every risk mentioned above is provided in Note 4 to the Financial Statements.

Main types of risks the Company is exposed to are:

a) Market risk and position risk – represents the risk that changes in market prices, such as stock prices, interest rates and foreign exchange rates will affect the Company's income or the value of financial instruments it holds.

Management sets the limits on the value of risk that may be accepted, which are monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Position risk is associated with financial instruments portfolio held by the Company with intention to benefit from positive evolution of prices of underlined financial assets or potential dividends/coupons issued by entities. The Company is exposed to general position risk as well as specific, due to investments made in bonds, shares and fund units.

The management has and is permanently monitoring the reduction of adverse effects related to this financial risk, through an active procedure of diversifying the investment portfolio and by using one or more technics of diminishing of the risk through trading activity or market prices evolution related to financial instruments held by the Company.

We estimate that the market risk to which the Company is exposed to is medium - moderate.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the profitability in relation to the associated risk.

Company strategy for managing market risk is led within its investment objective, and market risk is managed pursuant to the policies and procedures considered most appropriate.

Price risk - is the current and future risk to record losses in both in balance sheet positions as well as off the balance sheet, caused by movements of asset prices. The Company is exposed to the risk that the fair value of financial instruments it holds to fluctuate due to changes in market prices, whether caused by factors specific to the issuer itself or factors impacting all instruments traded on the market.

The Company's management and the Risk Manager monitor the implementation of market risk management, and the internal procedures provided that, when price risks are not consistent with the principles of the Company's investment policy, the portfolio needs to be prudently rebalanced.

Interest rate risk - is the risk that revenues or expenses, or the value of assets or liabilities of the Company will fluctuate due to changes in interest rates on the market.

We estimate that the interest rate risk to which the Company is exposed to is medium - high.

For the financial instruments bearing interest rate, the interest rate risk consists of the risk of fluctuation recorded in the value of a financial instrument due to changes in interest rates and the risk of differences between maturity of financial assets bearing interest and the interest-bearing liabilities (risk of "mismatch").

Interest rate risk may also affect the value of assets bearing fixed interest rates (e.g. bonds) so that an increase in the market interest rate will determine the diminish in value of future cash flows generated by them in relation to those offered by similar instruments but issued in new market conditions, and may reduce their price, if this leads to an increases of investors' preference to direct their funds in bank deposits or in these other new instruments whose interest grew, and vice versa - a reduction of market interest rates may increase the price of shares and bonds and cause an increase in the fair value of future cash flows.

Regarding Company's financial instruments bearing interest, the policy is to invest in financial instruments generally on short-term, thus partially reducing both the risk of fluctuation and the risk of differences in maturity (the Company having no debt maturing over 1 year). As for the assets bearing fixed interest or marketable assets, the Company is exposed to the risk that the fair value of future cash flows related to financial instruments will fluctuate because of changes in market interest rates. Most financial assets of the Company are in stable currencies, whose interest rates are unlikely to vary significantly. Thus, the Company is subject to a limited exposure on fair value rate risk or future cash flows due to fluctuations in the prevailing levels of market interest rates.

The Company does not use derivative financial instruments to protect against fluctuations of interest rate.

Concentration risk - relates to all financial assets held by the Company, regardless of Company intention to hold these assets, and through diminishing this risk is intended to avoid large exposure against the same debtor/entity at Company level.

The management policy of diversifying exposures is applied to portfolio structure, business structure as well as structure of financial risks exposure. Thus, this diversifying policy implies: avoiding excessive exposures against the same debtor/issue, or geographical area; diversifying business structure implies avoiding at Company's level excessive exposure against specific type of business/sector; diversifying structure of financial risks intends to avoid excessive exposure against the same financial risk.

Currency risk - is the risk of loss or failure to achieve the estimated profit because of unfavourable exchange rate fluctuations.

We estimate that the currency risk to which the Company is exposed to is medium - low.

The Company may invest in financial instruments and perform transactions which are denominated in currencies other than its functional currency, thus being exposed to risks that the exchange rate of the national currency in relation to another currency to adversely affect the fair value or future cash flows for the portion of those financial assets and liabilities denominated in other currencies. Romanian currency has fluctuated compared to foreign currencies, EUR and USD, but volatility was not in unexpected parameters, with no impact in the portfolio value. Financial instruments used enable the conservation of the value of monetary assets held in RON, by making investments and cashing of interest by due date.

The Company has not entered into any transaction with derivatives on the exchange rate during the financial years presented.

b) Liquidity risk

The Company carefully keeps a level of liquidity appropriate to its support obligations, based on an assessment of relative liquidity of assets on the market, taking careful account of the time needed for the liquidation and the price or value those assets can be liquidated, and their sensitivity to market risks or other market factors.

Liquidity risk related to payment obligations is the risk that the Company may encounter difficulties in meeting obligations arising from short term financial liabilities, that are settled by payment in cash or other financial means, or that such obligations are settled in a manner unfavourable to the Company. **We estimate this risk the company is exposed to as medium - moderate.**

Liquidity risk for the portfolio of financial instruments is the risk resulting from the absence of marketable nature of an investment, so it cannot be bought or sold quickly enough so that a loss is minimized. **We estimate this risk the company is exposed to as medium - moderate.**

The company systematically monitors the liquidity profile of the asset portfolio, having in view the marginal contribution of each asset that could have a significant impact on liquidity, as well as on liabilities and significant commitments, contingent or otherwise, which the Company may have in relation to its support obligations.

For investments in other collective investment undertakings (UCITS), the manner the UCITS administrators address these liquidity management is monitored, including regular assessments to identify the changes in the redemption conditions. The Company has implemented a procedure that establishes appropriate measures for determining liquidity risk for the assessment of quantitative and qualitative risks for the planned positions and investments that have a significant impact on the liquidity profile of the portfolio of assets, to allow the proper measurement of the effects on the global liquidity profile.

c) Credit risk – is the risk that one of the parties to a financial instrument fails in fulfilling an obligation or a financial commitment it entered, in relationship with the Company, thus causing the Company to record a financial loss.

The Company is exposed to credit risk due to the investments in bonds issued by companies or Romanian State, of current accounts and bank deposits and other receivables.

For the government bonds held, the credit risk is estimated as being low to moderate, since the issuer is the Romanian State through the Ministry of Finance.

Cash held by the company, that is not invested in the companies in the portfolio or in govt. bonds, can be placed in short-term bank deposits. The credit risk is also reduced by placing the liquidities of the company in several banks.

The management of the Company and the Risk Manager closely and constantly monitor the exposure to credit risk so as the Company does not to suffer losses due to credit concentration in a particular sector or industry.

We estimate this total credit risk the company is exposed to as medium.

d) Operational risk – represents the risk of direct or indirect loss resulting from deficiencies or weaknesses in procedures, personnel, the Company's internal systems or from external events that could impact its operations. Operational risks arise from all Company's activities.

Company's objective to manage operational risk in such way that limits the financial loss, to avoid damages to its reputation, and to achieve the investment objective of generating returns for investors was fulfilled during the entire year. The primary responsibility for the implementation and development of control over operational risk lies with Risk Manager. This responsibility is supported by the development of general procedures for operational risk management, having as objective the process control at service providers and service engagements with service providers, avoiding the implementation of procedures restricting initiative and creativity.

We estimate that at Company's level, this risk is medium – moderate.

e) Reputational risk – is the current or future risk of an adverse outcome for earnings and capital caused by the unfavourable perception of an institution's image by the customers, counterparties, shareholders, investors or supervisors.

From the perspective of risk management, reputational risk can be divided into two main classes: the belief that the company can and will fulfil its promises to counterparties and creditors; and the belief that the Company does business fairly and follows ethical practices.

We estimate that at Company's level, this risk is medium – low.

f) Strategic risk – is the current or future risk of negative impact on profits and value of assets portfolio managed by the Company, from implementation of inadequate management decisions, improper implementation of management decisions or the lack of response to changes in the business environment.

Strategic risk is uncontrollable and unquantifiable.

We estimate that at Company's level, this risk is medium – low.

g) Economic environment risk

SIF Banat-Crişana's management believes that in 2016 has adopted the necessary measures for the sustainability and development of the Company, in the existing financial market conditions, by monitoring cash flows and the adequacy of investment policies.

Risk avoidance and mitigation are provided by the Company through an investment policy which complies with the prudential rules imposed by the laws and regulations in force.

Compliance with the holding limits regulated by the supervisory authority for non-UCITS with a diversified investment policy and firmly maintaining the risk profile in the average parameters is one of the lines of actions for the risk management and control associated to the portfolio of assets.

2. Market risk of the reference portfolio (PROXI-85) representing approximately 85% of the market value of the portfolio of listed assets

The analysis of performance and market risk covers the issuers held by SIF Banat-Crişana in the category "Securities admitted or traded on a regulated market in Romania and a Member State" as per the Statement of assets and liabilities, in particular issuers listed on the Regular market at Bucharest Stock Exchange listed, plus Erste Bank, listed on the stock exchange market in Vienna.

The benchmark index was chosen BET-BK, of *benchmark* type, also used by the mutual funds active in Romania. The difference with BET-XT, the with the most similar structure is the inclusion of foreign companies listed on BSE and of a liquidity factor.

To measure the market risk for the stock (equity) portfolios it is used the “Bloomberg Risk Model (Regional)” model, complex, multifactorial and integrated, providing both performance analysis and portfolio risk analysis and testing the probable development of portfolio in extreme market conditions.

Starting June 30, 2016, it has been daily run the “Bloomberg Risk Model” model, also considering the changes in the portfolio as a result of the transactions of investment / divestment made by the Market Operations Department as a result of the Board’s decisions or of the of Investment Committee and the orders to buy / sell.

The overall PROXI-85 risk of the portfolio is estimated against the overall risk of BET-BK considered as benchmark reference, as a forecast for future volatility. *Outlook* is performed on a time horizon of 1 year (252 days of trading). This comparison helps us understand the future impact of some selected by the model, on the overall risk, and the comparison with the *benchmark* aids us in making portfolio corrections, where necessary.

3. The risk of exceeding the legal limits on ownership

The investment policy of SIF Banat-Crișana must consider the limitations imposed by capital market regulations in Romania. Currently, the company has a diversified investment policy typical for UCITS in accordance with CNVM Regulation no. 15/2004 (Article 185 and Art. 235).

These characteristics allow a classification of the portfolio of assets in the **medium risk** category based on principles and rules for classifying the portfolio into classes of financial instruments, in regulated and observed proportions, keeping under control certain ownership limits pursuant to Article 188 of Regulation 15/2004.

3.1. *The risk arising from the exposure to a single issuer*

Shareholding consisting in securities issued by Banca Transilvania and Erste Group Bank sums up to RON 716,795,094 and weight 37.32% of total assets.

Measure - limiting the exposure on a single issuer admitted to trading on a regulated market within 10% of the portfolio of assets managed by SIF Banat-Crișana: It is observed that the imposed limit of 10% is not met, but the upper limits of 40% and 80% are met.

In the future, the Company will consider the continuation of portfolio diversification to lower the weight of large stakes in total assets.

3.2. *The risk arising from exposure on financial instruments issued by entities belonging to the same group*

Banca Transilvania group - represented by holdings of shares and bonds issued by Banca Transilvania and shares issued by BT Asset Management represent a weight of 20.32% of the Company's total assets.

Measure - limiting exposure on financial instruments issued by entities belonging to the same group to maximum 50% of total assets: It is observed that the imposed limit is met.

3.3. *The risk arising from exposure on securities and money market instruments not admitted to trading*

As at December 31, 2016, in the category of securities and money market instruments not admitted to trading are included holdings in issuers whose shares are not listed and bonds issued by Banca Transilvania, with a total value of RON 170,177,296, with a weight of 8.75% in total assets.

Measure - limiting exposure to securities and money market instruments admitted to trading within 20% of the portfolio of assets: It is observed that that the 20% limit is met.

3.4. *The risk arising from major exposure on one bank*

As at December 31, 2016, the highest amount held in accounts and deposits with one bank represented 1.66% of total assets, amounting to RON 32.199.417.

Measure - limiting the amounts held in the account and deposits in one bank to a maximum of 30% of assets: It is observed that the imposed limit imposed is met.

3.5. The risk arising from exposure on securities of other collective investment undertakings

As at December 31, 2016, SIF Banat-Crișana held securities of non-UCITS amounting to RON 152,574,984, representing 7.84% of total assets.

Measure: limiting exposure on securities of non-UCITS within 50% of assets: It is observed that the imposed limit is met.

3.6. Risk arising from exposure to a risk of counterpart in a transaction with derivatives traded outside the regulated markets

During 2016 SIF Banat-Crișana did not have in its portfolio such financial instruments.

3.7. The global exposure to derivatives

During 2016 SIF Banat-Crișana did not have in its portfolio derivatives.

Throughout the year 2016, the assets portfolio of SIF Banat-Crișana complied with the provisions on ownership limits stipulated by the ASF / CNVM regulation no. 15/2004.

4. Operational and IT systems risk

The Company defines operational risk as the risk of loss arising from inadequate internal processes and from human error and systems failure or from external events and includes legal and documentation risk and risk arising from trading, settlement and valuation procedures carried out.

The activities carried out under the operational risk management process include all departments of the Company's organizational structure.

Operational risk loss events may occur as a result of 7 categories of events: internal fraud; external fraud; employment practices and workplace safety; customers, products and business practices; damage to tangible assets; termination of activity and systems malfunctions; execution, delivery and process management.

In order to assess the level of operational risk the Company is exposed to during current activity, an important step is to identify operational risk and classification of events in specific categories to allow the most efficient methods of control and mitigation potential.

Operational risk events considered by the Company as representative for special situations that it may face are inventoried in the Nomenclature of operational risks.

The company uses as a tool of analysis and management of operational risk management the self-assessment. Self-assessment is a process initiated, planned and executed by each department separately, with the assistance of the Risk Management Department. Functional compartments of the Company are responsible for managing operational risks arising in their areas of action.

For each identified risk, the Company evaluates and adopts a management strategy considered appropriate.

SIF Banat-Crișana conducted in 2016 an internal operational risk assessment as per ASF Regulation no. 6 / 2015. From the point of view of ASF Norm no. 6/2015, the Company falls into the category of "medium" risk, also being registered as personal data operator.

Risks have been identified for each of the following categories: people, processes, systems / technologies and the external environment. Operational risk assessment is in line with operational risk management procedure implemented and integrated into the risk assessment for the Company.

The evaluation report of operational risks arising from the use of IT systems contains the method used to assess risk, value given to resources (defined in terms of importance, the degree of resistance without resource and the risk represented by the Company and its customers when the

integrity, confidentiality and its availability is lost), risk assessment and the list of measures in force.

The findings of internal operational risk assessment were submitted to ASF until June 30, 2016 for the previous year.

During September-November 2016, an audit mission and reasonable assurance for complying with the requirements of Regulation No ASF. 6/2015 was conducted.

In the opinion of the auditor - PricewaterhouseCoopers Audit SRL, **the controls related to the operational risks of the Company's IT systems comply in all material respects, to the criteria set in ASF Norm no. 6 / 2015.** The auditor's report on IT systems was submitted to ASF on December 27, 2016.

Throughout 2016, there were no special circumstances of operational risk nature, all exposed situations were remedied in the shortest of time without requiring their registration in the Register of operational risks.

Additional information on risks the company is exposed to are disclosed in Note 4 to the accompanying individual financial statements.

Human resources

SIF Banat-Crișana as at December 31, 2016, has 38 employees, (2015: 41), of which 35 at headquarters in Arad and 3 at Bucharest branch.

The breakdown on employees' education: 82% of employees have higher education, 8% secondary education and 10% general studies. Of staff with higher education, three persons hold a doctorate (PhD) in economics, one person holds a CFA, six persons have postgraduate studies or obtained master's degree in relevant areas such as: business administration, auditing, marketing, finance and project management, computer applied economics), six persons have graduated a second faculty (mainly economics and law).

No trade/labour union was created within the Company, the employees are represented in the negotiation of the collective labour contract by their representatives, elected pursuant to the legal requirements in force.

Until August 27, 2016 the labour relations of the company were regulated by the Collective Labour Contract, registered with the Labour Inspectorate in Arad under no. 609/08.27.2014, and the individual labour contracts. At the end of 2016, it was ongoing the negotiation of the terms of a new collective labour contract, that was signed in early 2017.

There were no conflicting aspects throughout 2016 in the relations between management and employees.

During the year, the continuity of professional training programs initiated in previous years for the human capital development was ensured. Specialist employees participated in various forms of training during the year - seminars, conferences, courses, continuous education programs. The thematic area addressed was related to evaluation, financial analysis, information technology, law. Training programs conducted were carried out in accordance with personal development plans.

By Endorsement no. 64 of February 18, 2016, the Financial Supervisory Authority has approved the changes in Company's internal regulations, as approved in final form by decision the Board of Directors no. 2 /29.01.2016.

Tangible assets of the Company

SIF Banat-Crișana owns the premises for the conduct of operational and administrative activities of the company, located in Arad (headquarters). The company also owns real-estate properties in

the cities of Bucharest, Cluj-Napoca, Oradea and Timișoara, locations of company's branch offices, some of them closed-down of during 2008 - 2015 (Oradea, Timișoara and Cluj-Napoca). Moreover, following the withdrawal of the contribution in kind to the capital of the company Azuga Turism, SIF Banat-Crișana owns a land located in the town of Bușteni, and following the withdrawal from the company Hidrotim, in 2015, the Company took possession of a building and the related land located in Timișoara. The above-mentioned buildings (except for the headquarters located in Arad, included in tangible assets) are accounted pursuant to IFRS as investment property at fair value, totalling RON 19,466,667 as at December 31, 2016.

As at December 31, 2016, the net book value of tangible assets in the construction category is of RON 2,945,691, recorded amount of wear (determined based on accounting under linear amortization) was 21.9%. The company carried out the revaluation of tangible assets at December 31, 2015 in view of harmonizing the accounting and the market and utility values of the tangible assets owned.

The company has no issues concerning the ownership of its tangible assets.

Litigations

As documented in the Legal Department records, the Company was involved in 102 litigations in Court as at December 31, 2016. The Company had an active procedural activity in 83 litigations and passive procedural activity in 18 litigations, while in one it had intervening quality.

In most of the litigations where the Company is the claimant, the object of the litigations is the cancellation/ruling of the nullity for some decisions of the general meetings of shareholders from the companies in the portfolio, recovering the not collected dividends, or the insolvency procedure for some of companies in the portfolio.

Company's management will continue to make all the efforts to protect the legitimate interests of SIF Banat-Crișana and its shareholders in all such litigations, in accordance with the law.

Perspectives for 2017

Trends for Romania

Romania's economy is currently in transition to a market economy, and the macro-economic environment is still unstable. Therefore, the market in Romania involve greater risks than those of developed markets, including political and legislative risks. Political, economic, social or other events in Romania and other emerging markets may have a significant impact on the market value and liquidity of financial instruments. Since the Company's activities are dependent on a large extent on the development of Romania's economy, such changes can have a major negative impact on the financial conditions or on company's results.

Romania's sustainable economic growth in recent years is a favourable element and for SIF Banat-Crișana as well.

We appreciate that the main risks that could determine the decline of economic activity in Romania are related to persistent uncertainties on the political scene, influencing the increase of financing costs and the termination of investments.

Developing countries, such as Romania, require an adjustment of the legislative process to ensure a stable regulatory framework. But, still we are witnessing the rapid implementation of new legislation, sometimes before the adoption of implementing regulations.

Possible future changes in legislation specific to the activity of the Company may have a consistent impact, both positive and negative, requiring a prudent management. For financial investment

companies (SIF) new legislative changes are prepared, with ASF working on the draft law on alternative investment funds (AIF).

In July 2016, Fitch confirmed the rating of Romanian long-term government bonds denominated in foreign currency at *"BBB minus"* and downgraded the long-term Romanian government bonds denominated in local currency to *"BBB minus"*, from *"BBB"*. A rating of *"BBB minus"* is of *"investment grade"* type (recommended for investments).

The stable outlook reflects Fitch estimating the risks to Romania's rating are currently balanced. The main risk factors that could lead to negative rating actions are: significantly higher fiscal deficit and a worsening of government debt dynamics, and a damage of external debt dynamics.

SIF Banat-Crişana's objectives for 2017

- consolidating the *"core"* portfolio structure aimed at providing steady, constant and predictable returns to shareholders, while keeping a reasonable risk level;
- active involvement in majority-owned companies to improve their performance;
- restructure the existing portfolio with an aim to reduce exposure in minority-stake companies;
- diversification of the portfolio of fixed income financial instruments;
- increase visibility, transparency and improve corporate governance;
- promote SIF Banat-Crişana in capital market events (either individually or along with BVB, brokers) to increase transparency and attract new investors/shareholders;
- active involvement in attracting new IPOs from privately-owned companies, targeting the development of the local capital market.

2. SHARES ISSUED BY SIF BANAT-CRIȘANA

CHARACTERISTICS OF SIF BANAT-CRIȘANA SHARES

Total number of issued shares (December 31, 2016)	548,849,268
Number of outstanding shares (December 31, 2016)	518,000,000
Nominal value	RON 0.1000 / share
Type of shares	common, ordinary, registered, dematerialized, indivisible
Trading market	Regulated spot market of Bucharest Stock Exchange (BVB or BSE), Premium category, listed since November 1, 1999
Symbol on BVB (ticker)	SIF1
ISIN code	ROSIFAACNOR2
International identifier	Bloomberg BBGID: BBG000BMN388 (SIF1:RO)

Shares issued by SIF Banat-Crișana grant all shareholders equal rights.

Pursuant to art. 286[^]1 par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital. The voting right is suspended for the shares held by shareholders that exceed this limit, pursuant to art. 286[^]1 par. (2) of Law no. 297/2004 and CNVM/ASF Instruction no. 6/2012 issued in application of art. 286[^]1 of Law no. 297/2004.

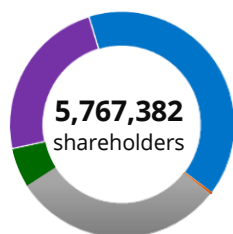
Since its set-up, SIF Banat-Crișana has not issued bonds or other debt instruments.

In August 2016, SIF Banat-Crișana purchased through a Public Offer to repurchase own shares a number 30,849,268 shares, whose value totalled RON 52.44 mn. Details of repurchase programs approved by the EGMS of SIF Banat-Crișana in 2016 are presented in *Chapter 5 Other significant information*.

As at December 31, 2016, SIF Banat-Crișana has **5,767,382 shareholders**, according to the data reported by Depozitarul Central SA Bucharest, the company that keeps the registry of shareholders for SIF Banat-Crișana.

SHAREHOLDERS' STRUCTURE

as per holdings, December 31, 2016



■ 39.97%
Romanian individuals
(5,765,205 shareholders)

■ 30.35%
Romanian legal entities
(177 shareholders)

■ 5.62%
treasury stock
(following the public tender offer in August 2016, the company holds 30,849,268 own shares)

■ 0.39%
non-resident individuals
(1,962 shareholders)

■ 23.67%
non-resident legal entities
(37 shareholders)

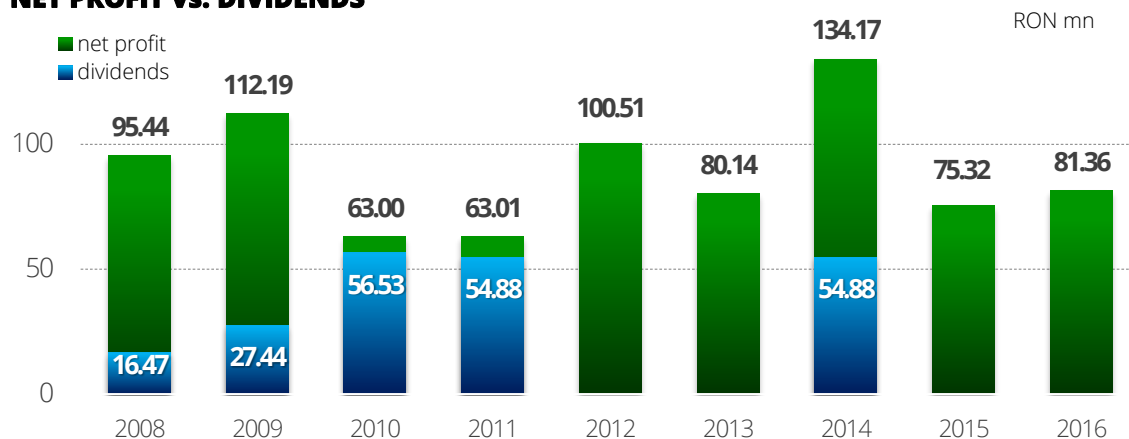
Dividend distribution from the net profit of the Company for the 2012 – 2015 financial years

Financial year for which the distribution was made	2012	2013	2014	2015
Net profit (RON mn)	100.51	80.14	134.17	75.32
Total number of shares	548,849,268	548,849,268	548,849,268	548,849,268
Gross dividend per share (RON)	-	-	0.1	-
Gross dividend payable (RON mn)	-	-	54.88	-
Net dividend payable (RON mn)	-	-	47.74	-
Dividend payout ratio	-	-	40.9%	-
Payment stage as at December 31, 2016	-	-	57.69%	-

The general meeting of SIF Banat-Crişana shareholders held April 26, 2016 approved the allocation of the entire net profit for the financial year 2015 amounting to RON 75,324,568 lei, to retained earnings.

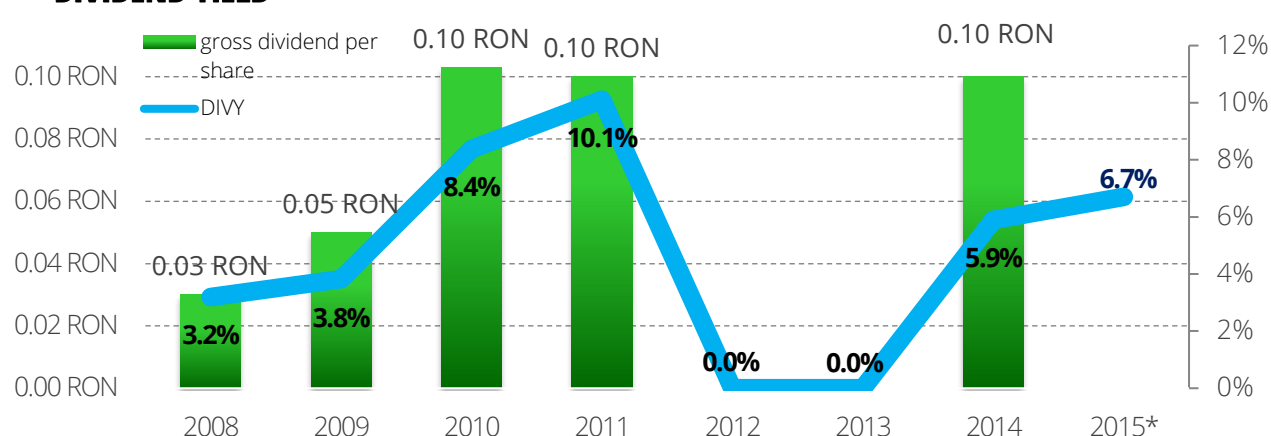
During 2016 the dividend payment for financial year 2014 continued, carried out under the provisions of ASF Regulation no. 3/2015, through Depozitarul Central SA and Banca Transilvania as payment agent. The company has met all the legal formalities to inform the shareholders about the dividend payment, payment procedure being also available on Company's website.

NET PROFIT vs. DIVIDENDS



Payout ratio 17.3% 24.5% 89.7% 87.11% 0% 0% 40.9% - -
net profit calculated under RAS for 2008 – 2014, for 2015 and 2016 under IFRS

DIVIDEND YIELD



DIVY calculated using SIF1 closing price at registration date return for shareholders considering the amount paid to shareholders for the redemption of 30.85 mn shares of 28.85 mn shares which will be cancelled and the mk. cap. for SIF1 as at June 30, 2016.

SIF1 SHARES ON BVB

	2013	2014	2015	2016
Price (RON, closing price)				
low	0.991	1.005	1.253	1.3680
high	1.390	1.405	1.740	1.8480
year end	1.292	1.296	1.688	1.8480
Net profit per share (RON)	0.1460	0.2445	0.1372	0.151
PER	8.85	5.30	12.30	11.50
NAV/S (RON)	2.9094	2.9228	3.3541	3.7075
Dividend (RON/share)	-	0.1	-	n/a
Mk. Cap.* (RON mn)	709.11	715.15	926.46	1,014.27

* calculated using the closing price on the last trading session of the year

Bucharest Stock Exchange (BVB) indices that include SIF1:

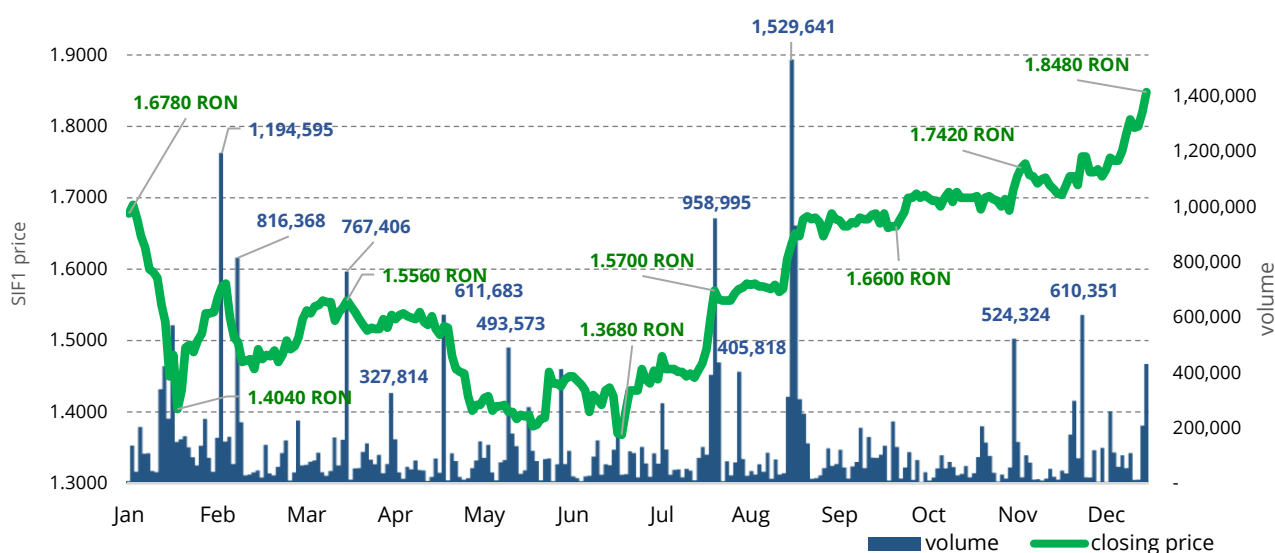
BET-FI is the first sectorial index of BVB and reflects the overall trend of prices of financial investment funds (SIFs and Fondul Proprietatea) traded on the BVB regulated market. Performance of BET-FI in 2016: -0.99%. Weight of SIF1 in BET-FI: 18% (2016 year-end).

BET-BK is a price index weighted by the free-float capitalization of the most liquid companies listed on the regulated market of BVB, which can be used as a benchmark by fund managers, and other institutional investors, the calculation methodology reflecting the legal requirements and the investment limits of funds. Performance of BET-BK in 2016: +1.30%. Weight of SIF1 in BET-BK: 4.71% (2016 year-end).

BET-XT is a blue-chip index and reflects the evolution of the prices of the 25 most liquid stocks traded in the regulated market, including the SIFs, the maximum weight of a ticker in the index being of 15%. Performance of BET-XT in 2016: +1.80%. Weight of SIF1 in BET-XT: 3.34% (2016 year-end).

BET-XT-TR is the total return version of BET-XT index, which includes the 25 most traded Romanian companies listed on BVB, tracking the price changes of its constituent companies and is adjusted to also reflect the dividends paid by them. Performance of BET-XT-TR in 2016: +9.82%. Weight of SIF1 in BET-XT-TR: 3.34% (2016 year-end).

SIF1 PERFORMANCE AND VOLUMES IN 2016



highlighted values recorded at the close of trading sessions

SIF1 shares were traded during 2016 on BVB in 254 trading sessions.

SIF1 share price rose 10.13%, from RON 1.6780 (closing price on January 4, 2016, the first trading session of the year), to RON 1.8480 (closing price on December 30, the last trading day of 2016), which was the highest price recorded in 2016, the lowest was in the trading session of June 27, when the price dropped to RON 1.3680 per share (closing price), the spread during the period was 35% (taking into account the values recorded at the close of trading sessions).

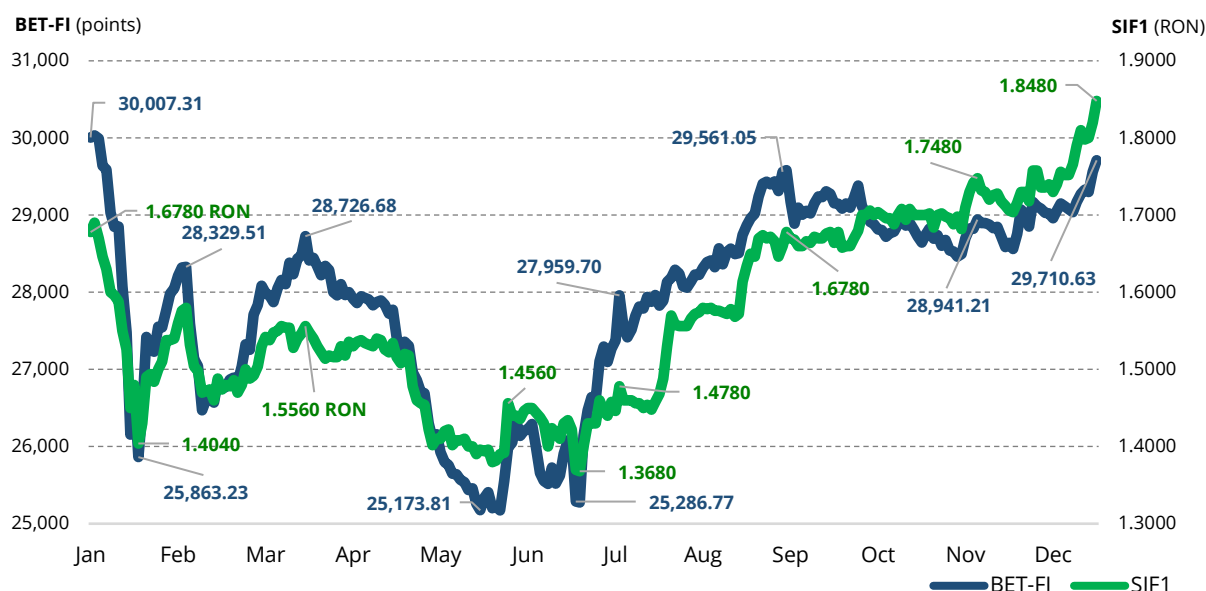
Highest daily volume of SIF1 shares traded on the main regular market (REGS) was of 1,529,641, recorded on August 25th, on the back of upward price at the time.

Liquidity for SIF1 title was rather low in 2016 being traded a total of 31,172,414 shares on the main regular market, representing 5.68% of the total shares issued, during 160 of the 254 trading sessions the transferred volume was below 100,000. The total value of shares traded in 2016 was of RON 48,861,284.

On „DEAL” market 8 transactions were performed, with a total of 15,169,010, worth RON 23.98 mn.

Market capitalization for SIF1 was of RON 1,014.24 mn on December 30, 2016, (calculated using the closing price), up 9.5% as compared to 2015 year-end.

SIF1 vs. BET-FI PERFORMANCE IN 2016



highlighted values recorded at the close of trading sessions

3. CORPORATE GOVERNANCE

SIF Banat-Crișana is committed to sustaining and developing the best practices of corporate governance, to ensure an efficient decision making process, leading to the long-term viability of the business, achieving the objectives of the company and creating sustainable value for all stakeholders (shareholders, management, employees, partners and authorities).

SIF Banat-Crișana has always considered of great importance the best practices of corporate governance and has assented to the most of the principles stipulated by the Corporate Governance Code issued by the Bucharest Stock Exchange. To remain competitive in an extremely dynamic environment, SIF Banat-Crișana develops and adapts its corporate governance practices to comply with the new requirements and take advantage of the new opportunities.

Pursuant to best corporate governance practices, the administration of the company is conducted in a climate of openness, based on the honest dialogue between the executive management and the Board of Directors, and within each of these bodies. Board members, directors, and employees of the Company have assumed the duty to be diligent, responsible and loyal to the company, adopting decisions in the interests of the Company and increase its value, considering the legitimate interests of all interested parties (stakeholders).

Given the Corporate Governance Code issued by Bucharest Stock Exchange, applicable starting January 4, 2016, SIF Banat-Crișana assessed the status of compliance with the new provisions, being in full compliance with most of these requirements. In the current report published on January 8, 2016, the Company presented details on the status of compliance with the new provisions of the Code as at December 31, 2015, and a detailed statement was published in the Annual Report of the Company for 2015.

A statement on SIF Banat-Crișana's compliance with the principles and recommendations of the Code is presented in Annex 4 of this report, the document will be published on Company's website, www.sif1.ro. Noncompliance or partial compliance with the provisions of the Code are explained.

By Regulation no. 2/2016, the Financial Supervisory Authority (ASF) settled the unitary regulatory framework for the implementation of corporate governance principles to entities authorized, regulated and supervised by ASF, which shall be applicable starting January 1, 2017. SIF Banat-Crișana's statement on the application of corporate governance principles, prepared pursuant to the annex of the Regulation no. 2/2016, was submitted to ASF on January 26, 2017, and is presented in Annex 5 to this report.

Administration and management of the Company

Pursuant to the provisions of Company's Articles of Association, SIF Banat-Crișana is administrated under a unitary system, apt to ensure an efficient operation of the Company, in accordance with the objectives of good corporate governance and the protection of the shareholders' legitimate interests.

General meeting of shareholders

The General Meeting of Shareholders is the supreme governing body of the company.

General meetings are ordinary and extraordinary. The Ordinary General Meeting gathers at least once a year no later than four months after the close of the financial year. The Extraordinary General Meeting shall be convened whenever necessary. The powers of the general meeting of shareholders are stated in the Articles of Association and comply with the legal provisions. Company's Articles of Association are available on company's website, www.sif1.ro, in the section *Corporate Governance*.

General Meeting's decisions are taken by show of hands or by secret vote. The secret vote is compulsory for electing Board members and for the appointment of the financial auditor and to revoke them and also for decisions on the liability of the Board members. The decisions taken by the general meeting within the law and Company's Articles of Association shall be binding upon the shareholders who did not attend the meeting or voted against.

The general meeting of shareholders is chaired by the Chairman of the Board of the Directors and in his absence by the vice-chairman. The meetings are recorded by the secretariat elected by the General Meeting. Minutes of the meeting shall be recorded in a special register.

During 2016, SIF Banat-Crișana's Board of Directors convened the Ordinary General Meeting twice and three times the Extraordinary General Meeting of Shareholders. Additional information on the general meetings of shareholders are presented in this chapter in subchapter *Respecting shareholders' rights*.

The Board of Directors

SIF Banat-Crișana is administered by the Board of Directors (i.e. administrators) comprised of seven members, elected by the ordinary general meeting of shareholders for a mandate of four years, with the possibility of being re-elected.

By Resolution no. 1, the Extraordinary General Meeting of Shareholders held on August 30, 2016 approved the amendment of the Articles of Association in the sense of reducing the number of Board members from 7 (seven) to 5 (five) members, effective starting from April 24, 2017. ASF, by Endorsement no. 296/09.11.2016, approved this amendment, and art. 7 paragraph. (1) of the Articles of Association was rewritten accordingly.

Board of Directors has decision-making powers regarding the administration of the Company in the period between the general meetings of shareholders, except for the decisions that the law or company's Articles of Association provide exclusively for the general meeting.

The Board elects from among its members a chairman and a vice-chairman. As per the Articles of Association, the chairman of the Board holds the position of CEO (general director) of the Company.

Board members must cumulatively meet the general conditions stipulated by Law no. 31/1990 on trading companies, completed with the criteria established by Law no. 297/2004 regarding the capital market, and the regulations issued by the Financial Supervisory Authority (ASF).

The members of the Board are authorized in this function by ASF following their election by the general meeting of shareholders.

The Board of Directors may create advisory committees comprised of its members, charged with conducting investigations and making recommendations to the Board.

Changes in the composition of the Board of Directors during 2016

During January 1, 2016 - April 26, 2016, the Company was administered by a Board of Directors comprising seven members, of which one interim (Ionel-Marian CIUCIOI) appointed by the Board of Directors of SIF Banat-Crișana on July 14, 2015, endorsed by ASF by Endorsement no. 312 / 16.09.2015.

The composition of the Board of Directors was the following:

- Bogdan-Alexandru Drăgoi – Chairman
- Octavian Avrămoiu – Vice-Chairman
- Ștefan Dumitru – member
- Valentin Chiser – member
- Ion Stancu – member
- Dan Weiler – member
- Ionel-Marian Ciucioi – interim member

The Ordinary General Meeting of Shareholders held on April 26, 2016, elected Mr. Ionel-Marian CIUCIOI as member of the Board (administrator), with a term of office valid until the expiry of the mandate of the administrators in office (April 24, 2017). By Endorsement no. 186 / 28.07.2016, the Financial Supervisory Authority has authorized this change.

During April 26 – December 31, 2016, the composition of the Board of Directors was the following:

- Bogdan-Alexandru Drăgoi – Chairman
- Octavian Avrămoiu – Vice-Chairman
- Ștefan Dumitru – member
- Valentin Chiser – member
- Ion Stancu – member
- Dan Weiler – member
- Ionel-Marian Ciucioi – member

BOARD OF DIRECTORS as at December 31, 2016	
Position	Other information
Bogdan-Alexandru DRĂGOI (1980)	<p>Chairman of the Board of Directors, executive administrator, member of the Board since March 2015</p> <p>Studies Tufts University, Fletcher, Boston, Massachusetts, USA Specialization in International Relations – graduated <i>Magna cum Laudae</i> Specialization in Economics – graduated <i>Magna cum Laudae</i> Member of Golden Key Honor Society</p> <p>Experience Biofarm S.A. – administrator – December 2015 - present Vrancart S.A. – administrator – December 2015 – present Administrare Imobiliare S.A. – administrator – September 2015 – present Presidential Adviser – The Administration of the President of Romania – (May 2012 – December 2014) Minister – Ministry of Public Finance – (February 2012 – May 2012) Secretary of State – Ministry of Public Finance – (January 2009 – February 2012) General Director, Economic Dept. – Bucharest Municipality – (November 2007 – June 2008) Secretary of State – Ministry of Public Finance – (September 2006 – November 2007) Advisor of the Minister – Ministry of European Integration – (April – September 2006) Vice-President/Shareholder- FocusSat SA România – (October 2004 – April 2006) Associate – Inquam Limited UK – (November 2003 – December 2004) Business Analyst – Inquam Limited UK – (January 2002 – November 2003)</p>
Octavian AVRĂMOIU (1977)	<p>Vice-Chairman of the Board of Directors, executive administrator, member of the Board since April 2015</p> <p>Studies Faculty of law, department of criminal law, University of Bucharest – (2010 – present) Doctoral candidate in criminal sciences Titu Maiorescu University Bucharest - (2005 – 2007) Master Degree in mediation of trade conflicts Faculty of Law, University of Bucharest – (1996 – 2000)</p> <p>Experience Vrancart S.A. – administrator – December 2015 - present SIF Hoteluri SA – administrator – March 2016 – present Administrare Imobiliare S.A. – administrator – September 2015 – present Bucharest Bar – National Association of Romanian Bars – Lawyer individual office Avrămoiu Octavian / Euroinsol consulting SPRL - member of UNPIR – (May 2012 – present) Coordinator Lawyer / Associate Practitioner Ministry of Public Finance – (February 2012 – May 2012) Director of cabinet of the Minister / Member of the Board of CEC Bank Ministry of Public Finance – (September 2010 – February 2012) Counsellor of the Finance Minister Ministry of Public Finance – (February 2009 – September 2010) Counsellor of the Secretary of State Bucharest Bar – National Association of Romanian Bars – Lawyer individual office Avrămoiu Octavian – (2002 – 2009) (suspended on request) Lawyer, (since 2005) liquidator member of UNPIR</p>
Ștefan DUMITRU (1980)	<p>Member of the Board of Directors since April 2011, independent, non-executive administrator, member of the Audit Committee</p> <p>Studies National Institute for Training Lawyers (2004 – 2005) Law Faculty, University Bucharest (1999 – 2003)</p> <p>Experience Societatea Civilă de Avocați „Stănescu, Miloș, Dumitru & Asociații” - partner (2006 – present) Societatea Civilă de Avocați „Călin Andrei Zamfirescu” – lawyer (2004 – 2006) RVA Insolvency Specialists SPRL – partner (2011 – present)</p>
Ion STANCU (1950)	<p>Member of the Board of Directors since April 2003, non-executive administrator, member of the Audit Committee</p> <p>Studies PhD in Economics, Academy of Economic Studies, Bucharest (1976 – 1980); Economist, Academy of Economic Studies, Bucharest (1969 – 1973)</p> <p>Experience Academy of Economic Studies, Bucharest (Vice - rector / Doctoral supervisor/ Professor / Vice Dean / Associate Professor/ Lecturer / Assistant Professor (1974 – present); Banca Românească – Member of BoD, President of Internal Audit Committee (2003– present) Financial Auditor, member of Chamber of Financial Auditors of Romania (2000 – present)</p> <p>Specialization Academical Documentation in Corporate Finance at Ottawa University, Canada (1999) Academical Documentation in Finance and stock markets at University of Reading, Berkshire, UK (1997); Academical Documentation in Direct Investments; Capital markets at Université de Genève, Switzerland (1996)</p> <p>Publications 15 books and hundreds of articles/studies published in specialty magazines</p> <p>Competencies financial analysis and management; evaluation of investment projects, securities and businesses; internal bank audits; portfolio management; quality management in education and research</p>

BOARD OF DIRECTORS as at December 31, 2016	
Position	Other information
Toma-Valentin CHISER (1972)	<p>Member of the Board of Directors since April 2013, independent, non-executive administrator, Chairman of the Audit Committee</p> <p>Studies Executive Master of Business Administration – ASEBUSS – Kennesaw University Atlanta Program 2003 – 2005; Faculty of Finance, Banking and Accounting – Academia de Studii Economice București 1991 – 1996.</p> <p>Experience Prutul Group – Deputy CEO Feb. 2016 – Jan. 2017 Bog'Art Group, Chief Financial Officer - Feb. 2014 – Aug. 2015 Grup Romenergo - Romenergo SA, CEO (Nov. 2012 – 1 Oct. 2013); CFO (Nov. 2009 – Oct. 2012); CCCF Group - Central Railway Construction (reorganization project), Project based management consultant for the strategy, restructuring / reorganization and financial services Board member in several companies belonging to the Group (Nov 2008 – Oct. 2009); A&D Pharma - A&D Holdings - Group Management, Financial Director / Head of Controlling. Operational Board member of A & D Pharma Romania (Mar. 2007 - Sept. 2008); A&D Pharma - A&D Holdings - Group Management, Financial Director Mediplus (distribution). Mediplus Board Member (Dec 2005 – Mar 2007); Group AQUILA - Aquila&Seca Distribution, Chief Financial Officer. Board member Aquila (May 2004 – Dec 2005); SEF Trans - Balkan Fund - Subsidiary in Romania of a private equity fund dedicated to financing SMEs; Investment Officer. Board member of several portfolio companies of SEAF (May 2003 – April 2004); Intervam Bucharest (SSIF) - part of Libra Bank Group, Managing Director. Board Member (Jan 2001 – Apr 2003); Intervam Bucharest (SSIF) - part of Libra Bank Group, Financial Analyst (Feb 1999 – Jan 2001); Active International (SSIF), Project manager (Jan. 1997 – Jan. 1999).</p> <p>Specialization Certificate in Corporate Finance - Chartered Institute for Securities and Investments (CISI) London (Feb. 2012); Driving Corporate Performance – Harvard Business School in Boston, USA Jul. 2007.</p>
Dan Weiler (1950)	<p>Member of the Board of Directors since April 2015, non-executive administrator</p> <p>Studies MBA, IMD; Top Business School in Lausanne, Switzerland, 1984 Diplom-Kaufmann (MBA equivalent), University of Koeln, Germany, 1979</p> <p>Experience Independent Consultant in mergers and acquisitions, capital markets, restructuring projects, since 2012 Member of the Board of Administration (BoA) / Supervisors (BoS) at: Conpet SA – Chairman of BoA since December 2013 Mihail Kogălniceanu Airport - member of BoA since June 2013 VES Sighișoara – member of BoS October 2014 – July 2015 Chimica SA – member of BoS January 2012 – May 2015 Chimsport SA – member of BoS May 2013 – May 2015 Banca Comercială Română - June 2009 – September 2012 Executive Director: Corporate Finance & Investment Banking Independent Consultant (Romania / USA) November 2008 – May 2009 Allegiance Capital (USA) October 2007 – October 2008 Executive Director (Managing Director) Independent Consultant (USA / Europe) May 2007 – October 2007 HVHC / Davis Vision (USA) – May 2005 – May 2007 Vice President Mergers and Acquisitions (Corporate Development) Independent Consultant (USA / Europe) August 2004 – April 2005 Schott Corporation (USA) 1993 – 2004 Corporate Development Director / M&A 1995 – 2004 Strategy & Marketing Director 1993 – 1995 Schott Zwiesel, Germany (Schott Group consumer goods division) 1989 – 1993 IBB (consultancy company), Germany 1986 – 1989 Kurt Salomon Associates (consultancy firm), Germany 1985 – 1986 Veba Oil, Germany (biggest petrochemical company in Germany in the 80's) 1981 – 1984 Lifestyle Energy, SUA (oil exploration) 1979 – 1981</p>

BOARD OF DIRECTORS as at December 31, 2016	
Position	Other information
Ionel Marian Ciucioi (1977)	<p>Studies University of Economic Studies Bucharest 2002 Faculty of International Business and Economics</p> <p>Experience Vrancart S.A. - Chairman of the Board of Directors and General Director - <i>November 2013 – present</i> PricewaterhouseCoopers Romania - <i>January 2011 – July 2013</i> Senior Manager, Financial Services Dept. Ernst & Young Romania - <i>October 2004 – December 2010</i> Audit Manager, Financial Services Dept. UTI Group - <i>June 2003 – September 2004</i> Financial analyst DDP Consult - <i>October 2002 – June 2003</i> Financial analyst</p>
member of the Board of Directors since July 2015, non-executive administrator	

The Board of Directors is assisted in its activity by a secretary of the Board, a person with the necessary experience and training position, who attends the Board meetings and is responsible with aiding the Board and its committees in having an effective activity, his role consisting in supporting the Chairman and the other members of the Board, both as a and individually, and ensuring compliance by the Council with internal regulations, observing the compliance with the current corporate governance regulations, laws and regulations relevant to the company's business. The Secretary is also responsible for providing the effective communication between the Board and its committees, between the directors and the Board and between the company and the shareholders.

The activity of the Board of Directors in 2016

During 2016, the Board of Directors of SIF Banat-Crișana met in 31 times, pursuant to the statutory provisions.

The convening of the Board members was in accordance with the procedures for Board's convening and conducting the meeting, and the presence of the members at the meetings convened during 2016 was compliant to the legal requirements.

The meetings of the Board of Directors were chaired by Mr Bogdan-Alexandru Drăgoi, Chairman of the Board of Directors.

The Board of Directors issued a total of 133 resolutions on the current activity of the company. All decisions were taken by the vote "for" of the majority of those present.

Of the 133 resolutions issued by the Board of Directors during the period under review:

- 88 resolutions had well defined objective, requiring its fulfilment;
- 45 were resolutions for the approval of procedures, mandatory reports and activity reports, of which: (i) 28 resolutions for the approval of internal regulations and working procedures; (ii) 17 resolutions for the approval of mandatory annual, quarterly and half-yearly periodic reports submitted to ASF, BVB, MFP and for the approval of the activity reports issued by company's departments.

By analysing the status of execution for the 133 resolutions issued by the Board of Directors, it results they were all fully fulfilled.

In June 2016, the Board of Directors performed the assessment of management structure and of the members in key functions (internal auditor, representative of the internal control, and risk manager) in accordance with ASF Regulation no. 15/2014 and the internal procedure. As there were not found situations of noncompliance with regulatory requirements, it was not the case of submitting notices or requests to ASF.

For 2016, the Ordinary General Meeting of Shareholders held on April 26, 2016, approved the individual monthly remuneration for the Board members, and the general limits of all additional remunerations for administrators and the general limits of directors' remuneration.

During 2016, the remuneration policy was not published on the website, as the document is under review as part of the documentation submitted to the ASF for authorization as required by AIFM Law 74/2015.

The Audit Committee

The Audit Committee consists of at least three non-executive members of the Board of Directors. The president of the committee is an independent non-executive member. At least one member of the audit committee shall have competence in accounting or auditing.

The Board of Directors created therein, with an advisory capacity, an Audit Committee comprised of three non-executive administrators.

As at December 31, 2016, the Audit Committee is comprised of: Mr. Valentin Chiser – President of the Committee, Mr. Ion Stancu – member, Mr. Ștefan Dumitru – member. The members of the Audit Committee have the appropriate experience for the specific duties incumbent as members of this Committee.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities in matters of financial reporting, internal control and risk management. The Committee supports the Board in monitoring the trustworthiness and integrity of the financial information provided by the Company, monitors and evaluate the efficiency of internal control, internal audit and risk management systems of the Company. The competencies of the Audit Committee are detailed in the Company's Internal Regulations.

During 2016, the Audit Committee met in 8 sessions. These meetings were held for the monitoring of the financial reporting process, namely the annual financial statements prepared pursuant to the International Financial Reporting Standards (IFRS) approved by ASF Norm no. 39/2015 and the annual separate and consolidated financial statements; monitoring accounting reporting to the first half of 2016 and the quarterly reports prepared pursuant to ASF regulations; for the analysis and selection of financial offers for financial audit submitted for the approval of EGM; for the analysis and approval of the internal auditor's schedule for 2016; for the analysis of audit contract concluded with PricewaterhouseCoopers Audit SRL; for the evaluation of internal control activities; for the assessment of conflicts of interest in connection with transactions of the company and its subsidiaries with related parties; for the assessment of the effectiveness of internal control and risk management system; for the monitoring of the effectiveness of the Company's internal control and internal audit systems.

There is no Nomination Committee functioning within the Board of Directors. The Board in its entirety assumes the task that would be entrusted to a separate nomination committee, of evaluating the candidates for the position of administrator that would propose for the election to the general meeting of shareholders. Moreover, pursuant to the laws and regulations applicable to the Company, the conditions and criteria for eligibility and incompatibilities for the position of administrator of the Company are strict and are governed explicitly by the Financial Supervisory Authority, which is responsible and competent with the endorsement of the administrators elected by the general meeting of shareholders.

The Executive team

The effective management of the Company is performed by Executive Directors appointed by the Board of Directors, in accordance with the Company's Articles of Association and applicable regulations, so that everyday management of the Company to be provided, at all times, by at least two persons.

The Executive Directors must meet the conditions set by the regulations issued by the Financial Supervisory Authority applicable to the Company and are endorsed in this position by the Authority.

Pursuant to Law no. 31/1990, the Board of Directors has delegated some of his powers to the CEO (General Director) and the Vice-Chairman - Deputy General Director, within the limits set by the law, Company's Articles of Association and decisions of the Board of Directors, except for the powers reserved for the general meeting of shareholders or the Board of Directors by the law and / or Company's Articles of Association.

The Chairman - CEO (Director General) and the Vice-Chairman - Deputy Director General exercise their mandate under a "Contract for the delegation of powers" granted by the Board, and are vested with all powers to act on behalf of the Company and to represent it in relations with third parties. The other two directors are employees of the Company and have limited powers of representation.

Responsibilities and duties of directors are set by the Board of Directors and are described in the Company's Internal Regulations.

Changes in the composition of executive team during 2016

By Endorsement no. 75 / 25.02.2016, ASF endorsed the appointment of Mr. Laurențiu Riviș as Director pursuant to Resolution no. 3 /27.11.2015 and Resolution no. 8/29.01.2016 of the Board of Directors of SIF Banat-Crișana.

The composition of company's executive team during 2016 was the following: Mr. Bogdan-Alexandru Drăgoi, Mr Octavian Avrămoiu, Mrs Teodora Sferdian and Mr Laurențiu Riviș.

EXECUTIVE DIRECTORS OF SIF BANAT-CRIȘANA as at December 31, 2016		
	Position	Other information
Bogdan-Alexandru DRĂGOI	CEO (General Director)	Information presented on page 37
Octavian AVRĂMOIU	Deputy General Director	Information presented on page 37
Teodora SFERDIAN	Deputy General Director	<p>Studies Faculty of Economics - Aurel Vlaicu University Arad (2000 – 2004) Faculty of Electronics and Telecommunications – Polytechnic Institute of Timișoara (1975 – 1980)</p> <p>Experience SIF Banat-Crișana, Arad (1994 – present) Deputy General Director (2014 – present); Communication & Logistics Manager, Director of development Direction (2004 – 2013); Head of Development Office (2001 – 2004); Counsellor – Transactions Dept. (1999 – 2001); Head of Office Sale by private treaty – Portfolio Management Dept. (1996 – 1999), Head of post-privatization Office – within Private Ownership Fund (FPP) I Banat-Crișana (1994 – 1996)</p> <p>Member of the Board of Directors at COMALIM SA Arad; SIFI Cluj Retail SA, Saturn SA Alba Iulia SA, SIF Hoteluri Rolling Stock Company Arad – electrical engineer (1981 – 1994)</p> <p>Specialization Capital markets / analysis and portfolio management (Bank Akademie & CDG Germany); General management (Austrian Chamber of Commerce & WIFI Vienna); Investment consultant; Implementing IFRS (KPMG); Business Valuation (ANEVAR); Risk Management; Corporate governance standards; Development and HR performance management.</p> <p>Responsibilities Oversees the activities of Corporate Administration (Economic, Reporting, Investor Relations and Conformity, Human Resources, and IT offices)</p>
Laurențiu RIVIȘ	Director	<p>Studies Faculty of Law, “Vasile Goldiș” Western University of Arad, (1998 – 2002)</p> <p>Experience SIF Banat-Crișana, Arad (January 2005 – present) Director (February 2016 – present) Director Legal Division (September 2013 – February 2016) Legal adviser (January 2005 – September 2013)</p> <p>Legal adviser for companies in Bega Grup Timișoara (2003 – 2004) Member of the Board at Beta Transport Cluj-Napoca (2007 – 2011) and Prebet Aiud nov. 2016 - present</p> <p>Specialization “Alternative Investment Fund Managers” – course of study - AS Financial Markets – 2015 “International Financial Reporting Standards – IFRS” – course of study - KPMG România – 2014 “Legal English. Platinum One to One” – course of study - St. Giles International, London – 2011</p> <p>Responsibilities Coordination of legal activities of the companies and the management of workout portfolio</p>

Participation of administrators and executives in the share capital of SIF Banat-Crișana:

Name	Position	SIF1 shares held as at December 31, 2016	
		No. of shares	% of share capital
Bogdan-Alexandru DRĂGOI	Chairman – CEO (General Director)	10,000	0.0018%
Octavian AVRĂMOIU	Vice-Chairman, Deputy General Director	7,325	0.0013%
Ion STANCU	Non-executive administrator	24,425	0.004%
Dan Weiler	Non-executive administrator	10,000	0.0018%
Teodora SFERDIAN	Deputy General Director	13,005	0.002%
Laurențiu RIVIȘ	Director	1,500	0.00027%

To the knowledge of the Company, for the administrators and executives, there are no identified agreements, arrangements or family connections between the respective person and another person for the reason that the respective person has been appointed in this position.

Description of the main elements of the internal control systems and risk management

The various activities carried out by SIF Banat-Crişana generate equally complex risks and as well as a plethora of opportunities for the shareholders, and also for the financial and capital of Romania as a whole. The management of the Company considers risk management an integral part of good governance and best management practices.

Since 2016, SIF Banat-Crişana ensures a permanent function for risk management, which is hierarchically and functionally independent of other functional departments, including here internal control functions and internal audit. Risk Management Department is the executive structure responsible for risk management within the Company, and in May 2016 the position of Risk Manager was established.

Company's management is responsible for providing the risk management function with the necessary authority, status, independence (including from the revenue-generating activities) and resources (financial, human and technical) to achieve the identifying, assessing and measuring of risks both across the organization and at individual level.

The executive team take the appropriate measures both for the adjustment of the risk infrastructure to the external environment and the risk profile, and as well for the timely and accurate communication within the organization of all aspects related to risk.

The Board of Directors of SIF Banat-Crişana approves and periodically reviews the risk strategy and the management policy of significant risks. Company's Board supervises the execution of risk management practices and their implementation in the Company, forewarning regarding the significant risks and the responses of the executive team.

The responsibility of risk management to which the Company is exposed is the duty of personnel in all business lines and is not limited to the Risk Manager or Risk Management Department.

The Company has implemented and continuously improves adequate and modern systems of risk management to accordingly identify, measure, manage and monitor the risks relevant for the investment strategy and the existing investment portfolio.

To effectively monitor the risks, the Company assesses the risk management systems with an appropriate frequency, at least once a year, and adjusts them whenever necessary.

SIF Banat-Crişana has adopted measures, processes and techniques that are appropriate and effective for the identification, measurement, management and monitoring at any time the risks the managed portfolio is or might be exposed to, observing all risk limits and compliance with risk profile.

The measures, processes and techniques mentioned are proportionately correlated to the nature, scale and complexity of the activity and meet the Company's moderate risk profile.

For risk management, by the Risk Manager's care, SIF Banat-Crişana monitors the risk of the portfolio it manages, having in view:

- to establish measures, processes and techniques of risk management necessary to ensure that risks related to positions held and their contribution to the global risk profile are correctly measured based on robust and reliable data, and that the measures, processes and techniques of risk measurement are properly documented;
- to carry out, where appropriate, periodic ex post tests to examine the validity of risk measurement methods which include model-based forecasts and estimates;
- to conduct periodic stress tests and adequate scenario analysis to meet the risks arising from changes in market conditions which may have a negative impact on the portfolio;

- to ensure that the risk level complies at every moment the risk limits established and approved;
- to establish, implement and maintain adequate procedures that, in the event of actual or anticipated breaches of risk limits, enable rapid remedial action to be taken in the interest of investors;
- to ensure that there are adequate systems and procedures for liquidity management.

Risk management policies implemented by the Company include procedures necessary to enable the Company to assess the exposure to market risk, liquidity risk, operational risk and credit and counterparty risk, as well as exposure to all other relevant risks that may have a significant level for the Company, given the objectives and investment strategies, styles or methods of management for the asset management and thus could directly impact the interests of shareholders.

Policy risk management contains comprehensive safeguards against potential conflicts of interest, corrective action taken, the reasons why these measures should lead, according to reasonable expectations, to the independent exercise of risk management function and the manner the company intends to ensure that protective measures have a constant efficiency. The monitoring role of Risk Manager is carefully targeted to assess and measure the effectiveness of these actions.

Internal control

SIF Banat-Crișana established and permanently and operatively maintains the internal control function, which runs independently of other activities. The Internal Control Compartment reports to the Board of Directors and has the following main responsibilities:

- to monitor and regularly evaluate the effectiveness and means of implementation of the set measures and procedures, as well as measures decided to resolve any cases of non-compliance by the Company;
- to advise and assist the relevant responsible persons for carrying out services and activities to meet the requirements set for the Company under the law and ASF regulations.

Internal control activities are performed pursuant to the applicable legislation and regulations issued by ASF and Company's internal rules and procedures.

The person who carries the duties of being representative of the Compartment of Internal Control is authorized by ASF and is registered in the ASF Public Registry. The representative of the Compartment of Internal Control is Mr. Eugen Cristea, authorized by Decision no. 3521/29.12.2005 issued by ASF and is registered in ASF Registry under no. PFR13/RCCI/020033.

During 2016, the activities of the Internal Control Compartment were performed pursuant to the plan of investigation and control for 2016, approved in the meeting of the Board of Directors of SIF Banat-Crișana held on 29.01.2016, the provisions of Regulations ASF / CNVM no. 15/2004 and 9/2014, the working procedures and internal regulations.

Matters addressed were: control of compliance with regulations concerning the capital market and/or internal procedures, informing the Company and personnel of the legal status of the capital market, endorsement of documents submitted by SIF Banat-Crișana to ASF in order to get authorizations provided by the ASF regulations, endorsing the reports submitted to capital market entities and ASF, endorsement of informative materials and advertisements of the company, other activities concerning Company's and its personnel compliance with the capital market legislation in force and internal regulations.

In the inspection activities carried out during 2016, it was verified the compliance with work procedures and capital market legislation in such activities as: trading securities, calculation of net asset value, compliance with the regulated limits of holding for the portfolio of assets, observing the legal requirements of reporting, calculation and payment of monthly quota of 0.0078% of the

net asset value to ASF, prevention of money laundering and terrorism financing through capital market, compliance with the legal provisions concerning persons with access to inside information.

It was found as result of control that the activities addressed are compliant with capital market legislation, internal regulations and procedures.

Following the inspections, proposals and recommendations for the improvement of activity and working procedures were made.

The shareholders having complaints regarding the company's activities, performed under Law no. 297/2004 or regarding the information provided by the company following their request, have the right to address SIF Banat-Crişana by means of a petition. The settlement of petitions submitted by shareholders is determined by ASF Regulation no. 9/2015, and the procedure to be followed is published company's website. Starting September 2015, the Company was established a unique register of petitions in a secure electronic format, to record the submitted petitions, questions addressed and their solution. The responsibility of keeping the register of petitions on the representative of the internal control compartment. During 2016, no petitions were filed to SIF Banat-Crişana.

Between May 16 to June 3, 2016, a periodical control was conducted by a team of inspection from the ASF at the SIF Banat-Crişana headquarters, which targeted the company's activity in the period 25.10.2013 - 16.05.2016.

By Decision no. 2160/21.11.2016, ASF set up a set of measures to be taken by the Company, which was fully implemented and communicated to the authority within the time ordered. The recommendations of ASF control team were ascertained by the Company, which constantly monitors their consistent and rigorous implementation.

By Decision no. 2161/21.11.2016, the representative of internal control compartment was fined for several shortcomings regarding the application of internal regulations. The decision was challenged by the subject and at the date of this report is pending appeal to the ASF.

Internal Audit

SIF Banat-Crişana established and permanently and operatively maintains the internal audit function, which runs independently of other functions and activities, reporting directly to the Board of Directors.

Internal audit is conducted periodically, in order to provide an independent assessment of the operations carried out, their control and management processes, considering the possible exposure to risk on various business segments (safety of assets, compliance with regulations and contracts, integrity of financial and operational information, etc.) makes recommendations to improve the systems, controls and procedures, to provide efficient and effective operations and observes the proposed corrective actions and the attained results.

Internal audit is performed as: evaluation of management and internal control systems - *system audit*; assessment of results in relation to the objectives targeted and assessing their actual impact - *performance audit*; compliance with the legal norms of procedures and operations - *regularity audit*.

The internal audit activity is carried out based on the audit plan prepared pursuant to the Company's objectives. The audit plan and the necessary resources are endorsed by the Audit Committee and approved by the Board of Directors, pursuing the examination of all activities and operations carried out by the Company.

The internal audit activity is an independent and objective activity granting the Company a guarantee of a certain control over the operations and which is performed pursuant to the

procedures developed for the purposes of the work. Each internal audit assignment is performed based on a detailed program, which comprises the applicability, scope, objectives, allocated resources and its period.

The internal audit aims to assist the Company in identifying and evaluating the significant risks, to provide an independent assessment of the risk management, of control and management processes and to assist the Company in maintaining an effective and efficient control system.

The main activities and operations of the Company subject to internal audit in 2016 addressed:

- compliance with the work procedures related to the administrative activities;
- human resources management, compliance with the Collective Labour Contract, internal regulations and approved procedures;
- trading securities, compliance with the short-term investment policy and the approved work procedures;
- compliance with legislation and work procedures in the calculation and reporting of SIF Banat-Crișana's net asset value;
- management of the portfolio of financial instruments, decision making for investment / divestment in these instruments and compliance with the approved decisional competence limits;
- compliance with the work procedures related to the economic and administrative activities, including the property inventory. Compliance with the procedure of procurement and conclusion of contracts SIF Banat-Crișana is a part of;
- compliance with internal regulations and work procedures approved for the activity of branch offices.

The internal auditor reports to the Audit Committee and the Board of Directors of SIF Banat-Crișana on the purpose of the audit, the findings, conclusions, recommendations and proposals. No significant issues that would require the intervention from the Board of Directors were identified.

Internal Audit appreciates that the activities and operations performed by SIF Banat-Crișana in 2016, which were subject to the audit, are compliant with the policies, programs and management of the Company and with the legal provisions and internal regulations.

The activity of internal audit of SIF Banat-Crișana is outsourced to the company New Audit SRL from Arad.

Respecting shareholders' rights

SIF Banat-Crișana shares are common, ordinary, nominative, dematerialized, indivisible, granting equal rights to shareholders.

Pursuant to art. 286¹ par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital.

The exercise of the voting right is suspended for the shares held by shareholders that exceed this limit, pursuant to art. 286¹ par. (2) of Law no. 297/2004 and CNVM/ASF Instruction no. 6/2012 issued in application of art. 286¹ of Law no. 297/2004.

SIF Banat-Crișana guarantees an equitable treatment for all shareholders, including the minority and non-resident shareholders, pursuant to legal provisions and those of Company's Articles of Association.

General meetings of shareholders are convened by the Board of Directors at least 30 days before the set date to be held. The general meetings give the opportunity for Board members and

Company's executive directors to present the shareholders the results achieved during the exercise of their mandate under the conferred responsibilities.

SIF Banat-Crişana endeavours to ensure an impartial treatment for all shareholders, providing them with relevant and up-to-date information enabling them to exercise their rights of a fair manner. Shareholders should exercise their rights in good faith and with respect for the rights and interests of the Company and other shareholders.

The right to vote SIF Banat-Crişana endeavours to facilitate the participation of shareholders at the general meetings of shareholders ("GMS"). SIF Banat-Crişana's shareholders can participate in the GSM directly, by designating a representative by a special/general empowerment or can vote by correspondence (through the post or by electronic voting).

The Board approves procedures for the orderly and efficient organization of GSM works, pursuant to the incident laws and ASF regulations. At Company's headquarters and posted on its website are made available for the shareholders the information and materials concerning the General Meeting: the convening notice for the GSM, informative materials and the documents to be discussed and approved by the meeting, the participation and voting procedures, empowerment forms and correspondence voting forms, the resolutions approved by GSM, and the results of votes for each item on the agenda.

One or more shareholders, representing individually or jointly at least 5% of share capital of the Company, may request by an application addressed to SIF Banat-Crişana, the introduction of additional items on the agenda of the GSM and / or may table draft resolutions for items included or to be included on the agenda of the GSM.

Are entitled to attend and vote at the general meeting of shareholders only the shareholders registered at the reference date in consolidated shareholders' register kept by Depozitarul Central S.A. Bucharest (Central Depository Company).

In 2016, the Board of Directors convened the Ordinary General Meeting of Shareholders ("OGM") twice and the Extraordinary General Meeting of Shareholders ("EGM") three times.

On April 25, 2016, statutorily met, at first call, **the Extraordinary General Meeting of Shareholders ("EGM")** and approved: a program to repurchase its own shares by the Company; completing the main object of the company with the activity of "risk management" and "other activities auxiliary and associated to the collective investment activity" in accordance with Art. 5 of Law no. 74/2015 and ASF Regulation no. 10/2015, and the corresponding rewriting of art. 2 par. (1) of Company's bylaws and amending the articles of incorporation of the company through the termination of validity for the company contract, renaming the company's Statute (bylaws) as Articles of Association and amendment of the Statute (Articles of Association) for its adaptation to the legal provisions in force, as proposed by the Board.

On April 26, 2016, at the second call, **the Ordinary General Meeting of Shareholders ("OGM")** met and approved: the financial statements for financial year 2015, the allocation of net profit for the financial year 2015, amounting to RON 75,324,568, to retained earnings, the discharge from liability for the Board of Directors for the financial year 2015, the Budget and Activity Plan for 2016 financial year, Board members' monthly remuneration for the current financial year, the general limits of all additional remunerations for the Board members and the general limits of remuneration for directors, election on the vacant seat in the Board of Directors of Mr. Ionel-Marian Ciucioi with a term of office valid until the expiry of the term in office of current administrators (24.04.2017), election as financial auditor of PricewaterhouseCoopers Audit SRL, with a minimum contract term of 3 years and empowering the Board of Directors to conclude the audit contract.

On August 30, 2016, at the second call, **the Ordinary General Meeting of Shareholders ("OGM")** met and approved: the consolidated financial statements for the year ended December 31, 2015

prepared pursuant to Norm no. 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of Financial Instruments and Investments Sector, based on the discussions and reports presented by the Board of Directors and the financial auditor.

On August 30, 2016, at the second call, **the Extraordinary General Meeting of Shareholders ("EGM")** met and approved: the amendment of the Articles of Association in the sense of reducing the number of the members of the Board from 7 (seven) to 5 (five) members, with effect from the date 24.04.2017 - date of expiry of the term in office for the current administrators - and the corresponding rewriting of Art. 7 (1) of the Articles of Association as requested by the Financial Supervisory Authority by letter no. SI/DRA 3919/04.08.2016.

On October 11, 2016 on the second call, **the Extraordinary General Meeting of Shareholders ("EGM")** met and approved: the reduction of company's share capital, pursuant to art. 207 par. (1) c) of Law no. 31/1990, from RON 54,884,926.80 lei to RON 52,000,000, following the cancellation of a number of 28,849,268 own shares acquired by the company in the buyback program, and a program to repurchase Company's own shares, in compliance with applicable legal provisions.

In the general meeting of shareholders, the suspension of voting rights for the cases of exceeding the legal and statutory ownership threshold of 5% of the share capital was carried out in accordance with the legal provisions.

Regarding the amendments to the articles of association subject to the approval of the EGM during 2016, ASF has recommended several revisions and reformulations, which required, in some cases, amendments to Convening notice of the EGM, which was thus communicated to BVB and ASF and published in the Official Gazette of Romania, in the newspapers and on Company's website (www.sif1.ro).

By Endorsement no. 296/09.11.2016, ASF has approved the changes occurred in company's bylaws pursuant to Resolution no. 2 of EGM held on 25.04.2016 and Resolution no. 1 of EGM held on 30.08.2016, as per the Amendment to company's bylaws, that has become Articles of Association with effect from the date of the said endorsement, with the exception of Art. 7 par. (13) c) and par. (15), which will be amended as per the request of ASF and subject to the approval of shareholders in the next Extraordinary General Meeting of Shareholders. The provisions of Art. 7 par. (1) of SIF Banat-Crișana's Articles of Association shall enter into force starting 24.04.2017.

By Decisions no. 922/20.04.2016, no. 924/20.04.2016, no. 1686/08.25.2016, no. 1935/05.10.2016 and no. 1936/05.10.2016 ASF has requested that SIF Banat-Crișana fulfil all the necessary formalities for the general meetings of shareholders convened in the course of 2016 so that the shareholders ASF presumed to act in concert in relation to SIF Banat-Crișana cannot exercise the voting rights attached to the position held in violation of art. 286¹ par. (1) of Law no. 297/2004 as amended and supplemented. ASF decisions were published on the BVB website and on the Company's website at www.sif1.ro. Company's Board has taken all necessary measures for the compliance with ASF decisions.

Right to dividend. The dividend is a distribution of a portion of a company's earnings, payable to shareholders, as per their shareholding reported to Company's share capital. The dividend value is proposed by the Board of Directors and submitted for the approval of the general meeting of shareholders.

Dividend policy embraced by SIF Banat-Crișana aims at keeping a balance between shareholders' remuneration through dividend and the need to finance new investment of the reinvested profits obtained. Keeping this balance strategy aims to increase the long-term investment attractiveness SIF Banat-Crișana shares, while maintaining the potential for the future development of the company, ensuring the long-term sustainable profitability of the business for the benefit of

increasing the value created for shareholders.

Board's proposal on the distribution of net profit is subject to the approval of General Meeting of Shareholders and considers the sustainability of the decision, the economic context and the current yields on the market.

For the financial year 2015, the Board of Directors' proposal approved by OGM was the capitalization of the entire net profit.

Right to information SIF Banat-Crișana recognizes the right of shareholders to be informed, provide them timely and relevant information, enabling them to exercise their rights in a fair manner. Information on Company's activity considered to affect the price of shares on the stock exchange market was subject to current reports or announcements, communicated within 24 hours to the market, immediately made available to investors on BVB website and on the Company's website, www.sif1.ro.

To provide equal access to information for the investors, publishing reports and announcements destined to the market participants on Company's website is made after the information is posted by the market operator, Bucharest Stock Exchange (BVB), on its website www.bvb.ro.

In order to inform the shareholders and investors, the Company sets a financial reporting calendar that is communicated to BVB and ASF, and also publishes it on Company's website, www.sif1.ro.

During 2016, SIF Banat-Crișana participated, top-level management represented by Mr. Bogdan Drăgoi, Chairman – CEO and Mr. Octavian Avrămoiu, Vice-Chairman - Deputy General Director at two large-scale events, meeting analysts and investors abroad during *Romania Investor Days* organized by Fondul Proprietatea in partnership with Wood & Company in late February in London, and respectively Fondul Proprietatea in partnership with Auerbach Grayson, BVB and Swiss Capital in April in New York, promoting investment opportunities in Romania.

Romania Investor Days conference held in London offered potential investors the opportunity to be learn about the latest developments, to interact with decision makers on the Romanian market, establishing a bridge between Romania, the scene of numerous economic initiatives, and London, the main international financial center in Europe.

Romania Investor Day in New York, organized in April 2016, was attended by more than 45 analysts and portfolio managers, from 30 investment funds managing assets with an aggregate value of over 3,500 billion USD, providing participants information on the portfolio investments and the latest developments in Romania. The event provided an opportunity for the management teams of the participating companies to interact with foreign institutional investors.

Also, SIF Banat-Crișana participated as a partner of conferences *Development Strategy of Romania*, having the theme "Domestic capital - source of growth", 2nd edition, and "The Future of Capital Market", fifth edition, organized in Bucharest by the editor of Bursa newspaper, in March and September 2016.

The organizational structure within SIF Banat-Crișana providing the relationship with shareholders, potential investors, analysts, mass-media and the interested public is the *Investor Relations* Compartment. Contact details: 35A Calea Victoriei, Arad 310158, Romania, tel | fax: +40257 304 446, email: comunicare@sif1.ro, person of contact Mr Claudiu Horeanu.

Transparency in communication

SIF Banat-Crişana considers of great importance the transparency in communication, committed that the confidence of the public is essential for the proper activity of the Company. SIF Banat-Crişana aims to ensure continuous and periodic reporting in an objective and fair manner, covering all the important characteristics of Company's business and the achieved results.

Company's website is a useful means for communicating with the shareholders. The section dedicated to investor relations hosts information of interest for the shareholders and all the announcements and reports of the Company are made available both in Romanian and in English.

Financial reporting

Financial statements for 2016 have been prepared pursuant to the International Financial Reporting Standards and ASF Norm no. 39/2015, which applies along with the Accounting Law no. 82/1991 (republished and amended). The financial auditor starting with 2016 financial year is PricewaterhouseCoopers Audit SRL.

On April 26, 2016, the Company published *Separate Financial Statements for the year ended December 31, 2015* prepared in accordance with the Norm of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector, audited by KPMG Audit SRL and approved by the Ordinary General Meeting of Shareholders held on April 26, 2016 - together with the annual report of the Board of Directors, Independent Auditor's Report and the statement on the results of the restatement of information from accounting organized in accordance with Regulation no. 4/2011 regarding the accounting regulations compliant with Directive IV of the European Economic Communities applicable to entities authorized, regulated and supervised by the CNVM, approved by Order of the National Securities Commission (CNVM) no. 13/2011.

On August 12, 2016, the Company published *The Condensed Interim Financial Statements as at June 30, 2016*, prepared in accordance with Norm no. 39/2015 for the approval of Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the FSA Sector Investment and Financial Instruments - unaudited.

On August 31, 2016, the Company published *The Consolidated Financial Statements* for the year ended December 31, 2015 prepared in accordance with Norm no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector, audited by KPMG Audit SRL and approved by the Ordinary General Meeting of Shareholders held on August 30, 2016 - together with the Consolidated Report of the Board of Directors, Independent Auditor's Report and conformity statement.

Conflict of interest and transactions with related parties

Conflict of interest. By internal rules and procedures implemented, the company fulfils its responsibility to prevent conflicts of interest, and if they cannot be avoided, ensures the proper monitoring and supervision, observing shareholders best interest. By the functional organization adopted by the Board of Directors, it was considered the insurance that relevant persons engaged in different activities involving a risk of conflict of interest carry out these activities with a degree of independence adequate for company's size and activities.

The Board of Directors implemented operational solutions to facilitate the proper identification and resolution of situations where an administrator or an employee has a material interest in its

own name or on behalf of third parties.

Each member of the Board must make sure that he/she avoids any direct or indirect conflict of interest with SIF Banat-Crișana or with the companies controlled by the Company. To the extent that there is a conflict of interest, the concerned administrator (Board member) has the obligation to inform the Board and shall refrain from the debate and vote on those issues.

SIF Banat-Crișana's internal regulations and procedures include adequate provisions to ensure, with reasonable certainty, the prevention and avoidance of situations that could constitute conflicts of interest. Moreover, in order to take prompt decisions and measures required, the administrators, directors, employees of SIF Banat-Crișana and other categories of people having the quality of insiders have the legal obligation to be aware of the restrictions on personal transactions and the disclosure of inside information.

The Board of Directors establishes and revises the procedures and safeguards against conflicts of interest, periodically examining their effectiveness and takes timely corrective action to address any deficiencies.

Personal transactions. In line with capital market legislation and European regulations, during 2016 have been completed and updated the internal rules and procedures regarding personal transactions with shares of issuers in SIF Banat-Crișana' portfolio, performed by persons in Company's management and people having access to privileged information.

Corporate information regime. The members of the Board, directors and employees of SIF Banat-Crișana are bound to keep the confidentiality of the documents and corporate information/data and comply with the Code of Ethics and Business Conduct and with the procedures approved by the Board of Directors regarding corporate information.

The Board of Directors implemented procedures regarding the Company's internal circuit of the documents and the disclosure to third parties of documents and information concerning SIF Banat-Crișana, giving special importance to inside information - as defined by Law no. 297/2004, that may impact the market price of the shares issued by the Company.

The company must inform the public and ASF, thereupon, on privileged information directly concerning it. Postponement of public disclosure of inside information is made under the conditions specified by the applicable law, provided the confidentiality of such information.

By internal procedures the use of "inside information" related to the investment policy of SIF Banat-Crișana is forbidden for members of the Board, directors of the company and by any person with whom the Company has entered into an employment contract, when they trade financial instruments in their portfolio ("personal transactions").

The Company submits to ASF and regularly update the list of persons with access to inside information regarding the Company. The persons on the list are required to notify the Company and ASF on the transactions with shares SIF1 they perform.

Pursuant to Law no. No 297/2004 and Regulation no. 1/2006, insiders and persons with access to inside information concerning SIF Banat-Crișana have to notify the Financial Supervisory Authority and the Company on any transaction in their own account with shares issued by SIF Banat-Crișana. The notifications are published on the website of the Bucharest Stock Exchange. SIF Banat-Crișana also made public these notifications on its website throughout the year 2016.

Market abuse. In 2016, a special attention was paid to the set of European regulations on Market Abuse, which came into force in Romania and are applicable starting July 3, 2016. There have been implemented the provisions on the establishment of a closed period, of 30 days before the publication of a financial report, during which transactions with financial instruments of the issuer for persons with access to inside information are prohibited.

Diversity policy

SIF Banat-Crișana promotes a culture of respect, collaboration and performance, where all employees can perform and grow under equal conditions in terms of gender, ethnicity, age etc. The company supports and encourages employees' individual abilities and turns them into added value for the organization, at human capital level.

Social responsibility

As the companies are no longer judged only by their economic performance, but also by their contribution to the communities they operate in, SIF Banat-Crișana understands to be an involved and responsible player, attentive and responsive to community needs and to the sustainable development of the society.

SIF Banat-Crișana also expresses its social responsibility by using procedures of appropriate management of environmental issues, the responsible management of personnel, ensuring safety standards in the workplace, and in general by conducting socially responsible business practices.

The Board of Directors of SIF Banat-Crișana adopted, on December 7, 2016 company's policy on the corporate social responsibility, which includes a procedure for sponsorships, establishing a formal framework for the company's involvement in activities such as donations / sponsorships.

The areas of interest as defined in the CSR policy is which SIF Banat-Crișana chooses to support projects are: **education, healthcare, arts and culture, humanitarian/social, environmental protection, sports and expeditions** (the enumeration is not hierarchical). The projects SIF Banat-Crișana involves in, by actions or sponsorships should be both consistent with the company's strategy, and community needs, aiming to promote and strengthen its brand values, the social responsibility policy imply own projects as well as partnerships with NGOs or institutions carrying out projects consistent with company values.

The role of social actor for SIF Banat-Crișana is to promote professionalism, excellence, innovation, responsibility, teamwork, diversity, commitment.

During 2016, SIF Banat-Crișana financially supported the project in the education and business environment namely the organization of the "International Finance and Banking Conference - FI BA 2015" by the Romanian Association of Finance and Banking - ROFIBA together with the Faculty of Finance, Insurance, Banking and Stock Exchange from Academy of Economic Studies in Bucharest).

4. FINANCIAL ANALYSIS

SIF Banat-Crișana prepared the financial statements as at December 31, 2016, pursuant to International Financial Reporting Standards (IFRS) as adopted by the European Union and to the ASF Norm no. 39/2015² for the approval of Accounting Regulations applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) in the Sector of Financial and Investment Instruments. The Financial Statements as at December 31, 2016, including the related notes, accompanied by the independent auditor's report, are presented in Annex 1 to this report.

The following are comments on the financial position and the results of the Company in the financial year 2016, compared to the preceding three financial years:

4.1 Statement on the financial position

STATEMENT OF ASSETS, LIABILITIES AND EQUITY	2016	2015	2014	2013
Cash and cash equivalents	57,625,994	151,400,510	93,827,738	91,050,230
Financial assets at fair value through profit and loss	309	449	132,318,525	18,810,969
Financial assets available for sale	2,007,925,978	1,728,617,277	1,354,602,562	1,444,544,095
Investments held to maturity	6,336,716	34,498,231	50,844,602	51,837,732
Investment property, Tangible assets, Other assets	38,300,331	27,008,238	7,014,898	6,584,190
Total assets	2,110,189,328	1,941,524,705	1,638,608,325	1,612,827,216
Deferred tax liabilities	130,804,501	124,114,688	82,769,736	138,540,418
Other liabilities	25,138,742	28,600,622	15,795,247	32,730,219
Total liabilities	155,943,243	152,715,310	98,564,983	171,270,637
Share capital (inflated under IAS 29)	739,183,919	739,183,919	739,183,919	739,183,919
Own shares (including costs associated with the repurchase)	(53,177,886)	-	-	-
Accumulated profit	813,015,115	731,652,414	698,319,923	549,304,819
Other elements of equity	(527,738,125)	(527,770,890)	(527,835,919)	(527,835,919)
Reserves from revaluation of financial assets available for sale	982,963,061	845,743,952	630,375,419	680,903,760
Total equity	1,954,246,085	1,788,809,394	1,540,043,342	1,441,556,579
Total liabilities and equity	2,110,189,328	1,941,524,705	1,638,608,325	1,612,827,216

Cash and cash equivalents include all liquid investments of the Company in term bank deposits, current accounts and petty cash. The amount decreased as compared to 2015, given that a considerable part of the existing monetary investments at the end of the previous year were reinvested in bonds, comprised in the category of *financial assets available for sale*.

The category includes *assets available for sale* comprises most of Company's holdings consisting in equity securities, are reflected at fair value or at cost, where the fair value cannot be reliably determined. The increase over the previous year is explained by the quotations' upsurge during 2016 of listed equities (Banca Transilvania, Vrancart) and by the inclusion of investments in government bonds in this category of assets (RON 101 mn).

Investments held to maturity as at December 31, 2016 are the company's investments in bonds issued by banking companies (Banca Transilvania). The decrease as compared to 2015 of these holdings' value follows the full redemption of the bonds issued by Industrial Energy (RON 27 mn) during 2016.

² Norm no. 39/2015 - issued by the Financial Supervisory Authority - for the approval of Accounting Regulations compliant to International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF - Financial Instruments and Investment Sector ("ASF Norm no. 39/2015"), published in the Official Gazette of Romania no. 982/December 30, 2015 ("Norm no. 39/2015")

Investments property, Tangible assets and *Other assets* mainly include land and buildings acquired by the Company following the withdrawal from companies in the portfolio (Hidrotim) or withdrawal of the contribution in kind (Azuga Turism). The value of investment property at fair value of the Company at December 31, 2016 is of RON 19.5 mn. Tangible assets held by the Company are those used while carrying out operational and administrative activities, at the headquarters. Under the category of *Other assets, as receivables*, it is also included the amount of the capital increase with a cash contribution conducted by Vrancart, and unfinished as at December 31, 2016 (RON 12.9 mn), this operation explaining the growth of this item as compared to previous year.

Deferred tax liabilities represent the tax payable / recoverable in future periods in connection with temporary taxable differences / deductibles between the carrying amount and the tax asset or liability. The increase of this item over the previous year is mainly due to growth of reserve from fair value measurement of financial assets available for sale.

Equity holds the largest stake in the structure of liabilities. The increase in total liabilities come as an effect of the increase of reserves for the valuation at fair value of the portfolio and maintaining in equity a part of the previous financial year result as own sources of funding (the *Accumulated profit* category). Within equity are also recorded the own shares repurchased by the Company during 2016 (RON 53.2 m, including costs incurred on the repurchase) whose value is a negative correction in equity.

4.2 Statement on the profit and loss and other comprehensive income

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	2016	2015	2014	2013
Income, of which:	107,164,704	40,760,477	22,600,547	28,230,318
Dividend income	101,624,336	34,072,103	15,951,208	21,050,159
Interest income	5,314,722	6,461,141	6,506,501	6,489,121
Other operational income	225,646	227,233	142,838	691,038
Gain on investments, of which:	2,257,033	65,220,044	147,682,044	59,205,443
Net foreign exchange gains	(110,431)	73,886	83,542	1,444,876
Gains on investment property	177,703	10,515,917	-	-
Net profit on sale of assets	2,189,901	55,302,792	157,263,512	44,568,749
Net gain / (Net loss) on financial assets at fair value through profit and loss	(140)	(672,551)	(9,665,010)	13,191,818
Expenses, of which:	(25,120,258)	(17,636,031)	(21,770,674)	(19,998,872)
Expenditure on adjustments for impairment	(5,948,134)	(1,851,313)	(7,160,279)	(2,227,574)
Expenses related to fees	(2,255,325)	(2,443,923)	(3,344,555)	(2,936,107)
Other operating expenses	(16,916,799)	(13,340,795)	(11,265,840)	(14,835,191)
Profit before income tax	84,301,479	88,344,490	148,511,917	67,436,889
Income tax	(2,938,778)	(13,019,922)	(9,505,428)	(22,316,608)
Net profit for the period	81,362,701	75,324,568	139,006,489	45,120,281
Other comprehensive income	137,251,875	215,368,532	(50,528,341)	109,446,488
Total comprehensive income for the period	218,614,576	290,693,100	88,478,148	154,566,769

Progress of **income** with significant with weight is as follows:

Income from financial assets (dividends) significantly rose in 2016, due to the exceptional dividend in cash paid by Banca Transilvania and the increase in the volume of dividends distributed by the companies in the portfolio (Vrancart, Erste, Romgaz, BRD).

the higher volume of dividends distributed by companies on SIF Banat-Crişana's portfolio.

Interest income includes interest on bank deposits, corporate bonds and govt. bonds. In 2016, interest income is under the previous year's. While keeping a similar level of investments in fixed income instruments, volume of interest has been adversely affected by coming to maturity or early redemption of investments with the interest rate higher than current alternatives for reinvestment.

Other operating income usually includes Company's proceeds from rent, recovery of trial costs and other incidental income.

Gains on investments in 2016 are inferior than the previous year, while the Company's strategy was geared towards obtaining revenues without affecting the existing investment base. In this regard, sales of assets from the portfolio were little and precise (RON 2.2 mn), and the result of seizing some opportunities of the moment.

Expenses on impairment of assets are higher as compared to 2015 and include the provisions for the impairment of current assets, respectively the adjustments recognized as expenses for securities for which it was established the depreciation (prolonged reduction in fair value below the acquisition cost, adverse and lengthy changes within the industry, etc.), as per the provisions of IFRS accounting rules.

The commission expenses include fees payable to regulatory agencies, the depositary and stock exchange, the largest share is the monthly fee of 0.0078% of net asset value due to ASF. The level of these expenses stood flat as compared to the previous year.

Other operating expenses include staff salaries and management costs, the taxes and fees and other expenses incurred in the operation of the Company. The increase from 2015 is mainly due to the increase in personnel expenses.

4.3 Cash flow statement

CASH FLOW STATEMENT	2016	2015	2014	2013
Operating activities				
Net profit for the year	81,362,701	75,324,568	139,006,489	45,120,281
<i>Adjustments for:</i>				
Amortization of tangible and intangible assets	237,539	255,359	253,352	310,877
Net (Gain) / Loss on disposal of property, plant and equipment (intangible assets)	-	-	21	(316,056)
Gain on valuation of investment property	(177,703)	(10,515,917)		
Expenditure on adjustments for impairment	5,489,150	1,851,312	7,160,279	2,227,574
Net profit on sale of assets	(2,189,901)	(55,302,792)	(157,263,512)	(44,568,749)
(Net gain) / Net loss from financial assets at fair value through profit and loss	140	672,551	9,665,010	(13,191,818)
Dividend income	(101,624,336)	(34,072,103)	(15,951,208)	(21,050,159)
Interest income	(5,314,722)	(6,461,141)	(6,506,501)	(6,489,121)
Expense with / (income from) other provisions and adjustments	458,984	(12,605)	(479,322)	(4,567,296)
Income tax	2,938,778	13,019,922	9,505,428	22,316,608
Changes in assets and liabilities related to operating activities				
Changes in other assets	(2,546,555)	(2,019,926)	2,230,844	(630,155)
Changes in other liabilities	1,535,469	(9,741)	(261,653)	989,340
Tax on profit paid	(1,851,725)	(2,246,889)	(34,760,842)	(2,628,119)
Net cash (used in) / from operating activities, of which:	(21,682,180)	(19,517,403)	(47,401,615)	(22,476,792)
Investing activities				
Payments for purchase of shares	(152,658,954)	(36,895,424)	(77,622,851)	(99,944,903)
Proceeds from the sale of shares	3,784,252	73,114,113	230,270,597	87,724,747
(Investments) / Proceeds from deposits with term longer than 3 months	108,181,106	(92,790,943)	15,857,359	37,790,624
Net proceeds/(payments) from sale of assets at fair value through profit and loss	-	18,656,690	(123,172,566)	2,176,909
Proceeds / (payments) for purchase of investments held to maturity	27,013,833	16,016,606	1,012,845	(24,160,077)
Payments for purchases of tangible assets	(49,939)	(125,531)	(46,507)	(18,751)
Proceeds from sale of property and assets held for sale		-	-	541,134
Dividends received	102,603,588	30,477,215	13,455,031	18,897,902
Interest received	4,850,262	6,421,949	6,759,017	6,049,301
Net cash (used in) / from investing activities	93,724,148	14,874,676	66,512,925	29,056,886
Financing activities				
Dividends paid	(3,970,007)	(30,944,403)	(204,211)	(3,539,483)
Repurchase of own shares	(53,177,886)	-	-	-
Net cash (used in) / from financing activities	(57,147,892)	(30,944,403)	(204,211)	(3,539,483)
Increase / (decrease) in net cash and cash equivalents	14,894,076	(35,587,129)	18,907,099	3,040,611
Cash and cash equivalents at January, 1st	1,478,015	37,065,143	18,158,045	15,117,434
Cash and cash equivalents at December 31st	16,372,090	1,478,015	37,065,143	18,158,045

During 2016, the investment activity generated cash as result of dividend collected (RON 102.6 mn), and liquidation of some monetary investments (RON 135.2 mn) Structurally, as compared to the previous year, cash flows related to investment activity have changed as follows:

- in 2016, proceeds from the sale of shares, the liquidation of some monetary investments (bank deposits) and proceeds from investments held to maturity funded payments for the purchase of financial assets (RON 152.6 mn - mainly the purchase of government bonds and also the capital increase in the subsidiaries SIFI and Vrancart);
- collection of dividends from portfolio companies higher by about RON 72 mn over the previous year led to a surplus of investment activity of RON 93.7 mn. This surplus of financed the cash deficit of operating activities (net operating expenses) and covered payments for the redemption of own shares, amounting to RON 53.2 mn.

The volume of dividends paid in 2016 lowered as compared to that recorded in 2015 as only the remaining dividends were paid to shareholders, as for the current financial year the General Meeting of Shareholders approved the alternative of shares buyback.

4.4 Implementation of Budget for 2016, summary statement

Implementation of Budget for 2016	Result for 2015	Provisions for 2016	Result for 2016	+/- vs. provisions	+/- vs. 2015
Total income	40,760,477	96,888,200	107,164,704	10.6%	162.9%
Net gain on investments	65,220,044	-	2,257,033		-96.5%
Operating expenses	17,636,031	21,479,300	25,120,259	17.0%	42.4%
Profit before tax	88,344,490	75,408,900	84,301,478	11.8%	-4.6%
Tax on profit (including tax on gross dividends due)	13,019,922	3,536,450	2,938,778	-16.9%	-77.4%
Net profit of the year	75,324,568	71,872,450	81,362,701	13.2%	8.0%
Total comprehensive income for the year	290,693,100		218,614,576		-24.8%

The total volume of income is 10.6% above provisions budgeted for 2016 and 162.9% over the result for 2015.

Net gain from investments is significantly below the previous year and was not included in the budgetary provisions for 2016, as the Company's strategy was focused on achieving financial performance without affecting the existing investment base.

Operating expenses of 2016 are 17% above the budgeted provisions and exceeding by 42.4% the previous year's, because of a higher volume of impairment charges and the ongoing operating expenses.

Gross profit amounting to RON 84.3 mn goes 11.8% above the provisions for 2016 as a result of achieving a dividend income that exceeded the amounts set in the budget.

The net result for the year amounted to RON 81.36 mn is 13.2% above the provisions of 2016 and 8% over the previous year's result, both due to a higher volume of revenues and of a lower tax burden than the initial estimates, in the context of a different structure of revenues and expenditures for the period than those provisioned in the budget, the largest share of revenues is dividend income.

5. OTHER SIGNIFICANT INFORMATION

Programs for the repurchase of own shares

The EGMS of SIF Banat-Crișana, held on April 25, 2016, at first call, approved a program for the repurchase of company's own shares, for a maximum of 30,849,268 shares at most, of which a maximum of 28,849,268 shares to be redeemed to reduce the share capital by their cancelling, and a maximum of 2,000,000 shares to be distributed free of charge to employees and management of the Company.

In accordance with the provisions of EC Regulation no. 2273/2003, the repurchase of shares under the program is to reduce the company's share capital, as well as for the free distribution to employees and members of the Company's management (directors - i.e. administrators, managers - i.e. executive directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors. The price range approved by the EGMS for the repurchase program was of RON 0.50 as the minimum price per share and a maximum price per share of RON 3.15. *(Current Report of April 25, 2016)*

By Decision no. 1499/27.07.2016, ASF approved the Public Tender Offer Document for the shares issued by SIF Banat-Crișana, with the Company as bidder and Raiffeisen Bank as intermediary, targeting the acquisition of a number of 27,450,000 shares, representing 5.0014% of the share capital of SIF Banat-Crișana, with the price of RON 1.70 / share, during 02.08.2016 - 23.08.2016. *(Announcement referring to the Public Tender Offer, Tender Offer Document, published in July 28, 2016)*

By Decision no. 1613/10.08. 2016, ASF approved the amendment with respect to the increase of the number of shares subject to the public tender offer ("the Offer"), approved by FSA Decision no. 1499/27.07.2016, from 27,450,000 shares to 30,849,268 shares, representing 5.6207% of SIF Banat-Crișana's share capital, offer carried out in the buyback program approved by the EGMS held on April 25, 2016. *(Current Report of August 11, 2016)*

The public offer for the purchase of shares issued by SIF Banat-Crișana S.A., launched by the company was carried out during 02.08.2016 - 23.08.2016 through the intermediary Raiffeisen Bank, a number of 141,704,171 shares, representing 25.82% of the subscribed share capital of SIF Banat-Crișana were deposited under the offer, the number of securities purchased was of 30,849,268 shares representing RON 52,443,755.60. The date and method of settlement of the transaction for the public offer were 26.08.2016, through Depozitarul Central. Following the closure of the tender, the tenderer (SIF Banat-Crișana) owns 30,849,268 shares, representing 5.6207% of the social capital of the issuer. *(Notification from August 29, 2016)*

The EGMS of SIF Banat-Crișana, held on October 11, 2016, on the second call, approved a program for the repurchase of company's own shares, for a maximum of 20,000,000 own shares at most, to reduce company's share capital. The price range for EGM approved for the buyback program is of RON 0.50 and RON 3.41 per share. *(Current Report of 11 October 2016)*

Implementation status of the Resolution of Extraordinary General Meeting of Shareholders of October 11, 2016

The EGMS of SIF Banat-Crișana, held on October 11, 2016, on the second call, approved the reduction of the capital of SIF Banat-Crișana SA, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 54,884,926.80 to RON 52,000,000, following the cancellation of a number of 28,849,268 own shares acquired by the company, in the buy-back program. Subsequently to the reduction, the share capital of SIF Banat-Crișana SA will have a value of RON 52,000,000, divided into 520,000,000 shares with a value of RON 0.10 /share.

Article 3 par. (1) of the Articles of Association is to be amended as a result of the capital reduction and shall read as follows:

"The share capital of the company amounts to RON 52,000,000 and is divided into 520,000,000 shares of RON 0.10 each, allotted to shareholders as results from the records entered in the shareholders' register." (Current Report of 11 October 2016)

The operation of capital reduction will become effective after the following conditions are met:

- a period of two months passes from the date of publication in the Official Gazette of the resolution to reduce the share capital; The resolution of the Extraordinary General Meeting of SIF Banat-Crișana for the approval of the capital reduction was published in the Official Gazette of Romania, Part IV, no. 3960/9.11.2016 and the legal period of two months, provided by art. 208 par. (1) of Law no. 31/1990 was reached on 9 January 2017;
- approval by the Financial Supervisory Authority of the amendment of Art. 3 par. (1) of SIF Banat-Crișana's Articles of Association as per EGM resolution of October 11, 2016; The company filed to the Financial Supervisory Authority the request for the approval of the amendment of the Articles of Association, together with related documentation, but until this report, the authority has not issued the necessary approval;
- registration of the resolution of SIF Banat-Crișana's extraordinary general meeting for the approval of capital reduction with the Trade Registry, an initiative which cannot be carried out until obtaining the required approval from the Financial Supervisory Authority.

The Company will inform the investors pursuant to the legal provisions on the status of implementation of the resolution of the Extraordinary General Meeting of Shareholders held on October 11, 2016.

Information regarding implementation of the Law AIFM

In the Official Gazette of Romania, Part I, no. 274 of April 23, 2015, the Law no. 74/2015 on alternative investment fund managers ("Law no. 74/2015" or "AIFM Law") was published. The Law no. 74/2015 came into force 30 days after its publication in the Official Gazette, i.e. on May 23, 2015.

Following the coming into force of Law no. 74/2015, the Financial Supervisory Authority approved the Regulation No.10 / 2015 on alternative investment fund administration, published in the Official Gazette on July 28, 2015.

Pursuant to ASF Regulation no. 10/2015, SIF Banat-Crișana (financial investment company) is treated as a self-managed alternative investment fund, subject to the legal obligation of authorization as manager of alternative investment funds (AIFMs), under the procedure governed by Law no. 74/2015 and Regulation no. 10/2015.

In the process of implementing the new provisions, pursuant to art. 63 of Law no. 74/2015, SIF Banat-Crișana adapted the provisions of its articles of association, internal procedures and regulations to bring them into line with the provisions of Law no. 74/2015 and took the necessary measures to comply with the AIFM Law. To the same end, the company filed on May 20, 2016, within the legal deadline, to the Financial Supervisory Authority, the request and due documentation for authorization as AIFM.

Subsequent to the application for authorization, Financial Supervisory Authority requested change / completion of some documents from the authorization file, as at December 31, 2016 the Company is in the process of updating internal documents and internal procedures required to be authorized as AIFM, the authorization file is ongoing analysis at ASF.

6. EVENTS AFTER THE REPORTING PERIOD

Preliminary financial results for 2016

On February 15, 2017, SIF Banat-Crișana published the preliminary financial results for the year ended December 31, 2016, prepared in accordance with IFRS, submitted to the market (BVB) and posted on Company's website, at www.sif1.ro.

7. PROPOSALS OF THE BOARD OF DIRECTORS

Given this report, the Board of Directors submits for approval of the Ordinary General Meeting of Shareholders:

1. The separate financial statements as at December 31, 2016 prepared pursuant to International Financial Reporting Standards adopted by the European Union and ASF Norm no. 39/2015, including:

- Separate statement of profit or loss and other comprehensive income
- Separate statement of financial position
- Separate statement of changes in equity
- Separate statement of cash flows
- Notes to the separate financial statements

2. The proposal for the allocation of net profit for the financial year ended December 31, 2016.

SIF Banat-Crișana attempts to keep a balance between the remuneration of shareholders by dividend and the need to finance new investment with the reinvested profits. The strategy for the preservation of this balance aims to increase the investment attractiveness on long-term of SIF Banat-Crișana shares, while keeping the potential of company's future development, ensuring long-term sustainable profitability of the business for the benefit of increasing the value created for shareholders.

Remuneration of shareholders by dividend distribution or reinvesting them, or by buyback programs, may bring, on medium and long term, additional benefits for shareholders.

Consistent with the objective of maximizing total return to Company's shareholders, and considering the program for the repurchase of 20,000,000 own shares, approved by the EGM on 11.10.2016, that will be executed in the next period, the Board of Directors proposes the allocation of net profit achieved in 2016 in one of two options:

Option I:

Approval of a gross dividend / share of **RON 0.06**, representing a distribution rate of 38% of net profit. Approval of the date of **September 4, 2017 as the dividend payment date**. The distribution of dividends to shareholders will be made in accordance with the legal provisions and the payment costs will be borne by the shareholders of the net dividend amount.

Approval of the allocation to *Other reserves* of the remaining part of net profit.

Option II:

Approval of the allocation of the entire net profit for the financial year 2016 to *Other reserves*, for own financing sources.

3. Discharge from liability of the Board of Directors for the financial year 2016.

This report is accompanied by the following annexes:

ANNEX 1	Financial statements as at December 31, 2016, prepared pursuant to International Financial Reporting Standards adopted by the European Union and ASF Norm no. 39/2015
ANNEX 2	Statement of SIF Banat-Crişana assets and liabilities as at December 31, 2016 and the detailed statement of investments (as per Annexes no. 16 and 17 to Regulation no. 15/2004)
ANNEX 3	Amendments to the articles of association in 2016
ANNEX 4	Status of compliance with the Code of Corporate Governance issued by BVB
ANNEX 5	Statement on the compliance with the principles of corporate governance as per ASF Regulation no. 2/2016

The version prepared in Romanian of the Annual Report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crişana in the meeting held on March 8, 2017, and revised in the meeting held on March 20, 2017.

Bogdan-Alexandru DRĂGOI

Chairman of the Board of Directors

Octavian AVRĂMOIU

Vice-Chairman of the Board of Directors