



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

## — ANNUAL REPORT — OF THE BOARD OF DIRECTORS FOR 2017 FINANCIAL YEAR

PREPARED PURSUANT TO LAW NO. 24/2017, 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

<b>FINANCIAL POSITION</b> [RON mn]				
	2014	2015	2016	2017
Total assets, of which	1,638.61	1,941.52	2,110.19	2,488.15
Total financial assets	1,537.76	1,763.12	2,071.89	2,462.83
Equity	1,540.04	1,788.81	1,954.25	2,291.24
Total liabilities	98.56	152.72	155.94	196.91
<b>FINANCIAL PERFORMANCE (IFRS)</b> [RON mn]				
	2014	2015	2016	2017
Income	22.60	51.28	107.16	84.93
Gains on investment	140.52	52.85	2.26	3.31
Expenses	14.61	15.78	25.12	15.75
Gross profit	148.51	88.34	84.30	72.49
Net profit	139.00	75.32	81.36	69.55
<b>FINANCIAL INDICATORS</b> [%]				
	2014	2015	2016	2017
ROE (net profit / equity)	9.03	4.21	4.16	3.04
ROA (net profit / total assets)	8.48	3.88	3.86	2.80
Gross profit margin (gross profit / total income)	61.6	63.5	36.91	35.55
<b>SHARES AND NET ASSET PERFORMANCE</b>				
	2014	2015	2016	2017
Share price (year end, in RON)	1.303	1.688	1.848	2,770
Net asset value / share (RON)	2.9228	3.3541	3.7075	5.0098
PER	5.14	12.30	11.5	20.71
Dividend / share (RON)	0.1	-	-	*
Accounting net asset** / share (RON)	2.8059	3.2592	3.7727	4.4062
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	520,000,000
Number of outstanding shares	548,849,268	548,849,268	518,000,000	517,460,724
<b>OPERATIONAL DATA</b>				
	2014	2015	2016	2017
Number of employees, year end	48	41	38	37
Number of branch offices	2	1	1	1
<b>SHAREHOLDING STRUCTURE</b> as at December 31, 2016				
	number of shareholders		stake	
Romanian individuals	5,758,694		40.29%	
Non-resident individuals	1,987		0.36%	
Romanian legal entities	166		36.61%	
SIF Banat-Crişana (treasury stock) ***	1		0.49%	
Non-resident legal entities	32		22.26%	
<b>TOTAL</b>	<b>5,760,880</b>		<b>100%</b>	

\* as per GMS decision

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

\*\*\* own shares held by the Company following the buy-back programs from August 2016 and September 2017

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## GENERAL INFORMATION

COMPANY NAME	<b>Societatea de Investiții Financiare Banat-Crișana S.A.</b> (hereinafter referred to as “SIF Banat-Crișana” or “the Company”)
COMPANY TYPE	<ul style="list-style-type: none"><li>▪ closed-end investment company with a diversified investment policy</li><li>▪ 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)</li><li>▪ Romanian legal entity with private capital</li></ul>
SHARE CAPITAL	<ul style="list-style-type: none"><li>▪ RON 52,000,000 – subscribed and paid-in capital</li><li>▪ 520,000,000 shares issued</li><li>▪ shares with a nominal value of RON 0.10</li></ul>
REGISTRATIONS	<ul style="list-style-type: none"><li>▪ J02/1898/1992 at Trade Registry of the Arad Court</li><li>▪ Unique Fiscal Registration Code RO 2761040</li><li>▪ Number in ASF Registry PJR09SIIR/020002/2006</li><li>▪ Legal Entity Identifier (LEI Code) 254900GAQ2XT8DPA7274</li></ul>
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"><li>▪ financial investments to maximize the value of own shares pursuant to the regulations in force;</li><li>▪ management of the investment portfolio and exercising all rights associated to the investments;</li><li>▪ other additional and related activities pursuant to the regulations in force.</li></ul>
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB) – Premium category - ticker <b>SIF1</b>
FINANCIAL AUDITOR	<b>PricewaterhouseCoopers Audit SRL</b>
DEPOSITARY	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	<b>Arad</b> , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL <a href="mailto:sifbc@sif1.ro">sifbc@sif1.ro</a> WEB <a href="http://www.sif1.ro">www.sif1.ro</a>
BRANCH OFFICE	<b>Bucharest</b> 175 Calea Floreasca, 7th floor, room A1, sector 1, 014459, Bucharest, Romania

# 1. ANALYSIS OF SIF BANAT-CRIȘANA ACTIVITY

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## Economic environment

### Domestic economic environment

**Romania's gross domestic product (GDP) rose 7% in 2017** over the previous year (acc. to INSSE), the highest growth rate in the European Union, following the fiscal loosening measures, including tax and charges cuts and a significant increase in wages both in the public and private sectors. Expansion comes mainly from consumption as a reaction to the fiscal stimulus. After a contraction in 2016, total investment rose in 2017, but the public sector records the second consecutive year of cuts in resources for public investment projects.

Macro indicators such as unemployment (4.9% according to ANOFM), consumption, lending, indicate positive trends, but the NBR draws attention to the over-sized budget expenditures.

The inflation rate rose at an accelerated pace. The average annual growth rate according to the INSSE is +1.5% in 2017, compared to -1.5% in 2016.

The steep rise was driven by the rapid succession of shocks in the price of electricity on the competitive market, of fuel prices and agri-food prices. At the same time, the rapid widening of aggregate demand surplus in the economy has created an environment favourable for the spread of these pressures in consumer prices.

(source: European Commission, INSSE, ANOFM, Bloomberg, BNR)

Interest rates are 1.25% for deposits, 3.25% for credit, and 2.25% for monetary policy. The monetary framework has helped to support stock market capitalization in the last few months of 2017. Monetary policies have been oriented towards rate hike, which, on the one hand, indicate a healthy economy, on the other hand an increase in the cost of capital which can negatively impact financial markets.

The domestic currency against the Euro had moderate variations in 2017, resulting in an average annual rate of 4.5681 RON/EUR compared to 4.4908 RON/EUR in 2016. The spread during this period was between the limits of 4.4888 - 4.6597. Over the past 5 years there have been no excessive exchange rate volatility. Against the US dollar, the course of the exchange rate can also be considered stable. The current political risks (three governments in one year, social tensions caused by the legislative proposals of ministers of justice, etc. ...) can undermine the economic equilibrium and the fruition of the governance plan.

### Bucharest Stock Exchange (BSE or BVB)

BVB market rose in 2017, following the economic growth trend, although the average daily trading volumes were extremely low: EUR 10.2 million / December 2017 (EUR 12.1 million YTD) vs. EUR 6.3 million the daily average in 2016, the monthly progressions indicating an upward trend. For an institutional investment environment, these amounts indicate an extremely limited market liquidity and hide high risks if there emerges a will or need to sell holdings listed on the BVB (difficulty / impossibility of exit).

The Bucharest Stock Exchange was included on the FTSE Russel watchlist, but in 2017 it missed the reclassification in the emerging markets category, primarily because of the failure to meet the liquidity criteria. However, during the year 2017, BVB developed as compared to the previous years, recording 4 new company listings, 9 corporate bond issues and a record capitalization level.

Market indicators outline an undervalued market compared to other stock exchanges in the region: P/E 13.97; P/BV 1.00; DIY 6.7.

**Evolution of main market indicators for CEE 1Y as at 05.03.2018**

Austria	(ATX)	-21.07%
Bulgaria	(BSE SOFIX)	+11.43%
Czech Republic	(PX)	+13.53%
Croatia	(CROBEX)	-16.60%
Poland	(WIG 20)	+3.64%
<b>Romania</b>	<b>(BET)</b>	<b>+4.68%</b>
Hungary	(BUX)	+11.28%

These indicators position BVB in a favorable perspective, with a consistent growth potential.

Dividend policies of companies majority held by Romanian State year were generous last year, anchoring the stock quotes for much of the blue chips of the domestic stock exchange. The preliminary results for the year 2017 reported by the listed companies are generally in line with investors' expectations, therefore we can expect the capitalization should maintain or even rise until the start of dividend distributions, if other significant events do not occur.

#### International economic environment

**The Euro declined** in 2017 vs. the US dollar, mainly influenced by the monetary policies adopted by the EU. President Mario Draghi announced that interest rates will remain unchanged for a long time. ECB continues also to apply non-conventional monetary policy measures, extending the QE quantitative easing program (designed to stimulate economic growth) until September 2018. While cutting the monthly bond purchase pace to EUR 30 billion, the Governing Council of the institution has announced the readiness to increase the volume of acquisitions and extend its period if the economic outlook deteriorates. Interest rates continued to remain at low levels, anchoring financial markets on a neutral or upsurging trajectory. The reduced rates also helped finance European budgets in 2017, which is an important aspect in view of the diminished budget revenues resulting from fiscal relaxation measures. The decision to preserve monetary policy has made its effect felt by the rise in consumer price indices. Increases in international commodity quotations (petroleum, natural gas, copper, aluminum, etc.) continued throughout the year, also favoring "reflation".

European economies are fragile but are in the process of stabilization. The European Commission forecasts a growth of 2.4% for 2017, exceeding the initial expectations of economists. The European Central Bank (ECB) considered it necessary to continue the QE, but the economic environment is slowly and gradually improving. The deflationary pressures have diminished, unemployment rates have a downward trend, which favors productivity and de-stresses the budgets of EU countries.

2017 was characterized by relaxations in fiscal and economic policies to support consumption. The reduced interest rate coupled with QE and the relaxed fiscal policies create a devalued currency, benefiting the exporting European countries. Both the Greek and Spanish economies have shown signs of consolidation, but structural problems (cumulative debt) can not be solved with so modest growth rates.

Brexit has impacted UK's and EU's economy, and the pound sterling. Economic growth in 2017 was of 1.5% and forecasts for next year predict a slowdown in economic expansion to 1.3%. Analysts expect Britain, following the favorable vote for Brexit, to increase inflation due to depreciation of pound sterling, following the loss of its status of European financial center, the deterioration in consumption indicators, and slowdown in the country's overall economic activity.

**United States of America (USA)** - GDP growth is estimated at 2.2% for 2017, with the progress accelerating towards the end of the year. The unemployment rate has diminished in the past three

years from 7.4% to 4.1% where it stabilized. Inflation (2.1%), consumption indicators and exports have progressed favourably, suggesting a strong, solid functional economic activity.

The rise of interest rate by the FED in the US was made in several tranches in response to economic indicators showing a stable economy. FED Fund Rate rose since 2016 from 0.50% to 1.50% in December 2017. With higher yield for US securities, relocations of capital are also expected from stock exchange to fixed-income financial instruments overseas.

Following the US presidential election, the government program lines were received with optimism by investors. The measures adopted so far partially respect the promises made in the electoral program, but stock exchanges have not felt repercussions so far.

Indices such as DOW, Nasdaq, S&P or DAX broke important resistance, marking new highs (in some cases all-time highs), signalling an investment optimism influenced by fiscal-budgetary relaxation measures and increasing public investment in the US.

## Analysis of the portfolio

### Progress of net asset value (NAV)

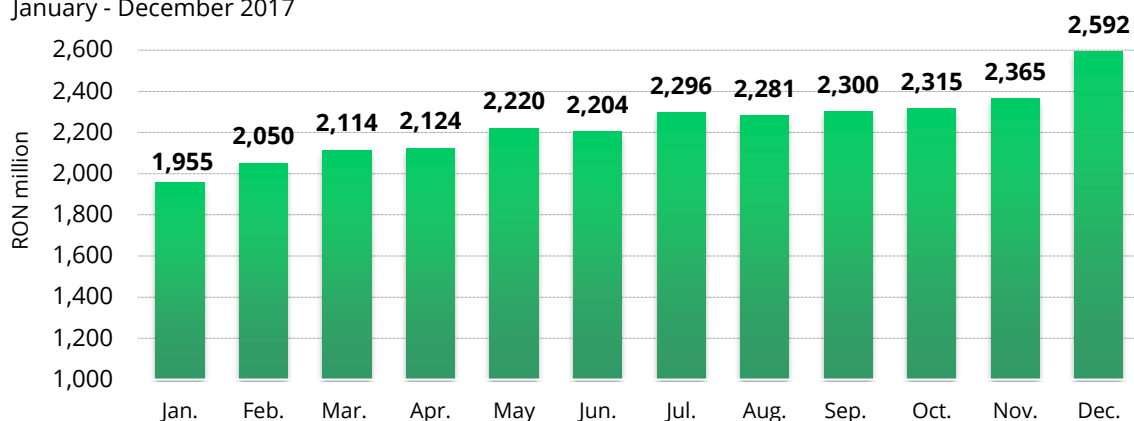
The net asset value (NAV) of SIF Banat-Crişana recorded a positive progress in 2017, **34.98%** above the value recorded 2016-year end, reaching **RON 2,592.4 mn** as at December 30, 2017 (2016: RON 1,920.5 mn).

The net asset value per share (NAV/S) was of RON 5.0098 as at 2017 year-end, as compared to RON 3.7075, the value recorded on December 31, 2016. The difference in terms of variation (%) between NAV and NAV/S is due to the change in the number of outstanding shares following the public tender for repurchase of own shares from September 2017. 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 2017 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](http://www.sif1.ro) - no later than 15 calendar days from the end of the reporting month.

#### MONTHLY NET ASSET VALUE

January - December 2017



The statement for SIF Banat-Crişana assets and liabilities as at December 31, 2017, 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.

During 2017, the net asset value of SIF Banat-Crişana was on an uptrend, mainly influenced by the active management of shareholdings in the portfolio having significant weight in the NAV, especially Banca Transilvania, Erste Bank, BRD, Vrancart, which provided the basis for a substantial growth in the net asset value.

In December 2017, VAN upsurge 9.63% as compared to November 2017. This increase is due to the significant rise in the value of stake held in SIF Imobiliare Plc (market symbol SIFI) as a result of the valuation methodology used differently for January - November 2017 as compared to December 2017.

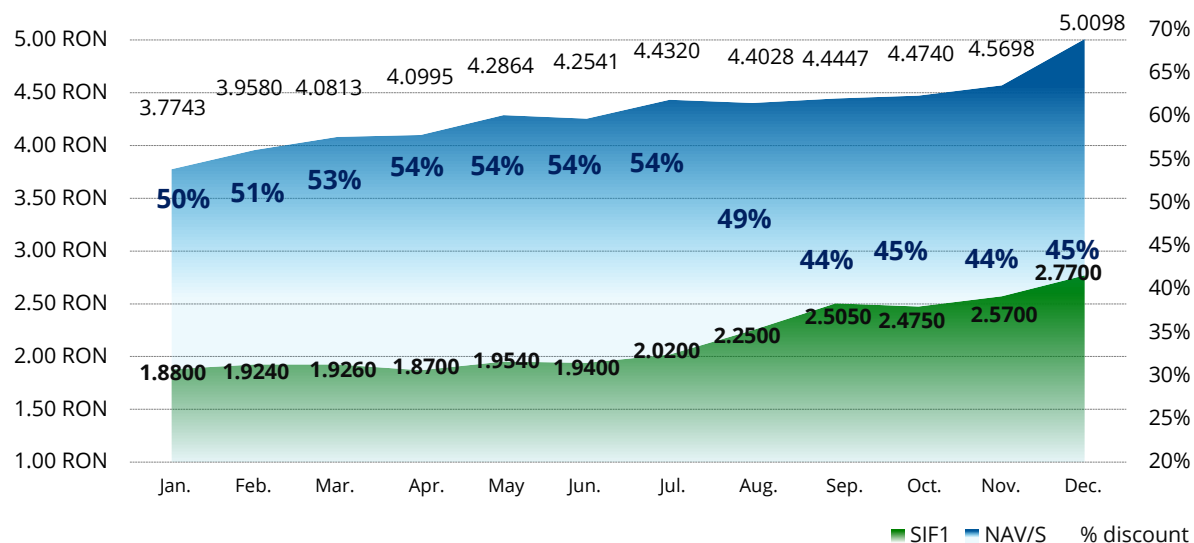
In SIF Banat-Crişana's portfolio, securities issued by SIF Imobiliare Plc are evaluated as per the provisions of the ASF Regulation no. 9/2014, art. 113 and art. 115 respectively, depending on the occurrence of transactions with SIFI securities during the last 30 trading days (working days).

As for the period January - November 2017 there were no transactions with SIFI securities, the evaluation of these shares was made at book value per share, as evidenced by the last approved annual financial statement of this issuer.



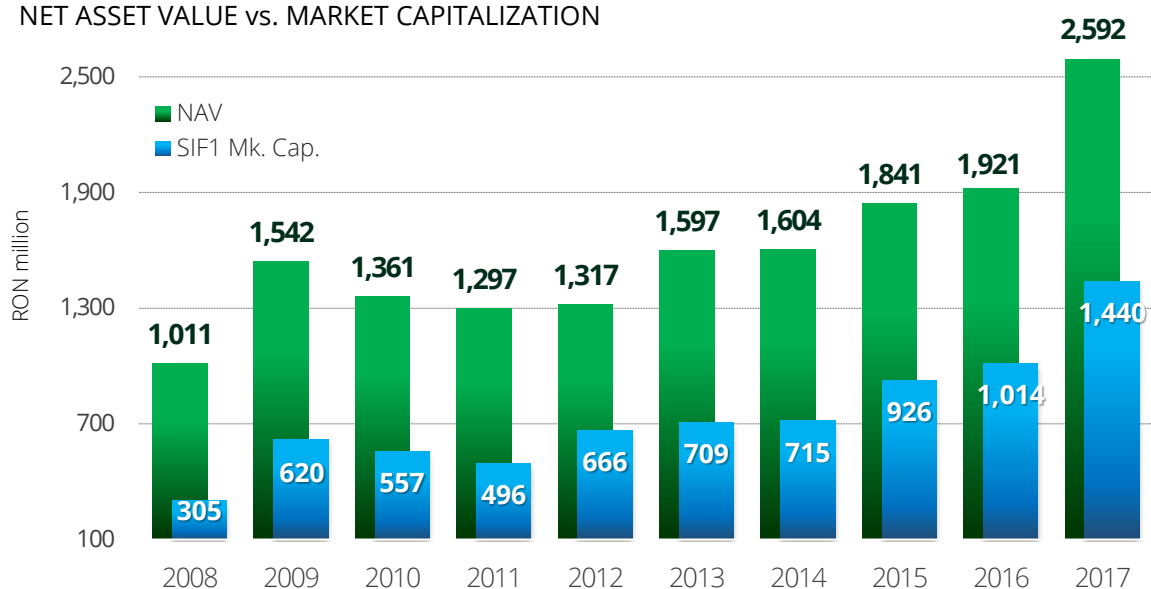
A transaction with SIFI securities was recorded on December 8, 2017, for the price of RON 90 / share, the value of the stake held in SIFI at the end of December 2017 was calculated using the market price of this transaction.

#### SIFI DISCOUNT TO NAV/S IN 2017



NOTE: SIFI 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 and 2017 mk. cap. calculated using closing price for SIFI in the last trading day of the year;

#### The methodology for calculating the net asset value

During 2017 (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).

### Portfolio structure

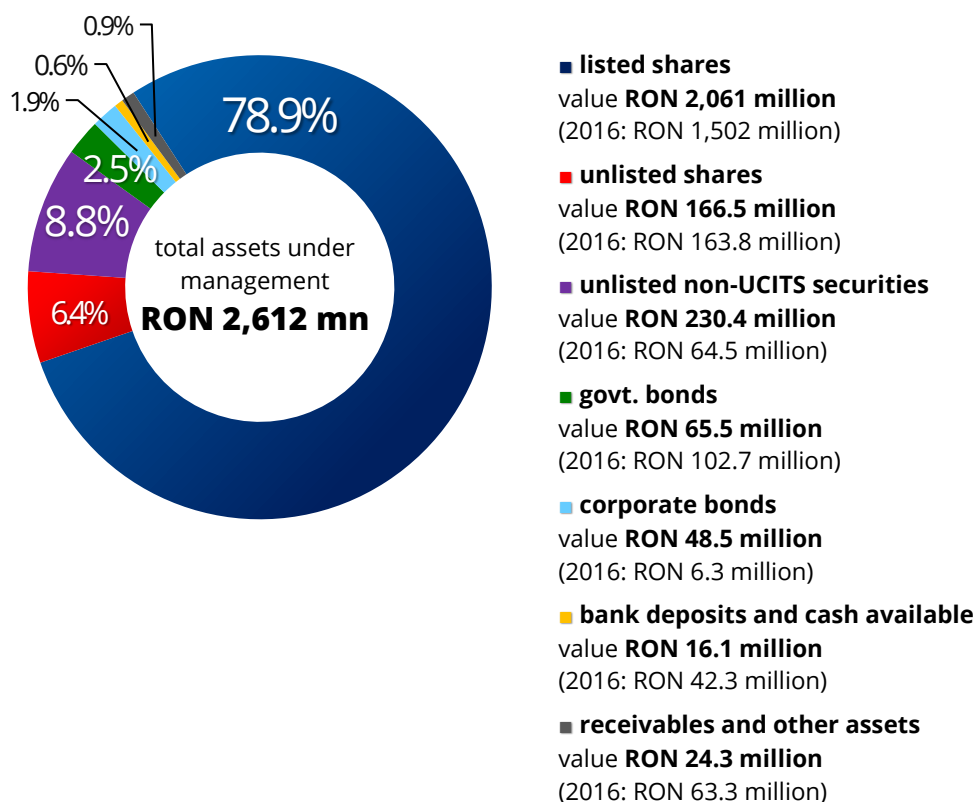
SIF Banat-Crişana has as investment objective the management of a diversified portfolio of high-quality assets, able to provide a constant flow of revenues, the preservation and the medium-long term growth of capital, aiming at delivering more value to the shareholders.

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, 2017

asset class breakdown (weight in total assets)



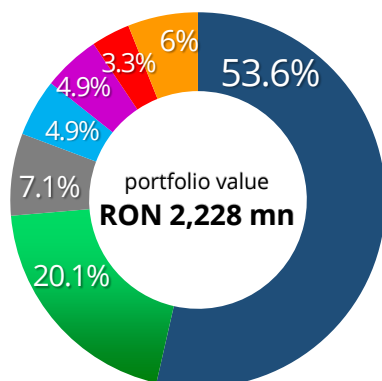
Note: values calculated ass. to ASF Reg. no. 9/2014 and no. 10/2015

The detailed statement of SIF Banat-Crişana's investments as at December 31, 2017, prepared pursuant to Regulation no. 15/2004 (Annex 17), is presented in Annex 2 to this report.

As at December 31, 2017, the value of SIF Banat-Crişana's stock portfolio reached RON 2,228 mn (calculated pursuant to ASF Reg. no. 9/2014 and ASF Reg. no. 10/2015), having the dominant weight, of 85.27% of the total assets under management.

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

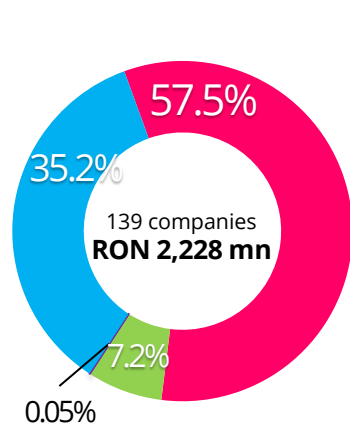
#### STOCK PORTFOLIO - sector breakdown



- **banking-financials**  
 stakes in **13** companies worth **RON 1,193 million**  
*(2016: RON 989.6 million)*
- **commerce - real estate**  
 stakes in **17** companies worth **RON 447.85 million**  
*(2016: RON 177 million)*
- **cardboard and paper**  
 stakes in **6** companies worth **RON 157.53 million**  
*(2016: RON 124.71 million)*
- **tourism and public food services**  
 stakes in **4** companies worth **RON 110.23 million**  
*(2016: RON 90.72 million)*
- **energy - utilities**  
 stakes in **10** companies worth **RON 109.91 million**  
*(2016: RON 94.33 million)*
- **pharmaceuticals**  
 stakes in **2** companies worth **RON 74.44 million**  
*(2016: RON 69.15 million)*
- **other industries and activities**  
 stakes in **87** companies worth **RON 134.72 million**  
*(2016: RON 120.38 million)*

*Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2017; values calculated pursuant to ASF Regulations no. 9/2014 and no. 10/2015*

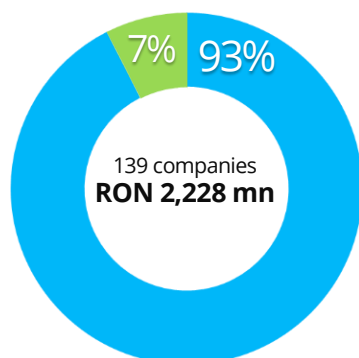
#### STOCK PORTFOLIO - breakdown on shareholdings



- **up to 5%**  
 shareholdings **up to 5%** in **51** companies  
 worth **RON 1,281.80 million** (2016: RON 1,071 million)
- **5-33%**  
 shareholdings **between 5-33%** in **74** companies  
 worth **RON 159.89 million** (2016: RON 142.2 million)
- **33-50%**  
 shareholdings **between 33-50%** in **3** companies  
 worth **RON 1.03 million** (2016: RON 1.06 million)
- **above 50%**  
**majority stakes, above 50%**, in **11** companies  
 worth **RON 784.95 million** (2016: RON 451.3 million)

*Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2017; values calculated pursuant to ASF Regulations no. 9/2014 and no. 10/2015*

## STOCK PORTFOLIO - breakdown on liquidity



■ listed companies

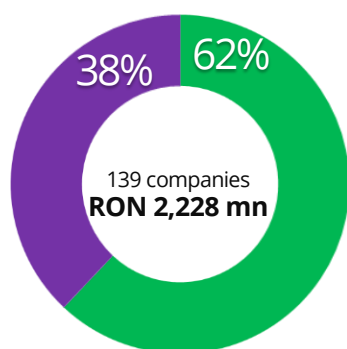
**RON 2,061.13 million** (2016: RON 1,502.14 million) value of holdings in **49** companies (2016: 57)

■ unlisted companies

**RON 166.55 million** (2016: RON 163.84 million) value of holdings in **90** companies (2016: 93)

*Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2017; values calculated pursuant to ASF Regulations no. 9/2014 and no. 10/2015*

## STOCK PORTFOLIO - breakdown by region



■ Romania

**RON 1,382.02 million** (2016: RON 1,196.16 million) value of holdings in **137** companies (2016: 148)

■ external markets

**RON 846.66 million** (2016: RON 469.82 million) value of holdings in **2** companies (2016: 2): Austria (1 company – Erste Bank), Cyprus (1 company – SIF Imobiliare)

*Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2017; values calculated pursuant to ASF Regulations no. 9/2014 and no. 10/2015*

## Portfolio management

### Stock portfolio management

#### General considerations concerning portfolio management

As at December 31, 2017, SIF Banat-Crişana was majority stakeholder (with a stake above 50%) in 11 companies, (2016:11) with an aggregate value of RON 784.95 mn, standing for 30.27% of NAV. The companies in which SIF Banat-Crişana holds majority stakes and control are classified as subsidiaries according to International Financial Reporting Standards. Information on the Company's subsidiaries is presented in Note 29 to the accompanying separate financial statements.

During 2017, SIF Banat-Crişana's management focused on streamlining administration of the majority holdings in order to ensure high financial returns, a competitive management and configuring development programs.

The companies in which SIF Banat-Crişana holds majority stakes are subject to careful analysis and monitoring from company's analysts, the managerial involvement from SIF Banat-Crişana focusing on:

- providing support in preparing and optimizing budgets;
- negotiating competitive performance criteria with the management teams; 4 management contracts have been concluded between the companies and the boards of directors, as well as mandate contracts in the companies where applicable, setting objectives and performance criteria for the development of the respective companies' activities;

- monthly assessment and analyse of results and supporting the implementation of some measures to increase efficiency of the activity;
- the performances of company managers and boards of directors in relation to budgetary provisions and contractual commitments were monitored throughout the year.
- introducing good corporate governance practices, modern management techniques, and promotion of highly managerial teams;
- regular visits to companies and analyzes, together with the management teams, of the results, prospects, opportunities and potential risks;
- changes have been made in the management teams in companies where performance has been unsatisfactory and below the expected performance and / or assumed by contract. Napomar SA was involved in this process.

Special attention is paid to all the companies in the portfolio by monitoring their business and involving, where possible, in shareholders or administrators' decisions.

In 2017, were pursued *objectives of increasing the quality of the stock portfolio* by focusing on companies with stable dividends and a high dividend yield, above the market average. At the same time, it was aimed at reducing the inert and lacking return portion of the portfolio, by selling some holdings, e.g. Caromet (ARMT), Alumil Rom Industry (ALU).

Revenues generated by the stock portfolio representing dividends distributed by issuers amounted to gross RON 79.07 fully collected during the year 2017.

Budget indicators for 2017 were focused on the performance of the assets under management and their capacity to generate revenue translating into real profit. The commitment of SIF Banat-Crișana's leadership 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, as a consistent profit was achieved from the dividends collected form the portfolio companies, without resorting to the sale of valuable assets.

During the year, there have been taken advantaged of several sale opportunities, mainly divestments from holdings that fell outside the investment strategy.

*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 COMPANIES IN SIF BANAT-CRIȘANA PORTFOLIO** as at December 31, 2017

Company (ticker)	Sector	SIF1 stake	Value of holding* [RON]	% of NAV
1 Erste Group Bank AG ( <b>EBS</b> )	banking - financial	0.61%	440,660,964	16.99%
2 Banca Transilvania ( <b>TLV</b> )	banking - financial	4.44%	410,302,326	15.83%
3 SIF Imobiliare Plc ( <b>SIFI</b> )	financial services applicable to real estate	99.99%	404,996,490	15.62%
4 BRD Groupe Société Générale ( <b>BRD</b> )	banking - financial	1.95%	175,639,911	6.78%
5 Vrancart ( <b>VNC</b> )	cardboard and paper	75.06%	147,139,050	5.68%
6 SIF Moldova ( <b>SIF2</b> )	other financial intermediation	4.96%	72,614,894	2.80%
7 SIF Hoteluri ( <b>CAOR</b> )	tourism and public food services	98.99%	68,096,739	2.63%
8 Biofarm ( <b>BIO</b> )	pharmaceuticals	23.22%	66,817,208	2.58%
9 S.N.G.N. Romgaz ( <b>SNG</b> )	energy - utilities	0.41%	49,193,177	1.90%
10 IAMU Blaj ( <b>IAMU</b> )	machinery and equipment	76.69%	40,511,822	1.56%
<b>TOTAL</b>			<b>1,875,972,582</b>	<b>72.37%</b>

\* calculated as at December 31, 2017, pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015

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

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

Following are presented the largest holdings in the stock portfolio:

#### 1. ERSTE GROUP BANK AG

	2014	2015	2016	2017*
<b>Net Income</b> [EUR mn]	6,365	6,307	6,691	6,669
<b>Net Profit</b> [EUR mn]	-1,442	968	1,265	1,316
<b>Operating Result</b> [EUR mn]	3,091	2,903	2,663	2,511
<b>Net Cost of Risk</b> [EUR mn]	2.084	729	-196	-132
<b>Total Assets</b> [EUR mn]	196,287	199,743	208,227	220,659
<b>CAR</b>	15.7 %	17.9 %	17.9%	18.5%
<b>NPL Rate</b>	8.5 %	7.1 %	4.9%	4%
<b>Cost/Income Ratio</b>	55.1 %	57.1 %	60.2%	62.4%
<b>ROTE</b>	-15.8 %	10.8 %	10.8%	10.1%

\* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2017, SIF Banat-Crişana held a stake of 0.61% of Erste Bank's share capital.

Erste Bank reported a net profit of EUR 1,316.2 million for the year 2017, an all time high at group level. The management of the bank proposes a gross dividend of EUR 1.2 / share for the year 2017.

NPL rate improved significantly, down to a 4% vs. 4.9% in 2016, due to the quality of credits and a higher rate of credit recovery.

The higher dynamics of customer deposits growth (9.4%) vs. the loans granted (+6.8%) led to an improvement of the Loans / Deposits Ratio from 94.7% to 92.4%.

Given that the bank operates in a region where the GDP growth of the respective countries was in 2017, and will continue to be the next years, higher than GDP at EU level, the bank's management is optimistic that it will continue to grow by 5 % at the lending level and still generate a ROTE level of over 10%.

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

#### 2. BANCA TRANSILVANIA

	2014	2015	2016	2017*
<b>Net Income</b> [RON mn]	1,601	1,908	2,805	2,676
<b>Net Profit</b> [RON mn]	443	2,448	1,228	1,186
<b>Net Cost of Risk</b> [RON mn]	-667	-795	-654.2	1.4
<b>Total assets</b> [RON mn]	35,796	47,579	51,770	59,303
<b>CAR</b>	17.6 %	17.8 %	18.30%	21.16%
<b>NPL Rate</b> (PAR>90 days)	10.9 %	9.8 %	9.8%	6%
<b>Cost/Income ratio</b>	42.2 %	49.3 %	41.05%	48.53%
<b>ROE</b> (without VBR effect in 2015)	13.2 %	18.5 %	21.52%	18.34%

\* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2017, SIF Banat-Crişana held 4.44% of Banca Transilvania's share capital.

2017p gross profit for the bank of RON 1.38bn (+38%), positively influenced by the increase in net fee and commission income of 14% and interest of 5.7%, which offset the steep decline in revenues from the sale of financial instruments available for sale and the negative impact of the 12.8% increase in operating expenses (mainly personnel).

Total group assets reached RON 59.8bn at Dec '17, up 15.1%.

CAR level rose to a comfortable 17.49% rate without the 2017 result (above the 14% minimum as specified in the dividend policy), respectively 21.16% including the profit for 2017.

The management of the bank hinted a proposal to distribute 50% of the net profit as dividend, implying at the group level a gross dividend per share of RON 0.1430.

Banca Transilvania, ticker TLV and ISIN ROTLVAACNOR1, 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.

### 3. SIF IMOBILIARE

	2013*	2014*	2015*	2016*
<b>Revenues</b> [EUR mn]	2.13	5.19	12.35	10.38
<b>Gross Profit</b> [EUR mn]	-0.46	13.32	8.61	4.47
<b>Net Profit</b> [EUR mn]	-0.5	13	6.37	4.35

\* 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 15.62% in SIF Banat-Crişana's NAV as at December 31, 2017.

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-Crişana's portfolio having activities in the real estate sector, to unify the management, increase rates of return for the companies in the portfolio and to seize the opportunities arising in the market.

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.

The analyses of business opportunities were carried on, 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. In 2017 it was continued the portfolio restructuring, by finalizing two merging projects, SIFI B One (absorbent) merged with SIFI CS Retail, Urban SA and Agrorent SA as absorbed companies and Cora SA (acquiring) merged with Central SA (absorbed).

#### 4. BRD - GROUPE SOCIÉTÉ GÉNÉRALE

	2014	2015	2016	2017*
<b>Net income</b> [RON mn]	2,232	2,140	2,778	2,786
<b>Net Profit</b> [RON mn]	43	445	757	1,406
<b>Net Cost of Risk</b> [RON mn]	-1,193	-631	-484	360
<b>Total Assets</b> [RON mn]	45,180	49,193	51,881	54,927
<b>CAR</b>	17.0%	18.1%	19.7%	19.5%
<b>NPL Rate</b>	20,3%	16.9%	10.5%	6.6%
<b>Cost/Income Ratio</b>	47.4%	53.4%	49.7%	52.5%
<b>ROE</b>	0.8%	7.8%	10.1%	17.1%

\* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2017, SIF Banat-Crișana held 1.95% of BRD-Groupe Société Générale share capital.

Net profit of RON 1.4 bn for 2017 vs 0.76 bn for 2016, an increase of +85%, a positive impact having the net cost of risk (RON + 360 mn in 2017p vs -484 m in 2016), as well as the increase by over 8% of net interest income.

ROE at bank level reached 20% and respectively 17.1% adjusted for non-recurring events.

There has been an increase in lending in the European funds programs, APIA and government programs for small and medium-sized companies. The investments in digitization are carried on, and an increase in the penetration and use of digital services by customers is observed, management estimating in the 2018-2020 strategy the reduction in the number of banking units by 18%, the personnel by 10%, while the annual growth rate CAGR of deposits is foreseen at 4% and of credits to 7%.

The management of the bank announced a proposal to distribute 83% of the net profit to shareholders, this meaning a gross dividend of RON 1.64 / share.

#### 5. VRANCART

	2015	2016	2017*
<b>Turnover</b> [RON mn]	209.8	227.1	261,1
<b>Operating Profit</b> [RON mn]	21.8	23.8	26,5
<b>Net Profit</b> [RON mn]	18.2	20.2	21,9
<b>Dividends</b> [RON mn]	13.8	14.0	-

\* separate preliminary results; source: Company reports submitted to BVB

SIF Banat-Crișana held 75.06% of the share capital of Vrancart S.A. Adjud as at December 31, 2017.

The Vrancart group also includes Giant Tg. Mures (100%) and Rom Paper Brașov (85%).

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.

For 2017, as per the preliminary report, turnover increased by +14.9% and net profit rose +8.4%.

Significant events in 2017 for the company:

- the registration of the share capital increase carried out in 2016;
- the issue of the bonds worth RON 38.2 mn in February – March;
- the acquisition, in July, of the second tranche of shares in Rompaper SRL Brașov, one of the most important converters in industry, in July, the stake held reached 85%;
- the acquisition and integration of the cardboard machine from Vilcart Călimănești;
- the investments in technological upgrades, especially in the paper machine and the corrugated cardboard machine continued



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

#### 6. SIF MOLDOVA

	2015	2016	2017*
<b>Net Profit</b> [RON mn]	100.3	123.3	164.7
<b>Dividends</b> [RON mn]	46.2	45.6	-

\* preliminary results; source: Company reports submitted to BVB

As at December 31, 2017 SIF Banat-Crișana held 4.96% of SIF Moldova's share capital. Following the reduction of the share capital from RON 103.8 million to RON 101.3 million by the cancelling of 25 million of SIF Moldova's own shares, SIF Banat-Crișana adjusted in 2018 the number of shares held, currently (at the time of writing this report) holding 4.99% of the 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.

#### 7. SIF HOTELURI

	2014	2015	2016	2017*
<b>Turnover</b> [RON mn]	11.5	11.98	20.02	20.72
<b>Operating Profit</b> [RON mn]	-0.8	-9.44	3.71	-0.22
<b>Net Profit</b> [RON mn]	0.2	-9.59	3.67	-1.16
<b>EBITDA</b>	4.13	0.30	8.95	4.88

\* preliminary results submitted to BVB

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 it 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%). Further on, the effects of the reclassification are obvious: in 2017, an increase of revenues to over RON 13 million and of the occupancy rate to 59.56%.

#### 8. BIOFARM

	2015	2016	2017*
<b>Turnover</b> [RON mn]	149,3	152,1	170,2
<b>Operating Profit</b> [RON mn]	31,5	35,0	42,9
<b>Net Profit</b> [RON mn]	27,2	29,5	36,4
<b>Dividends</b> [RON mn]	15,7	16,7	-

\* preliminary results; source: Company reports submitted to BVB

As at December 31, 2017, SIF Banat-Crișana holds a stake of 23.22% of Biofarm's share capital.

Founded in 1921, Biofarm is one of the most important medicines and Romania's no. 1 dietary supplements manufacturer. Over the years, Biofarm has sought to differentiate from its

competitors, through continuous strategies of improvement of the products in its portfolio, which has led to a continuous increase in both turnover and financial results.

In 2017, the turnover increased by +11.9% and net profit rose by +23.7%. On the export market, Biofarm delivers products in 13 countries.

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

#### 9. SNGN ROMGAZ

	2015	2016	2017*
<b>Turnover</b> [RON mn]	4,052.6	3,411.9	4,585.2
<b>Operating Profit</b> [RON mn]	1,454.0	1,258.7	2,174.9
<b>Net Profit</b> [RON mn]	1,194.2	1,024.6	1,868.3
<b>Dividends</b> [RON mn]	1,040.6	2,220.3	-

\* preliminary results; source: Company reports submitted to BVB

As at December 31, 2017, 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 2017 and holds 91% of Romania's underground storage capacities. Romgaz records annual revenues above RON 4 bn, with an average net return between 30% - 45%. Main business segments of Romgaz: exploration, production and supply of natural gas, underground storage of natural gas, and electricity production.

During 2017, natural gas production increased as compared to 2016 on the back of lower temperatures from the beginning of 2017, and the increased demand for gas needed to produce electricity.

The company's management, by improving the structure of sales on the two market segments, and by a strict management of natural gas and deposits portfolio, succeeded in achieving an increase in the profitability of the 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 4 mn daily.

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

#### 10. IAMU

	2015	2016	2017
<b>Turnover</b> [RON mn]	73.9	73.8	86.5
<b>Operating Profit</b> [RON mn]	6.5	6.7	6.8
<b>Net Profit</b> [RON mn]	5.9	6.2	5.9
<b>Dividends</b> [RON mn]	1.6	1.6	2.75

source: Company reports submitted to BVB

As at December 31, 2017, SIF Banat-Crişana held a stake of 76.69% of IAMU's share capital.

The core business of the company is the production of linear mini-technique and precision elements for linear technique. The company also produces components for technological lines and hydraulic pumps.

With a lean-management-type production organization and state-of-the-art technological endowment, IAMU has a solid partnership with Robert Bosch GmbH on several international markets (Romania, Germany, China), on which it has "preferential supplier status", and also with other European companies. About 50% of the production is for export, mainly to Germany.

IAMU SA, ticker IAMU, is listed on BVB since December 23, 1996, currently being traded on ATS segment - AeRo Standard.

## 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.

As at December 31, 2017 the number of companies in the workout portfolio is 62 (2016: 66).

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

During 2017, were written-off the portfolio following their liquidation a number of three companies (whose purchase value totals RON 4.76 mn, provisioned in the previous years) and one company became insolvent. A company was sold in the sense that the stake was sold to one of the other shareholders of the company. At the end of 2017, were still in bankruptcy / insolvency / dissolution of 56 companies in the portfolio. All these companies are recorded at zero value in the calculated value of the portfolio. During 2017, a company from those in insolvency come out from under the Law no. 85/2006, judicial reorganization, reintegration into commercial activity.

As for the company ARIO Bistrița, the bankruptcy proceedings continued during 2017, 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.

## Purchases and sales of financial assets in 2017

During 2017 the following acquisitions of financial assets were performed:

- on the domestic markets in a total amount of RON 8,443,273, out of which RON 30,000 investments in securities in subsidiaries and RON 8,413,273 purchases of securities available for sale;
- direct investments in the amount of RON 12,906,934 in the share capital increase in subsidiaries (Vrancart);
- shares acquired free of charge as a result of the share capital increase by the incorporation of reserves by Banca Transilvania (30.85 million shares);
- fund units: FII Active Plus (RON 60 million), FII Optim Invest (RON 35 million);
- govt. bonds denominated in RON, amounting to RON 39,109,055 (including the coupon accumulated at acquisition date and acquisition costs);
- corporate bonds denominated in RON (Vrancart), in the amount of RON 36,885,125 (including acquisition costs);
- corporate bonds denominated in euro (Impact), equivalent of RON 4,864,860 (using exchange rate valid at the acquisition date).

Disposals financial assets during 2017 include:

- sales of shares listed on the domestic markets totalling RON 8,702,107, with a profit of RON 2,249,771;
- value of the securities written-off the portfolio following the liquidation of companies amounting to RON 4,766,103 (provisions for the full amount were set-up in the previous years);

- sales of govt. bonds in a total amount of RON 75,921,210, with a loss of RON 98,785 and a coupon collected on the date of transaction amounting to RON 1,313,021;
- sale of building owned in Oradea (the former office of the branch) for RON 413,856, including VAT.

## Risk management

SIF Banat-Crișana acknowledges its exposure to financial and operational risks resulting from daily activities, and the achievement of its strategic objectives. In this context, SIF Banat-Crișana's policy on significant risk management provides the framework for identifying, evaluating, monitoring and controlling these risks, in order to maintain them at acceptable levels depending on the Company's risk appetite and its ability to cover, absorb or mitigate these risks.

Acknowledging the threats enables their ranking according to their eventuality, the extent of their impact on the objectives and the costs involved in measures designed to reduce the chances of occurrence or to limit unwanted effects. Establishing risk hierarchies is the support of introducing a priority order in resource allocation, that are in most cases limited, following a cost-benefit analysis or, more generally, "effort-effect". The periodic review of risk management systems leads to resource reallocations, in line with changing the hierarchies and, implicitly, the priorities. Risk management involves focusing resources on current and critical areas of interest for the Company's mission.

The efficient management of potential risks is considered by the Company to be of the utmost importance in the pursuit of its strategic objectives and to provide shareholders with sustainable benefits.

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, as well as certain operational risks, which may materialize in the loss of capital or low investment performance in relation to the risks assumed.

In close link with the complexity of the activities carried out and the objectives set for the asset portfolio management, the Company assesses the applicability and closely monitors the significant risks identified, their relevance (significance) and the quantification potential to a reasonable extent.

Risk management aims to maximize the Company's profit related to the level of risk it is exposed to. The company uses a variety of policies and procedures for managing and valuating the types of risk to which it is exposed. These policies and procedures are presented in the subchapter dedicated to each type of risk.

### 1. Risk profile

**The risk profile** represents the totality of risks that the Company is expected to be exposed to depending on the strategic objectives and the defined risk appetite. The risk profile has the role of determining the size of each significant risk and the overall risk level, based on relevant, qualitative and quantitative indicators. It is assessed annually and monitored in relation to the objectives concerning the level of risk set.

From the aggregation of the significant risks identified results the **Company's overall risk at an AVERAGE level.**

The risk management policy is based on a system of limits used for monitoring and controlling significant risks according to the approved risk profile and the investment strategy.

Depending on the evolution of the risk profile in relation to the approved limits and the temporal extent of a particular development (e.g. the period in which the risk exceeds a certain level), the Company may command measures to correct or control the risk factors.

2. The main risks the company is exposed to

The most significant financial risks the Company is exposed to are credit risk, liquidity risk and market risk. Company's exposure of the Company to each of the above-mentioned risks is presented in *Note 4 of the Financial Statements*.

#### **a) Market risk**

**Market risk** is the risk resulting from the unfavourable variation in the value or revenues attained from the assets held or from fluctuations in exchange rates or interest rates.

The Company's strategy on managing market risk is conducted within the investment objective, and market risk is managed in accordance with policies and procedures considered most appropriate.

From the Company's point of view, there are **four major types of market risk: price / position risk, interest rate risk, currency risk and concentration risk.**

**Price risk** represents the risk that changes in market prices, such as stock prices, interest rates and foreign exchange rates will affect the Company's revenues and the value of financial instruments shareholdings of the Company.

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

The management of the Company (Board of Directors and Executive Directors) permanently aims the reduction to a minimum of possible adverse effects, related to this financial risk, as well as by one or several technics of diminishing of the risk related to the market price evolution of the financial instruments held by the Company.

The Company is exposed to the risk that the fair value of the financial instruments held may fluctuate as a result of changes in market prices caused either by factors specific to the issuer's activity or by factors with impact on all instruments traded on the market.

Company's management monitors the manner of achievement for the market risk management, and the internal procedures provide that, when price risks are not consistent with the investment policy and Company's principles or risk profile, a prudent rebalancing of the portfolio should be undertaken.

**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.

For the financial instruments bearing interest rate, the interest rate risk consists of the *risk of fluctuation* recorded in the value of a certain 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).

Most of Company's financial assets are denominated in local currency, only a small fraction of the net asset is denominated in EURO, whose interest rates is 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.**

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

The Company may invest in financial instruments and conducts 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.

The company conducted transaction during 2017 in both the Romanian currency (Leu) and in foreign currency. Romanian currency has fluctuated compared to foreign currencies, EUR and USD, but volatility was not in unexpected parameters, with no impact on 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 year presented.**

**Concentration risk** is the vulnerability given by the existence of exposures on entities that have common or similar features and concerns all of the assets held by the Company, regardless of the period of ownership, and by diminishing this type of risk, it is intended to avoid a too large exposure, hence too risky from the point of view of concentration, on a single debtor / issuer at Company's level.

Company's policy of diversifying exposures is applied to the portfolio structure, the business structure as well as the structure of financial risks exposure. This diversifying policy implies: diversifying the portfolio by avoiding excessive exposures on a single debtor/issue, or geographical area; diversifying business structure implies avoiding at Company's level the excessive exposure on a specific type of business/sector; diversifying the structure of financial risks intends avoiding excessive exposure on a certain type of financial risk.

**b) Liquidity risk**

The Company carefully keeps a level of liquidity appropriate to its support obligations, based on an assessment of relative liquidity of the 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.

The person in charge of risk management analyses separately the liquidity risk of the portfolio of financial instruments from the liquidity risk related to the Company's payment obligations.

**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.

**Liquidity risk for the portfolio of financial instruments** is the risk resulting from the absence of the marketable nature of an investment, so it cannot be bought or sold quickly enough so that a loss is minimized.

The company systematically monitors the liquidity profile of the assets 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.

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.

***To mitigate / avoid liquidity risk, the management structure shall always adopt a prudential policy on cash outflows.***

### ***c) Credit and counterparty risk***

***Credit risk*** is a vulnerability related to the probability that a contractual party of the Company fails in fulfilling the obligations within the agreed terms, being defined by three fundamental characteristics: exposure, probability of failure to fulfil the obligations and recovery rate (in case of a risk event).

***Counterparty risk*** is the risk that a party to a transaction fails in fulfilling the assumed obligations at the time the transaction is "in-the-money" for the Company. The counterparty risk is contingent, any loss being dependent on a counterparty's failure (credit risk) in a transaction that is "in-the-money" (market risk) for the Company at the time of the counterparty's default.

The Company is exposed to credit and counterparty 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, given that 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 Person in charge of risk management 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.

The Company does not conduct transactions with a counterparty without assessing its creditworthiness and without taking due account of the counterparty risk recorded before and at the moment of settlement. The creditworthiness of each counterparty in a transaction is evaluated at the level of the compartments that substantiate the investment / disinvestment proposals.

The Company did not trade derivative financial instruments in 2017.

### ***d) Operational risk***

***Operational risk*** is the risk of direct or indirect losses 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.

In order to evaluate the level of operational risk the Company is exposed to in its current activity, an important step is to identify and classify the operational risk events into specific categories that allows for the most effective methods to control and mitigate the potential impacts.

Operational risk events considered by the Company to be representative for the special circumstances it may face are listed in the *Operational Risk Nomenclature*.

The Company uses self-assessment as a tool for analysing and managing operational risk. Self-evaluation is a process initiated, planned and executed by each compartment, with the support of



the Risk Management Compartment. Functional compartments within the Company are responsible for managing operational risks in their area of action.

Company's objective to manage operational risk in such way that limits the financial loss, to avoid damages to its reputation, and to achieve that 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 the person in charge of risk Management. 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.

Throughout 2017 there were no special circumstances of the operational risk nature, all the exposed situations were alleviated as soon as possible without being required to be registered in the Operational Risk Register.

#### ***e) Other risks the Company is exposed to***

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

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 conducts its business fairly and follows ethical practices.

We estimate that at Company level, this risk is average - low.

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

As per the internal assessment methodology, the strategic risk is low for the Company.

The Company's policy on strategic risk refers to the establishment of rational long-term strategic objectives, the management structure will adopt at all times a prudential policy to mitigate / avoid strategic risk and will continuously monitor the market developments in relation to budgeted operations.

**Regulatory risk** is the risk of loss due to the non-application or defective application of legal and / or contractual provisions and / or due to inappropriate or inadequate regulatory framework.

SIF Banat-Crişana must comply with a wide range of laws and regulations - imposed or sector-specific regulations.

The regulatory risk is uncontrollable and unquantifiable i.e. the trigger event cannot be predicted, nor its impact level. The impact may be on reducing the attractiveness of a certain type of investment, the sudden reduction of exposure on strategic issuers, the significant increase in the cost of activity, etc. From a qualitative point of view, mitigating the regulatory risk will be achieved by adapting the policies, rules and procedures to the changes that have occurred and by reducing or increasing the level of activities where appropriate.

While compliance risk can be monitored and recognized, legal risks are sometimes difficult to predict. Conformity risks are considered as part of the risk management framework. The nature of these compliance risks must be communicated and understood at all levels of the Company. The compliance function should monitor all aspects of compliance with the legal and regulatory requirements and regularly report to directors, if necessary in co-operation with the risk management function.

**Taxation risk** - the interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations harmonized with European legislation could vary from one entity to another and there is a risk that in certain situations tax authorities will adopt a different position from that of the Company.

The company is subject to EU regulations and applies the changes brought about by the European legislation. The company has implemented these changes, but their implementation remains open to the fiscal audit for 5 years. The interpretation of texts and the practical implementation of the procedures of the new applicable tax regulations may vary and there is a risk that in certain situations the tax authorities will adopt a different position from that of the Company.

Moreover, the Romanian Government has a number of agencies authorized to audit the companies operating in Romania. These controls are similar to tax audits in other countries and can cover not only tax issues but also other legal and regulatory issues of interest to these agencies. The Company may be subject to tax controls as new tax regulations are issued, so fiscal risk should be mindfully considered.

**Economic environment risk** represents the current or future risk of negative impact on profits and capital as a result of unfavourable developments of the main macroeconomic variables or of any variables that are targets of the country's economic policy.

SIF Banat-Crişana takes 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.

**By risk management, both by prior checking of investments and by ex-post monitoring, the Company ensures that portfolio management is within the appropriate risk parameters.**

### 3. Market risk of the reference portfolio

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 the issuers listed on the Regular market at Bucharest Stock Exchange, plus Erste Bank, listed on the stock exchange market in Vienna.

The benchmark index chosen was BET-BK, of *benchmark* type, also used by the mutual funds active in Romania.

To measure the market risk for the stock (equity or shares) portfolios it is used the "Bloomberg Risk Model (Regional)" contained within the PORT function of the platform provided by Bloomberg LLP. Bloomberg model is complex, multifactorial and integrated, providing both performance analysis and portfolio risk analysis and testing the probable development of portfolio in extreme market conditions. It calculates the Value at Risk (VaR) of the PROXI-85 reference portfolio by several methods and for different levels of trust. The method used to monitor market risk is Monte Carlo for a 99% confidence level and a 1-month time horizon, VaR (99%, 1 month).

Value-at-Risk is an effective method for calculating the maximum possible loss expected within a given timeframe under normal market conditions, at a certain confidence interval. Value-at-Risk has a broad applicability in several financial areas, but its usefulness is fully reflected in portfolio management.

The overall risk of the PROXI-85 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 (250 days of trading). This comparison helps in understanding the future impact on the

overall risk of some factors selected by the model, and the comparison with the *benchmark* helps in making portfolio corrections, where necessary.

#### 4. The risk of exceeding the legal thresholds on ownership

SIF Banat-Crișana's investment policy must consider the limitations imposed by ASF regulations. Currently, the company has a diversified investment policy typical for UCITS in accordance with CNVM Regulation no. 15/2004 that allow a classification of the portfolio of assets in the **medium risk** category.

The risk arising from the exposure on a single issuer

*Shareholding consisting in securities issued by Banca Transilvania amount to RON 410.3 mn, with a weight of 15.77% in total assets as at December 2017, and shares of Erste Group Bank amount to RON 440.66 mn, with a weight of 16.87% of total assets.*

SIF Banat-Crișana's holdings in Banca Transilvania and Erste Bank shares are the only exposures exceeding 10% of the total assets as at December 31, 2017 and are within the legal limits of ownership.

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

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 have a weight of 15.87% of the Company's total assets.

The legal limit of holding a maximum of 50% of the value of total assets in financial instruments issued by entities belonging to the same group is abided.

The risk arising from exposure on securities and money market instruments not admitted to trading  
As at December 31, 2017, 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 173,048,800, with a weight of 6.62% in total assets.

The legal limit of holding a maximum 20% of the of the portfolio of assets in securities and money market instruments not admitted to trading is abided.

The risk arising from a major exposure on a single bank

As at December 31, 2017, the highest amount held in accounts and deposits with one bank represented 0.34% of total assets, amounting to RON 9,001,238.

The legal limit of holding a maximum of 30% of the value of portfolio of assets in amounts held in the account and deposits in a single bank is abided.

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

As at December 31, 2017, SIF Banat-Crișana held titles and securities of non-UCITS amounting to RON 367,634,503, representing 14.07% of total assets.

The legal limit of holding a maximum of 50% of the value of portfolio of assets in securities of non-UCITS is abided.

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

As at December 31, 2017, SIF Banat-Crișana does not have in its portfolio such financial instruments.

Overall exposure to derivative financial instruments

As at December 31, 2017, SIF Banat-Crișana does not have in its portfolio derivative financial instruments.

**As at December 31, 2017, SIF Banat-Crișana's assets portfolio complied with the provisions on ownership thresholds required by ASF / CNVM Regulation no. 15/2004.**

5. The liquidity profile of assets under management

In order to determine the quantitative and qualitative limits of liquidity risk for the assets portfolio, the Company considers:

- to separate the holdings of the financial assets portfolio (assets with a high liquidity, assets with limited liquidity and illiquid assets);
- the assessment of the liquidity of the financial instruments according to the following criteria: (i) the size of the stake held or in which an investment is intended in relation to the average daily volume recorded on the principal market within a relevant time horizon and the depth of the market, (ii) the existence of potential liquidity providers, market type (regulated market, ATS, OTC) and (iii) the possibility of performing hedging operations;
- the correlation between the holding horizon of the financial instrument, the one for which the market risk indicators are calculated and the estimated duration of liquidation of the entire stake held.

Each investment is attributed to a single liquidity period and this allocation is based on the shortest period in which a position could reasonably be liquidated at its accounting value or at a value close to it.

6. Leverage

**Leverage** (effect) means any method by which the Company increases the exposure of the portfolio it manages either by lending of cash or securities, or through derivative financial instruments, or by any other means. Leverage is expressed as the ratio between the overall exposure of the financial instruments portfolio (calculated both using the gross method and the liability method) and the net asset value.

The Company ensures that its overall exposure to the financial instruments in the managed portfolio does not exceed the total value of the assets managed.

**The Company does not actively use the leverage in the portfolio management process, respectively does not use methods for increasing portfolio exposure.**

During 2017, SIF Banat-Crișana did not use financing operations through financial instruments (SFTs) and total return swap instruments as defined by EU Regulation 2365/2015.

## Human resources

SIF Banat-Crișana's employees, as at December 31, 2017, was of 37 persons with an employment contract, (2016: 38), of which 32 at headquarters in Arad and 5 at Bucharest branch.

The breakdown on employees' education: 81% of employees have higher education, 8% secondary education and 10% general studies.

Of staff with higher education:

- two persons hold a doctorate (PhD) in Economics;
- one person holds an MBA, CFA;
- three persons have postgraduate studies or obtained master's degree in relevant areas such as: business administration, auditing, finance and project management);
- 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. During the year, elections were held to appoint employees' representatives for a two-year term.

The labour relations of the company are regulated by the Individual Labour Contracts and Collective Labour Contract. During 2017 in force was the Collective Labour Contract registered with the Labour Inspectorate in Arad under no. 1052/08.02.2017. There were no conflicting aspects throughout 2017 in the relations between management and employees.

During the year were carried on the professional training programs for the human capital development initiated in the previous years. 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, new IFRS standards, risk management, IT. The training programs conducted were carried out in accordance with personal development plans.

## Tangible assets of the Company

SIF Banat-Crişana 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, and Timișoara, locations of company's branch offices, some of them closed-down of in 2008 (Timișoara) and 2015 (Cluj-Napoca). Moreover, following the withdrawal of the contribution in kind to the capital of the company Azuga Turism, SIF Banat-Crişana 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 20,042,164 as at December 31, 2017.

As at December 31, 2017, the net book value of tangible assets in the construction category is of RON 2,883,532, recorded amount of wear (determined based on accounting under linear amortization) was 24.8%. The company carried out the revaluation of tangible assets at December 31, 2016 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 as at December 31, 2017, the Company was involved in 99 litigations in Court. The Company had an active procedural activity in 85 litigations and passive procedural activity in 14 litigations.

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.

In 2017, the amounts recovered as a result of legal actions initiated and / or forced execution were in the amount of RON 1,186,303.61.

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

## Perspectives for 2018

### Trends for Romania

Romania's economy is still in transition to a market economy and the macroeconomic environment is yet unstable. Therefore, the domestic capital market encompasses higher risks than the developed markets, including predominantly political and legislative risks. Political, economic, social, or other events in Romania or other markets can have a significant impact on the market value and liquidity of financial instruments. Considering that the Company's activities depend to a large extent on the progress of the Romanian economy, such transformations could have a major negative impact on the financial conditions or the attained results.

Romania's accelerated economic growth in recent years is a favorable element for SIF Banat-Crișana. Stock quotes have been pushed to multi-yearly highs due to an investment climate rather facile where interest rates have been low and European economies have gone through a stabilization period following fiscal relaxation measures.

Domestic economic growth prospects relate to those of the EU, as there are both common outlets and a free labor market among EU countries. The latest forecasts of the European Commission project a slowdown in GDP growth of 4.5% for 2018 and 4% for 2019 for Romania. In the EU, economic expansion has also a similar trend, from 2.3% in 2017, 2.3% - 2018 and 2% respectively in 2019, based on the EC projections.

We appreciate that the main risks that could imperil the economic activity in Romania are related to the persistent uncertainties on the national political scene. The frequent changes of high public officials are detrimental to the regulatory framework and the implementation of the governance program. Government uncertainties and measures have evidently materialized in rising financing costs, the explosion of inflation because of wage increases and the ceasing of public sector investment to fall within budget deficits.

At the moment (February 2018), inflation is 4.7% (*yoy, source: INS, NBR*). The National Bank of Romania (NBR) prepared inflation scenarios for the end of 2018, of 3.5%, and 2.8% for 2019.

The sharp upsurge was driven by the rapid succession of shocks in the price of electricity on the competitive market, fuel prices and agri-food prices. At the same time, the rapid widening of aggregate demand surplus in the economy has created an environment favourable to the transmission of these pressures in consumer prices.

Developing countries, such as Romania, need to adjust the legislative process, so as to ensure a stable regulatory framework. However, we are still witnessing the rapid implementation of the new legislation, sometimes before adopting implementing regulations.

Possible future changes of legislation specific to the Company's scope of business may have a consistent impact, both positive and negative, requiring a prudent approach. For financial investment companies (SIFs), new legislative changes are being prepared, the Financial Supervisory Authority preparing the draft law on Alternative Investment Funds (FIA).

Moody's downgraded in April the outlook for Romanian government bonds from positive to stable, "BBB minus" rating, due to budget and public debt deterioration.

During the year 2017 all three rating agencies, S&P, Fitch and Moody's, warned about the increase in vulnerability and economic imbalances, and last but not least the difficulty of meeting the budget deficit limits.

The stable outlook reflects the rating agencies' estimate that the risks to Romania's rating are currently balanced. The main risk factors that could lead to negative rating actions are: significantly higher fiscal deficits and worsening government debt dynamics, as well as a deterioration in external debt dynamics.

#### SIF Banat-Crişana's objectives for 2018

- 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;
- 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.

## 2. SHARES ISSUED BY SIF BANAT-CRIȘANA

### CHARACTERISTICS OF SIF BANAT-CRIȘANA SHARES

Total number of shares issued (December 31, 2017)	<b>520,000,000</b>
Outstanding shares (December 31, 2017)	<b>517,460,724</b>
Nominal value	<b>RON 0.1000 /share</b>
Type of shares	<b>common, ordinary, registered, dematerialized, indivisible</b>
Trading market	<b>Regulated spot market of Bucharest Stock Exchange (BVB or BSE), Premium category, listed since November 1, 1999</b>
Symbol on BVB (ticker)	<b>SIF1</b>
ISIN code	<b>ROSIFAACNOR2</b>
International identifier	<b>Bloomberg BBGID: BBG000BMN388 (SIF1:RO)</b>

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

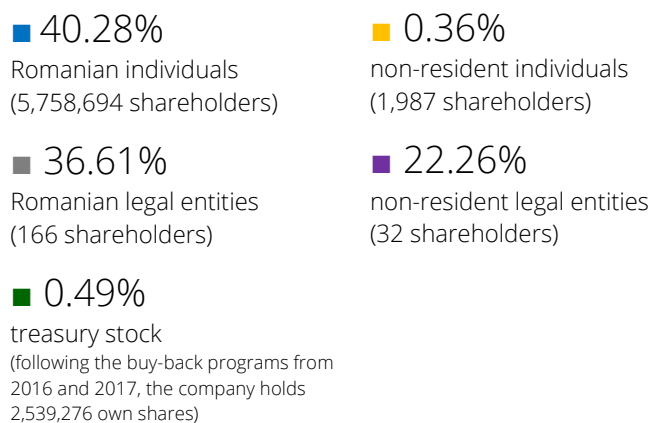
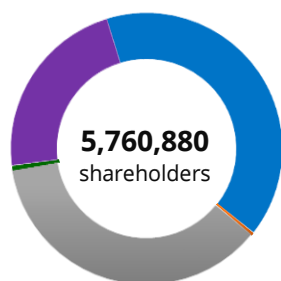
Pursuant to art. 286<sup>1</sup> par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital.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

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

During September 2017, SIF Banat-Crișana purchased through a Public Offer for the repurchase of own shares a number 539,276 shares, whose value totaled RON 1.348 mn. Details of repurchase programs approved by the EGMS of SIF Banat-Crișana in 2016 and 2017 are presented in *Chapter 5 Other significant information*.

As at December 31, 2017, SIF Banat-Crișana has **5,760,880** 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, 2017





## Dividend distribution from the net profit of the Company for the 2013 – 2016 financial years

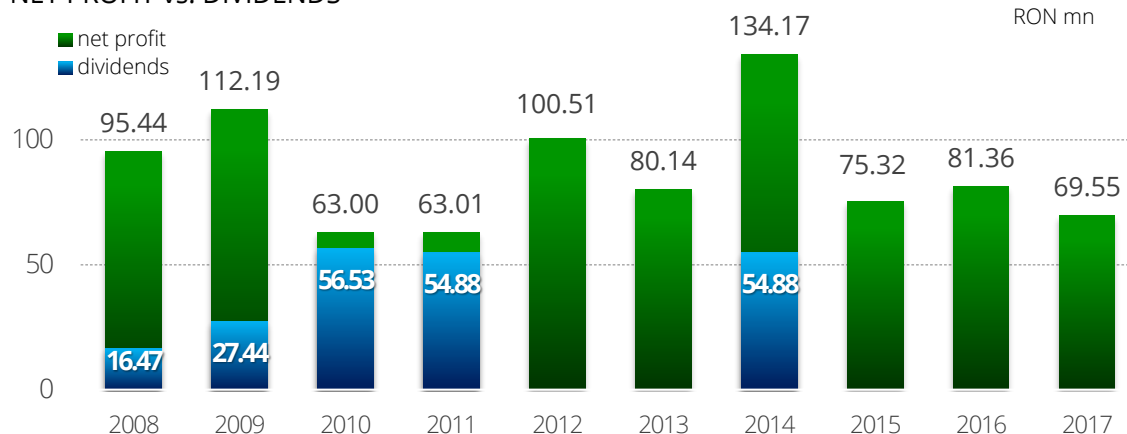
Financial year for which the distribution was made	2013*	2014	2015*	2016*
Net Profit (RON mn)	80.14	134.17	75.32	81.36
Total number of shares	548,849,268	548,849,268	548,849,268	520,000,000
Gross DPS (RON)	-	0.1	-	-
Gross dividend payable (RON mn)	-	54.88	-	-
Net dividend payable (RON mn)	-	47.74	-	-
Dividend payout ratio	-	40.9%	-	-
Payment stage as at December 31, 2017	-	67.35%	-	-

\*2013, 2015 and 2016 with no dividend distribution as per GMS decisions of April 15, 2014, April 26, 2016, and April 20, 2017

The general meeting of SIF Banat-Crişana's shareholders held on April 20, 2017, approved the allocation of the entire net profit for the financial year 2016, in the amount of RON 81,362,701, to *other reserves*.

During 2017 the payment of the dividends for the financial year 2014 continued, performed as per ASF Regulation no. 3/2015, through Depozitarul Central SA and payment agent Banca Transilvania. The Company has fulfilled all legal formalities in informing the shareholders on the payment of dividends, and the payment procedure is available on Company's website.

### NET PROFIT vs. DIVIDENDS



net profit calculated under RAS for 2008 – 2014, for 2015 - 2017 under IFRS

### SIF1 SHARES ON BVB

	2014	2015	2016	2017
Price (RON, closing price)				
low	1.005	1.253	1.3680	1.8520
high	1.405	1.740	1.8480	2.8200
year end	1.296	1.688	1.8480	2.7700
Net profit per share (RON)	0.2445	0.1372	0.151	0,134
PER	5.30	12.30	11.50	20.71
NAV/S (RON)	2.9228	3.3541	3.7075	5.0098
Dividend (RON/share)	0.1	-	n/a	n/a
Mk. Cap.* (RON mn)	715.15	926.46	1,014.27	1,440.40

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

Bucharest Stock Exchange (BVB) indices including SIF1 shares:

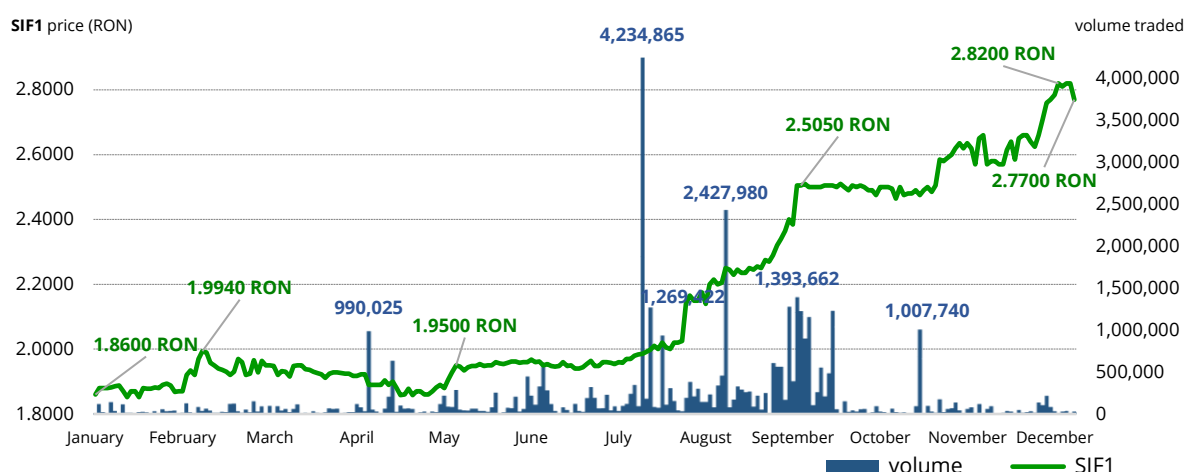
**BET-FI** is the first sectorial index of BVB and reflects the overall trend of prices of financial investment funds (SIFs and Fondul Proprietatea) traded on the BVB regulated market. Performance of BET-FI in 2017: +31.80%. Weight of SIF1 in BET-FI: 18.57% (2017 year-end).

**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 2017: +22.85%. Weight of SIF1 in BET-BK: 4.87% (2017 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 2017: +14.48%. Weight of SIF1 in BET-XT: 4.07% (2017 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 2017: +23.80%. Weight of SIF1 in BET-XT-TR: 3.97% (2017 year-end).

### SIF1 PERFORMANCE AND VOLUMES IN 2017



*highlighted values recorded at the close of trading sessions*

SIF1 shares were traded during 2017 on BVB in 248 trading sessions.

SIF1 share price rose 48.92%, from RON 1.8600 (closing price on January 3, 2017, the first trading session of the year), to RON 2.7700 (closing price on December 29, the last trading day of 2017). The highest price recorded in 2017 was of RON 2.8200 recorded during the last trading sessions of the year, while the lowest was in the trading session of January 13th, when the price was of RON 1.8520 per share (closing price), the spread during the period was 52% (considering the values recorded at the close of trading sessions).

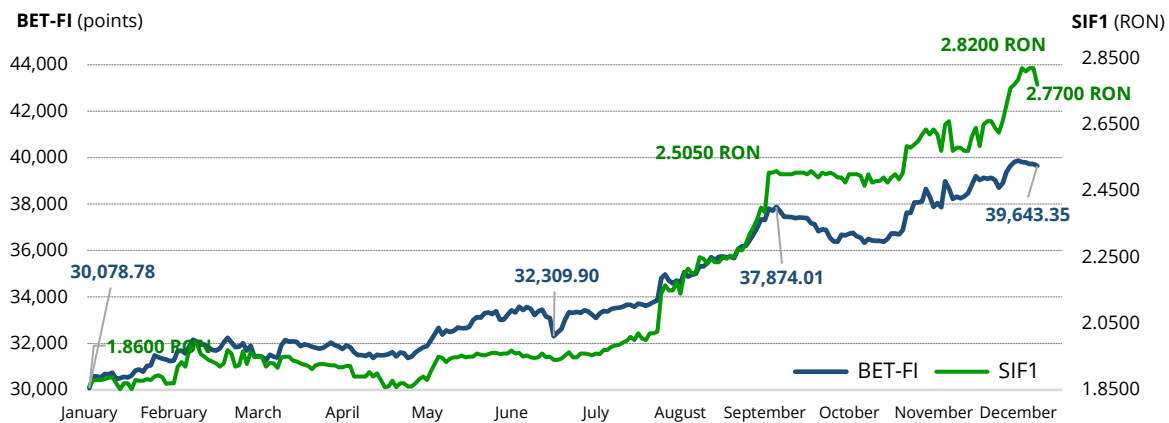
Highest daily volume of SIF1 shares traded on the main regular market (REGS) during 2017 was of 4,234,865 shares, recorded on July 24th.

Liquidity for SIF1 title was rather low in 2017, being traded a total of 42,311,332 shares on the main regular market, representing 8.14% of the total shares issued, while during 163 of the 248 trading sessions the transferred volume was below 100,000. The total value of shares traded in 2017 was of RON 92,386,801.

On „DEAL” market 14 transactions were performed, with a total of 60,460,688 shares, worth RON 123.57 mn.

**Market capitalization for SIF1 was of RON 1,440.40 mn on December 29, 2017, (calculated using the closing price).**

## SIF1 vs. BET-FI PERFORMANCE IN 2017



*highlighted values recorded at the close of trading sessions*

### 3. CORPORATE GOVERNANCE

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

SIF Banat-Crișana has always considered of a great importance the best practices of corporate governance and has assented to most of the principles postulated 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.

As per 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, executive directors, and employees of the Company have assumed the duty to be diligent, responsible and loyal to the Company, adopting decisions in Company's interests and to increase its value, considering the legitimate interests of all interested parties (stakeholders).

Given the applicable Corporate Governance Code issued by Bucharest Stock Exchange, SIF Banat-Crișana assessed the status of compliance with the new provisions, being in full compliance with most of these requirements. On April 20, 2017, the Company presented details on the status of compliance with the provisions of the Code as at December 31, 2016, by publishing a detailed statement within the Annual Report of the Company for 2016.

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 that will also be published on Company's website, [www.sif1.ro](http://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 is 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, 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-Crişana is administrated under a unitary system, apt to ensure Company's efficient operation, 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 in force. Company's Articles of Association are available on company's website, [www.sif1.ro](http://www.sif1.ro), in the *Corporate Governance* section.

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 2017, SIF Banat-Crişana's Board of Directors convened the Ordinary General Meeting twice and the Extraordinary General Meeting of Shareholders once. Additional information on the general meetings of shareholders are presented in this chapter in subchapter *Respecting shareholders' rights*.

### The Board of Directors

SIF Banat-Crişana is administered by the Board of Directors (i.e. administrators) comprised of five 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.

The 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, Law no. 74/2015, Law no. 24/2017, 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 2017**

During January 1, 2017 - April 20, 2017, the Company was administered by a Board of Directors comprising seven members.

The composition of the Board of Directors was the following:

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

The Ordinary General Meeting of Shareholders (OGM) held on April 20, 2017 elected as administrators for a four-year term, starting with April 24, 2017: Bogdan-Alexandru Drăgoi, Radu Răzvan Străuț, Sorin Marica and Marcel Heinz Pfister.

Following the secret vote cast by shareholders in the Ordinary General Meeting of Shareholders of April 20, 2017, only four candidates gathered at least 50% plus one of the votes cast, requisite set by the Company's Articles of Association and by law for the adoption of the decisions of the ordinary general meeting.

By ASF Opinion no. 405 / 13.07.2017, the Financial Supervisory Authority has endorsed the modifications made in the SIF Banat-Crișana documents following the change in the composition of the Board of Directors of the company.

During April 24 – December 31, 2017, the composition of the Board of Directors was the following:

- Bogdan-Alexandru Drăgoi – Chairman of the Board
- Radu Răzvan Străuț – Vice-Chairman
- Sorin Marica – member
- Marcel Heinz Pfister – member.

BOARD OF DIRECTORS as at December 31, 2017	
Position	Other information
Bogdan-Alexandru DRĂGOI (1980)	<p><b>Chairman of the Board of Directors, Executive administrator, Member of the Board since March 2015</b></p> <p><b>Studies</b>            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><b>Experience</b>            SIF Banat-Crișana – Chairman and CEO – <i>July 2015- present</i>            Biofarm S.A. – administrator – <i>December 2015 - present</i>            Vrancart S.A. – administrator – <i>December 2015 - present</i>            Administrare Imobiliare S.A. – administrator – <i>September 2015 - present</i>            Presidential Adviser – The Administration of the President of Romania – <i>(May 2012 - December 2014)</i>            Minister – Ministry of Public Finance – <i>(February 2012 - May 2012)</i>            Secretary of State – Ministry of Public Finance – <i>(January 2009 - February 2012)</i>            General Director, Economic Dept. – Bucharest Municipality – <i>(November 2007 - June 2008)</i>            Secretary of State – Ministry of Public Finance – <i>(September 2006 - November 2007)</i>            Advisor of the Minister – Ministry of European Integration – <i>(April - September 2006)</i>            Vice-President/Shareholder- FocusSat SA România – <i>(October 2004 - April 2006)</i>            Associate – Inquam Limited UK – <i>(November 2003 - December 2004)</i>            Business Analyst – Inquam Limited UK – <i>(January 2002 - November 2003)</i></p>
Radu Răzvan STRĂUȚ (1984)	<p><b>Vice-Chairman of the Board of Directors, Non-executive administrator, Member of the Board since April 2017 Chairman Nomination and Remuneration Committee; Chairman of the Investment Strategies Committee;</b></p> <p><b>Studies</b>            CFA Institute, Charlottesville, Virginia, SUA – May 2015            CFA Institute Investment – Claritas Investment Certificate – Foundations Program            Faculty of Law, University of Bucharest, Romania – October 2013 – June 2014            Master’s Degree – “European Union Law”            Academy of European Law (ERA), Trier, Germania – June 2013            Summer Course on EU Regulation and Supervision of Financial Markets            Faculté de Droit, Université de Genève and Institut De Haute Etudes Internationales, Geneva Switzerland – February – July 2007            Certificat de droit transnational            Faculty of Law, “Babeș-Bolyai” University, Cluj-Napoca, Romania – 2004 – 2008            BA in Law</p> <p><b>Experience</b>            Individual Lawyer Office “Străuț Radu-Răzvan” – <i>October 2015 - April 2017</i>            Attorney-at-law            Reff și Asociații SCA – Deloitte Legal – 2008 – 2015            Senior Associate Lawyer in the Banking and Capital Markets Department – <i>September 2010 - October 2015</i>            Collaborator attorney-at-law in the Banking and Capital Markets Department – <i>November 2008 - September 2010</i>            Deloitte Consultanță SRL – <i>September 2008 - October 2009</i>            Junior consultant</p>
Sorin MARICA (1971)	<p><b>Member of the Board of Directors since April 2017, Independent, non-executive administrator, Member of the Audit Committee; Member of Nomination and Remuneration Committee; Member of the Investment Strategies Committee;</b></p> <p><b>Studies</b>            The Bucharest University of Economic Studies – <i>2014-2017</i>            PhD Candidate “Financing of national programs for preserving and promoting Romanian customs and traditions”            “Lucian Blaga” University – Sibiu – <i>2013 - 2015</i>            Master in Defence Diplomacy            The Faculty of Finance, Banking and Stock Exchanges – Bucharest University of Economic Studies 1992 – 1997            Bachelor’s Degree in Economic Sciences</p> <p><b>Experience</b>            S.C. Dracula Park S.A. – Bucharest – <i>2002 - present</i>            General Director /Chairman of the Board            Kogaion 115 Foundation – <i>2004 - present</i>            President, Project Manager            Ministry of Transport – Bucharest – <i>2013 - 2014</i>            Counsellor / Cabinet Director at the Ministry of Transport            Ministry of Tourism – <i>2002 - 2003</i>            Counsellor of the Minister of Tourism            National Institute for Research and Development in Tourism (INCD) – <i>2002 - 2003</i>            Deputy General Director            S.C. Active International S.A. Bucharest (Investment Firm) – <i>2000 - 2002</i>            Chairman / General Director            S.C. Active Management International S.A. Bucharest (Investment Firm) – <i>1999 - 2000</i>            Chairman / General Director            S.C. Active International S.A. Bucharest (Investment Firm) – <i>1997 - 1999</i>            Broker/Trader</p>

BOARD OF DIRECTORS as at December 31, 2017	
Position	Other information
Marcel PFISTER (1980)	<b>Studies</b>
	University of Liechtenstein – <i>March 2010 – January 2011</i>
	Executive MBA in Wealth Management
	University of Liechtenstein – <i>September 2008 – November 2009</i>
	Diploma of Advanced Studies (DAS) in Private Banking
	College of Higher VET in Business Administration, Zurich – <i>October 2004 – October 2007</i>
	Professional Bachelor in Economics (ODEC)
	<b>Experience</b>
	Bank Alpinum AG – <i>July 2016 – present</i>
	Vice Director
	Falcon Private Bank Ltd. – <i>October 2010 – June 2016</i>
	Director
	Banque Pasche (Liechtenstein) SA – <i>April 2009 – September 2010</i>
Vice President	
Alpe Adria Privatbank AG (former Hypo Alpe Adria Bank (Liechtenstein) AG) – <i>December 2007 – April 2009</i>	
Vice President	
Alpe Adria Privatbank AG (former Hypo Alpe Adria Bank (Liechtenstein) AG) – <i>December 2007 – April 2009</i>	
Junior Relationship Manager Private Banking	
Zurich Cantonal Bank (ZKB) – <i>November 2005 – April 2007</i>	
Junior Controller	
Zurich Cantonal Bank (ZKB) – <i>September 2003 – November 2005</i>	
Relationship Manager	
Zurich Cantonal Bank (ZKB) – <i>December 2002 – September 2003</i>	
Account Manager	
Member of the Board of Directors since April 2017, independent, non-executive administrator, Chairman of the Audit Committee	

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 executive directors and the Board. In 2017 the position of Secretary of the Board of Directors was held by Mr. Daniel Gavrilă.

The activity of the Board of Directors in 2017

During 2017, the Board of Directors of SIF Banat-Crișana met in 32 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 2017 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 112 resolutions on the current activity of the company. All decisions were taken by the vote "for" of the majority of those present.

Of the 112 resolutions issued by the Board of Directors during the period under review:

- 73 resolutions had well defined objective, requiring its fulfilment;



- 39 were resolutions for the approval of procedures, mandatory reports and activity reports, of which: (i) 17 resolutions for the approval of internal regulations and working procedures; (ii) 22 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 112 resolutions issued by the Board of Directors, it results they were all fully fulfilled.

For 2017, the Ordinary General Meeting of Shareholders held on April 20, 2017, 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.

#### The Audit Committee

The Audit Committee consists of at least two 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 two non-executive administrators.

As at December 31, 2017, the Audit Committee is comprised of: Mr. Marcel Pfister – Chairman of the Committee and Mr. Sorin Marica – member of the Committee. 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 2017, the Audit Committee met in 11 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 consolidated financial statements; monitoring condensed interim accounting quarterly and half-yearly reporting; the analysis of the fee negotiated by the Company with the external auditor PricewaterhouseCoopers Audit SRL for the issuance of the report requested by ASF regarding the legality of the implementation of the share capital reduction operation in order to approve the amended Articles of Association; approval of the consultancy service contract with PricewaterhouseCoopers Audit SRL with the object the analysis of the extent to which the Company is an investment entity as per IFRS 10 and the negotiated fee; monitoring the work of the internal auditor; re-evaluation of the consultancy contracts concluded with PricewaterhouseCoopers Audit SRL during the year 2017.

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of at least at least two members elected from non-executive members of the Board of Directors, subject to the condition of independence provided for by the Company Law. Membership of the Committee does not prevent members from participating in the work of other Committees of the Board of Directors. The Committee meets regularly, at least twice a year, and exceptionally if appropriate.

The Nomination and Remuneration Committee is a permanent committee, with an advisory function, subordinated to the Board of Directors, set up in September 2017. The Committee assists

the Board of Directors in fulfilling its responsibilities for the nomination of candidates for management positions and their remuneration, recommends the Board of Directors the appointment or dismissal of key personnel and control personnel within the Company, as well as to determine the level of remuneration and their rights and duties, and participate in the development and review of remuneration policies applicable at company level.

As at December 31, 2017, the Nomination and Remuneration Committee is comprised of: Mr. Radu Răzvan STRĂUȚ - Chairman and Mr. Sorin MARICA - Member of the Committee. Members of the Nomination and Remuneration Committee have the experience appropriate to their specific duties within this Committee.

#### Investment Strategies Committee

The Investment Strategies Committee is a permanent advisory Committee, independent of the executive management of the Company, subordinated to the Board of Directors, set up in September 2017.

The Investment Strategic Committee consists of at least two members elected, as a rule, from non-executive directors.

As at December 31, 2017, the Investment Strategies Committee consists of: Mr. Radu Răzvan STRĂUȚ - Chairman and Mr. Sorin MARICA - Member of the Committee. The members of the Investment Strategies Committee have the appropriate experience for the specific tasks assigned within this Committee.

The Investment Strategies Committee assists the Board of Directors in fulfilling its responsibilities in developing investment strategies and policies, monitoring their implementation, analyzing the performance of the portfolio of financial instruments managed by the Company and managing associated risks.

#### 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.

As per Law no. 31/1990 on trading companies, the Board of Directors has delegated some of his powers to the CEO (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 by the law and / or Company's Articles of Association for the general meeting of shareholders or the Board of Directors.

The Chairman - CEO (Director General) exercise the 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 2017**

The composition of company's executive team until April 20, 2017 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, 2017		
	Position	Other information
Bogdan-Alexandru DRĂGOI	CEO (General Director)	Information presented on page 38
Teodora SFERDIAN	Deputy General Director	<p><b>Studies</b> Faculty of Economics - Aurel Vlaicu University Arad (2000 – 2004) Faculty of Electronics and Telecommunications – Polytechnic Institute of Timișoara (1975 – 1980)</p> <p><b>Experience</b> SIF Banat-Crișana, Arad (1994 – present); Deputy General Director (2014 – present); 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><b>Specializations</b> Capital markets / analysis and portfolio management (Bank Akademie &amp; CDG Germany); General management (Austrian Chamber of Commerce &amp; WIFI Vienna); Investment consultant; Implementing IFRS (KPMG); Business Valuation (ANEVAR); Risk Management; Corporate governance standards; Development and HR performance management.</p> <p><b>Responsibilities</b> Oversees the activities of Corporate Administration (<i>Economic, Reporting, Investor Relations and Conformity, Human Resources, and IT offices</i>)</p>
Laurențiu RIVIȘ	Director	<p><b>Studies</b> Faculty of Law, “Vasile Goldiș” Western University of Arad, (1998 – 2002)</p> <p><b>Experience</b> SIF Banat-Crișana, Arad (January 2005 – present); Director (February 2016 – present) Director Legal Division (September 2013 – February 2016) Legal adviser (January 2005 – September 2013) 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 – Jan. 2018</p> <p><b>Specializations</b> Continuous Professional Training course organized by AS Financial Markets SRL - 2017 “Alternative Investment Fund Managers” – course of study - AS Financial Markets – 2015 “International Financial Reporting Standards – IFRS” – course of study - KPMG Romania – 2014 “Legal English. Platinum One to One” – course of study - St. Giles International, London – 2011</p> <p><b>Responsibilities</b> 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, 2017	
		No. of shares	% of share capital
Bogdan-Alexandru DRĂGOI	Chairman and CEO	200,000	0.03846%
Radu-Răzvan STRĂUȚ	Vice-Chairman	500	0.00010%
Sorin MARICA	Non-executive administrator	250	0.00005%
Marcel PFISTER	Non-executive administrator	0	0%
Teodora SFERDIAN	Deputy General Director	13,005	0.00250%
Laurențiu RIVIȘ	Director	1,500	0.00029%

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 diversity of activities carried out by SIF Banat-Crișana also creates complex risks as well as a plethora of opportunities for its shareholders, but also for the entire Romanian financial and capital market. Company's management considers that risk management is an integral part of good corporate governance and of best management practices.

Given the company's specific provisions concerning the risk management introduced by the AIFM law, the Company has completely reorganized the risk management activity, strengthening this segment through a rigorous procedure and a complex analysis, evaluation, reporting and management system, unitary on society.

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

Risk management is an integral part of the Company's control framework and, in addition to its regulatory obligations, an effective risk management function should assist the executives and the board of directors in:

- optimizing growth without exposing the organization to unjustified risks;
- manifest *due diligence* in daily (current) management;
- promoting proactive management and early identification of risks;
- increasing accountability and responsibility within the organization;
- avoiding unjustified exposure to risk.

Risk management is in everyone's responsibility and it is required to be dictated by company's management. An awareness and risk management and risk management culture within an organization is essential for a risk management function to be effective.

The Board of Directors is ultimately responsible for ensuring that the Company effectively manages its risks and portfolios under management and that it has policies and procedures to measure and manage those risks.

The risk management function conducts its role independently of operational compartments, allowing risk managers to interact freely with all activities of the company in order to identify and address risk issues or gaps in the control, without any conflict of interest.

The person in charge of risk management has the necessary authority, has access to all relevant information and maintains regular contacts with the executive directors and the Board of Directors of the Company, and provides updated information based on which prompt remedial action can be taken, if necessary.

Risk management policies implemented by the Company include the 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 the 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 that thus could directly impact the interests of shareholders.

Policy risk management contains comprehensive safeguard measures 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 risk management policy is appropriate for the nature, size and complexity of Company's activities and the assets it manages.**

The fulfilment of the risk management function is regularly examined by the internal and external audit functions.

### **Internal control**

SIF Banat-Crişana 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 the means of implementation of the set measures and procedures, as well as measures decided to resolve any situations 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 the representative of the Internal Control Compartment is authorized by ASF and is registered in the ASF Public Registry. The representative of the Internal Control Compartment 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.

The activities of the Internal Control Compartment were performed pursuant to the plan of investigation and control for 2017, approved by the Board of Directors of SIF Banat-Crişana, the provisions of Regulations ASF / CNVM no. 15/2004 and 9/2014, the working procedures and internal regulations.

Lines of action addressed were: control of compliance with regulations in force on 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-Crişana 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 the Company's and its personnel compliance with the capital market legislation in force and the internal regulations.

In the inspection activities carried out during 2017, 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 transparency and 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;
- assessing and managing the operational risks generated by the IT equipment in use.

It was ascertained following the control that the activities addressed are compliant with the 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 have the right to address SIF Banat-Crişana by means of a petition should they have complaints regarding the company's activities, performed under Law no. 297/2004, or regarding the information provided by the company following their request. The settlement of petitions submitted by shareholders is set by ASF Regulation no. 9/2015, and the procedure to be followed is published company's website. Starting September 2015, the Company prepared 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 2017, one petition was filed at SIF Banat-Crișana. The petition was favorably settled within the deadline provided for by the regulation.

### **Internal Audit**

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

Company's activities are subject to an internal audit that 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.

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

The activity of internal audit is carried out based on the audit plan prepared pursuant to Company's objectives. The audit plan and the necessary resources for this activity 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 prepared 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 objectives are to assist the Company in identifying and evaluating the significant risks providing an independent assessment of the risk management, of control and management processes and assisting the Company in maintaining an effective and efficient control system.

The main activities and operations of the Company subject to internal audit in 2017 addressed:

- organizing the meetings of the Board of Directors and the degree of fulfillment of the issued decisions;
- observance of the procedures related to the administrative activities;
- trading of securities, compliance with the short-term investment policy and approved work procedures;
- managing the portfolio of financial instruments, substantiating the investment / disinvestment decisions in these instruments and complying with the approved 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 that SIF Banat-Crișana is a part of;
- observance of the procedure regarding conflicts of interest, respectively conflicts of interest involving the members of SIF Banat-Crișana management and certain categories of employees.

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

made. 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-Crişana during 2017, 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-Crişana is outsourced to the company New Audit SRL from Arad.

### Respecting shareholders' rights

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

As per Art. 286<sup>1</sup> 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. 286<sup>1</sup> par. (2) of Law no. 297/2004 and CNVM/ASF Instruction no. 6/2012 issued in application of art. 286<sup>1</sup> of Law no. 297/2004.

SIF Banat-Crişana 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 GMS 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 2017, the Board of Directors convened the Ordinary General Meeting of Shareholders ("OGM") twice and the Extraordinary General Meeting of Shareholders ("EGM") once.

**On April 20, 2017**, gathered statutorily, at the first call, the **Ordinary General Meeting of Shareholders ("OGM")** and approved: the financial statements for financial year 2016, the allocation of net profit for the financial year 2016, amounting to RON 81,362,701, to other reserves, the discharge from liability for the Board of Directors for the financial year 2016, the Budget and Activity Plan for 2017 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 of the members of Board of Directors for a term of office of 4 years, starting 24.04.2017, in the following composition: Bogdan-Alexandru DRĂGOI, Radu Răzvan STRĂUȚ, Sorin MARICA and Marcel Heinz PFISTER.

**On 20 April 2017**, the **Extraordinary General Meeting of Shareholders ("EGM")** gathered statutorily at the first call and approved the amendment to the Company's Articles of Association by completing the duties of the Board of Directors with the necessary responsibilities for the application of the corporate governance principles necessary for the alignment of the Company's Articles of Association with the provisions of the ASF Regulation no. 2/2016. The amendments to the Articles of Association have been authorized by the ASF through the Endorsement no. 403 issued by ASF on 13.07.2017.

**On August 30, 2017**, gathered statutorily at the first call, the **Ordinary General Meeting of Shareholders ("OGM")** and approved: the consolidated financial statements for the year ended December 31, 2016 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.

**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.

The 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 2016, the Board of Directors' proposal approved by OGM was the allocation of the whole net profit for the financial year 2016 to *Other reserves*, for own financing sources,

### **Right to information**

SIF Banat-Crișana considers of great importance the investor relations activities and the transparency in communication, convinced that public confidence is essential for proper activity of the company and the consolidation of its good reputation. The company aims to ensure continuous reporting in an objective and integral manner by providing complete and accurate



information on all important aspects of the activity and the results achieved. Company's website ([www.sif1.ro](http://www.sif1.ro)) 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.

SIF Banat-Crișana acknowledges the right of shareholders to be informed, providing them with 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 Bucharest Stock Exchange (BVB) website and on the Company's website, [www.sif1.ro](http://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 on its website [www.bvb.ro](http://www.bvb.ro). In order to inform the shareholders and investors, the Company sets a financial reporting calendar that is communicated to BVB and Financial Supervisory Authority (ASF), and also publishes it on Company's website.

In early March 2017, SIF Banat-Crișana participated, represented by top management representatives, at the *Romania Days* event organized by Franklin Templeton Investments and Fondul Proprietatea in partnership with Wood & Company in London, aiming to promote investment opportunities in Romania. The event offered the opportunity for participating management teams to interact with analysts and foreign institutional investors.

Starting April 2017, SIF Banat-Crișana is also featured on the portal [InvestingRomania.com](http://InvestingRomania.com), an information aggregator aimed at connecting companies with investors and analysts, launched by BVB and AGERPRES, the Romanian national news agency. [InvestingRomania.com](http://InvestingRomania.com) include relevant content from the Romanian capital market using four sources of information: AGERPRES news, analysis and estimates of financial analysts, current and periodic reports submitted to the Bucharest Stock Exchange and news coming from listed companies.

SIF Banat-Crișana is one of the 13 companies in the forefront of the capital market to have joined [InvestingRomania.com](http://InvestingRomania.com)" (according to BVB's appreciation); for a company to be featured on [InvestingRomania.com](http://InvestingRomania.com), the Bucharest Stock Exchange took into account a number of criteria such as reporting through the IRIS system, both in Romanian and in English, good corporate governance, and coverage by at least two financial analysts.

Bucharest Stock Exchange (BVB) published the second edition of the "*Whitebook on Communication of Listed Companies*", an assessment carried out between April 10 and May 4th, 2017, with the purpose of evaluating the quality and accuracy of information provided to the investors by 83 of the domestic companies listed on BVB's Main Market. The purpose of the Whitebook is to show the best practices of listed companies when it comes to communicating with the investors while, at the same time, to pinpoint the weaknesses and give companies sufficient information to improve their websites as well as the manner in which they interact with the investors. In the first edition of the project, launched in June 2016, the names of the companies analysed were not disclosed, and the order of inclusion in the study was random.

SIF Banat-Crișana achieved a score of 9.75 / 10, positioning in the top ranking of issuers providing top-quality experience in investor relations.

BVB released in early July 2017 the Guidebook on Best Practices in IR Communication, a using company's website [www.sif1.ro](http://www.sif1.ro) for several references and inspiration points in the document aimed at helping current and prospective issuers in the process of improving their investor relations activities.

Bucharest Stock Exchange (BVB) published the third edition of the “*Whitebook on Communication of Listed Companies*”, on October 2017, again SIF Banat-Crişana achieving a score very close to the maximum, being appreciated “the ease in using the company’s website, the ease in finding information regarding the investor relations (IR), the equal access to information, the completeness of available information”. Also appreciated was the “*promptness of the response and the e-mail approach, the accuracy and completeness of the information provided*” following the anonymous request received by the company via e-mail.

SIF Banat-Crişana participated as a partner to the 6th edition of the conference “The future of Romanian Capital Market” and at the event “The European Decade of Romania’s Centenary”, organized in Bucharest by the editor of Bursa newspaper, in September, and respectively November 2017.

The organizational structure within SIF Banat-Crişana 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.

### **Financial reporting**

Financial statements for 2017 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 20, 2017, the Company published The Separate Financial Statements for the year ended December 31, 2016* 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 PricewaterhouseCoopers Audit SRL and approved by the Ordinary General Meeting of Shareholders held on April 20, 2017 - together with the annual report of the Board of Directors and Independent Auditor’s Report

*On August 11, 2017, the Company published The Condensed Interim Financial Statements as at June 30, 2017, 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 ASF Financial Instruments and Investments Sector - unaudited.*

*On August 30, 2017, the Company published The Consolidated Financial Statements for the year ended December 31, 2016 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 PricewaterhouseCoopers Audit SRL and approved by the Ordinary General Meeting of Shareholders held on August 30, 2017 - 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 (member of the Board of Directors) 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 status 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 the safeguards against conflicts of interest, periodically examines their effectiveness and takes timely corrective action to address any deficiencies.

**Personal transactions.** In line with capital market legislation and European regulations, during 2017 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 persons 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 concerning corporate information.

The Board of Directors adopted 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. 24/2017 and European regulations, 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 updates 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 they perform with shares SIF1.

Pursuant to Law no. 24/2017, Regulation no. 1/2006 and European regulations, insiders and persons with access to inside information concerning SIF Banat-Crișana must 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 2017.

**Market abuse.** A special attention was paid in 2017 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 for persons with access to inside information the transactions with financial instruments of the issuer are prohibited.

### Diversity policy

SIF Banat-Crişana 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-Crişana understands to be an involved and responsible player, attentive and responsive to community needs and to the sustainable development of the society.

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

During 2017, SIF Banat-Crişana financially supported the project in the education and business environment namely the organization of the "*International Finance and Banking Conference - FI BA 2017*" 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) in March, and ASE Bucharest Foundation in organizing the event *The Gala of Excellence* in November.

## 4. FINANCIAL ANALYSIS

SIF Banat-Crișana prepared the financial statements as at December 31, 2017, pursuant to International Financial Reporting Standards (IFRS) as adopted by the European Union and to the ASF Norm no. 39/2015 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 Separate Financial Statements as at December 31, 2017, including the related notes, 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 2017, compared to the preceding three financial years:

### 4.1 Statement on the financial position

STATEMENT OF ASSETS, LIABILITIES AND EQUITY	2017	2016	2015	2014
Cash and cash equivalents	16,134,803	57,625,994	151,400,510	93,827,738
Financial assets at fair value through profit and loss	338	309	449	132,318,525
Financial assets available for sale	2,440,191,357	2,007,925,978	1,728,617,277	1,354,602,562
Investments held to maturity	6,499,764	6,336,716	34,498,231	50,844,602
Investment property, Tangible assets, Other assets	25,318,909	38,300,331	27,008,238	7,014,898
<b>Total assets</b>	<b>2,488,145,171</b>	<b>2,110,189,328</b>	<b>1,941,524,705</b>	<b>1,638,608,325</b>
Deferred tax liabilities	176,433,120	130,804,501	124,114,688	82,769,736
Other liabilities	20,471,908	25,138,742	28,600,622	15,795,247
<b>Total accrued liabilities and income</b>	<b>196,905,028</b>	<b>155,943,243</b>	<b>152,715,310</b>	<b>98,564,983</b>
Share capital (inflated under IAS 29)	700,330,055	739,183,919	739,183,919	739,183,919
Own shares (including costs associated with the repurchase)	(4,872,849)	(53,177,886)	-	-
Accumulated profit	835,722,946	813,015,115	731,652,414	698,319,923
Other elements of equity	(491,769,188)	(527,738,125)	(527,770,890)	(527,835,919)
Reserves from revaluation of financial assets available for sale	1,251,829,179	982,963,061	845,743,952	630,375,419
<b>Total equity</b>	<b>2,291,240,143</b>	<b>1,954,246,085</b>	<b>1,788,809,395</b>	<b>1,540,043,342</b>
<b>Total liabilities and equity</b>	<b>2,488,145,171</b>	<b>2,110,189,328</b>	<b>1,941,524,705</b>	<b>1,638,608,325</b>

*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 2016, given that a considerable part of the existing monetary investments at the end of the previous year were reinvested in bonds and listed shares, comprised in the category of *financial assets available for sale*.

The category of *assets available for sale* comprises most of Company's holdings consisting in securities, 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 2017 of listed equities (Erste, Banca Transilvania, BRD, Vrancart, Romgaz, SIF Moldova, SIF Muntenia, SIF Oltenia).

*Investments held to maturity as at December 31, 2017* are the company's investments in bonds issued by banking companies (Banca Transilvania). No transactions were recorded with the assets in this category, the difference from the previous year is due to the change in the RON - EUR exchange rate on which the balance sheet value was established as at December 31.

*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, 2017 is of RON 20.0 mn. Tangible assets held by the Company are those used while carrying out operational and administrative activities, at the headquarters. The decline of *Other assets* as compared to the previous year is the effect of the actual recording of the capital increase with cash contribution performed by Vrancart and

completed in 2017 (RON 12.9 million), this amount being included in the *Financial assets available for sale*.

*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.

The *payable dividends* item reflects the amounts owed to shareholders and not collected by shareholders related to distributions made in the previous years. The decrease as compared to 2016 represents outstanding amounts paid to shareholders at their request in 2017.

*Accrued income* comprises this year mainly the amount of the proceeds collected until December 31, 2017 and related to the withdrawal of the Company from an issuer in the portfolio. The transaction is expected to be completed in February 2018.

*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. We mention that in 2017 was completed the operation of share capital decrease and canceling the respective own shares, which explains the decrease of these positions as compared to 2016-year end.

#### 4.2 Statement on the profit and loss and other comprehensive income

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	2017	2016	2015	2014
<b>Income, of which:</b>	<b>84,927,868</b>	<b>107,164,704</b>	<b>40,760,477</b>	<b>22,600,547</b>
Dividend income	81,469,412	101,624,336	34,072,103	15,951,208
Interest income	3,277,959	5,314,722	6,461,141	6,506,501
Other operational income	180,497	225,646	227,233	142,838
<b>Gain on investments, of which:</b>	<b>3,308,817</b>	<b>2,257,033</b>	<b>65,220,044</b>	<b>147,682,044</b>
Net foreign exchange gains	168,443	(110,431)	73,886	83,542
Gains on investment property	989,353	177,703	10,515,917	-
Net profit on sale of assets	2,150,991	2,189,901	55,302,792	157,263,512
Net gain / (Net loss) on financial assets at fair value through profit and loss	30	(140)	(672,551)	(9,665,010)
<b>Expenses, of which:</b>	<b>(15,745,275)</b>	<b>(25,120,258)</b>	<b>(17,636,031)</b>	<b>(21,770,674)</b>
Expenses/reversals on adjustments for impairment	3,710,134	(5,948,134)	(1,851,313)	(7,160,279)
Expenses related to fees	(2,717,509)	(2,255,325)	(2,443,923)	(3,344,555)
Other operating expenses	(16,737,900)	(16,916,799)	(13,340,795)	(11,265,840)
<b>Profit before income tax</b>	<b>72,491,410</b>	<b>84,301,479</b>	<b>88,344,490</b>	<b>148,511,917</b>
Income tax	(2,938,215)	(2,938,778)	(13,019,922)	(9,505,428)
<b>Net profit for the period</b>	<b>69,553,195</b>	<b>81,362,701</b>	<b>75,324,568</b>	<b>139,006,489</b>
<b>Other comprehensive income</b>	<b>268,866,118</b>	<b>137,251,875</b>	<b>215,368,532</b>	<b>(50,528,341)</b>
<b>Total comprehensive income for the period</b>	<b>338,419,313</b>	<b>218,614,576</b>	<b>290,693,100</b>	<b>88,478,148</b>

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

*Dividend income* declined in 2017, given that in 2016 it included the exceptional dividend in cash paid by Banca Transilvania. Excluding this, income from dividends collected from most of the issuers in the portfolio increased in the years 2016 and 2017.

*Interest income* includes interest on bank deposits, corporate bonds and govt. bonds. In 2017, interest income is under the previous year's. Following the redirection of some of the amounts from investments in fixed income instruments to portfolio investments, the volume of interest was adversely affected by the decline also in 2017 of the available returns, under acceptable risk conditions, for fixed income investments.

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

*Gains on investments* in 2017 stood at the same level as the previous year, while the Company's strategy was geared towards obtaining revenues without affecting the existing investment base. In this regard, the main weight of this component comes from transactions with listed shares. Sales of shares from the portfolio were few and specific (RON 8.7 million receipts from sales, RON 2.2 million profit), being the result of exploiting some momentary opportunities.

*Expenses / reversals on asset impairment adjustments* had a positive progress as compared to 2016 and include the provisions for impairment of current assets, respectively the recognized adjustments to shareholding expenses for which depreciation has been ascertained (prolonged fair value decrease below cost acquisition, adverse and long-term changes within the business sector), in accordance with the IFRS accounting standards. In 2017, the Company recorded reversals of previously adjusted adjustments in a volume well above the cost of declining certain financial placements.

*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 increased as compared to the previous year, as it is connected to the significant upsurge of Company's net asset value during 2017.

Categoria *Altora cheltuieli operaționale* include cheltuielile cu salariile personalului și conducerii, cele cu impozitele și taxele datorate și alte cheltuieli ocazionate de funcționarea Societății. Nivelul acestora se situează la nivelul realizărilor anului precedent.

*Other operating expenses* include staff salaries and management costs, the taxes and fees and other expenses incurred in the operation of the Company. Their level is the same as for the previous year.

#### 4.3 Cash flow statement

CASH FLOW STATEMENT	2017	2016	2015	2014
<b>Operating activities</b>				
Net profit for the year	69,553,195	81,362,701	75,324,568	139,006,489
<i>Adjustments for:</i>				
Amortization of tangible and intangible assets	202,645	237,539	255,359	253,352
Net (Gain) / Loss on disposal of tangible assets	(11,988)	-	-	21
Gain on valuation of investment property	(989,353)	(177,703)	(10,515,917)	
Expenditure on adjustments for impairment	(3,912,645)	5,489,150	1,851,312	7,160,279
Net profit on sale of assets	(2,150,991)	(2,189,901)	(55,302,792)	(157,263,512)
(Net gain) / Net loss from financial assets at fair value through profit and loss	(30)	140	672,551	9,665,010
Dividend income	(81,469,412)	(101,624,336)	(34,072,103)	(15,951,208)
Interest income	(3,277,959)	(5,314,722)	(6,461,141)	(6,506,501)
Expense with / (income from) other provisions and adjustments	202,512	458,984	(12,605)	(479,322)
Income tax	2,938,216	2,938,778	13,019,922	9,505,428
<b>Changes in assets and liabilities related to operating activities</b>				
Changes in other assets	(114,865)	(2,546,555)	(2,019,926)	2,230,844
Changes in other liabilities	1,096,503	1,535,469	(9,741)	(261,653)
Tax on profit paid	(962,378)	(1,851,725)	(2,246,889)	(34,760,842)
<b>Net cash (used in) / from operating activities, of which:</b>	<b>(18,896,551)</b>	<b>(21,682,180)</b>	<b>(19,517,403)</b>	<b>(47,401,615)</b>
<b>Investing activities</b>				
Payments for purchase of shares	(187,000,444)	(152,658,954)	(36,895,424)	(77,622,851)
Proceeds from the sale of shares	85,805,053	3,784,252	73,114,113	230,270,597
(Investments) / Proceeds from deposits with term longer than 3 months	36,072,333	108,181,106	(92,790,943)	15,857,359
Net proceeds/(payments) from sale of assets at fair value through profit and loss	0	-	18,656,690	(123,172,566)
Proceeds / (payments) for purchase of investments held to maturity	(160,893)	27,013,833	16,016,606	1,012,845
Payments for purchases of tangible assets	440,757	(49,939)	(125,531)	(46,507)
Proceeds from sale of property and assets held for sale	(462,162)		-	-
Dividends received	79,528,077	102,603,588	30,477,215	13,455,031

CASH FLOW STATEMENT	2017	2016	2015	2014
Interest received	4,497,211	4,850,262	6,421,949	6,759,017
<b>Net cash (used in) / from investing activities</b>	<b>18,719,932</b>	<b>93,724,148</b>	<b>14,874,676</b>	<b>66,512,925</b>
<b>Financing activities</b>				
Dividends paid	(3,450,000)	(3,970,007)	(30,944,403)	(204,211)
Repurchase of own shares	(1,425,254)	(53,177,886)	-	-
<b>Net cash (used in) / from financing activities</b>	<b>(4,875,254)</b>	<b>(57,147,892)</b>	<b>(30,944,403)</b>	<b>(204,211)</b>
<b>Increase / (decrease) in net cash and cash equivalents</b>	<b>(5,051,873)</b>	<b>14,894,076</b>	<b>(35,587,129)</b>	<b>18,907,099</b>
<b>Cash and cash equivalents at January 1st</b>	<b>16,372,090</b>	<b>1,478,015</b>	<b>37,065,143</b>	<b>18,158,045</b>
<b>Cash and cash equivalents at December 31st</b>	<b>11,320,217</b>	<b>16,372,090</b>	<b>1,478,015</b>	<b>37,065,143</b>

During 2017, the investment activity generated cash as result of dividend collected (RON 79.5 mn), and liquidation of some monetary investments (RON 118.4 mn). Most of the cash was directed to placements in other investments available for sale (fund units: RON 95 mn, shares: RON 8.4 mn, govt. bonds: RON 39.1 million and corporate bonds: RON 41.7 mn). Structurally, as compared to the previous year, cash flows related to investment activity have changed as follows:

- in 2016, net cash necessities for investments in assets available for sale amounted to RON 148.9 mn, largely covered by the liquidation of monetary investments (RON 140 mn in deposits, corporate bonds and interest). Most of the received dividends (RON 102.6 mn) funded the financing activity deficit, due to the payments related to the share repurchase program (RON 53.2 mn) and payments related to the current activity (RON 21.7 mn), the increase of cash available as of the beginning of the period was of RON 14.9 mn;
- in 2017, net cash requirements for investments in assets available for sale decreased as compared to last year's, amounting to RON 102.1 mn, covered by dividends collected (RON 79.5 mn) and net disinvestment in fixed income investments (RON 40.9 mn, including interest). The resulting surplus RON 18.2 mn covered payments related to operating activities (RON 18.9 mn), outstanding dividends due to shareholders RON 3.45 mn) and amounts due from the second share repurchase program (RON 1.43 mn) and led to a decrease of cash and cash equivalents in 2017 by RON 5.6 mn.

#### 4.4 Implementation of Budget for 2017, summary statement

Implementation of Budget for 2017	Result for 2016	Provisions for 2017	Result for 2017	+/- vs. provisions	+/- vs. 2016
<b>Total income</b>	<b>107,164,704</b>	<b>82,955,000</b>	<b>85,397,242</b>	<b>2.9%</b>	<b>-20.3%</b>
<b>Net gain on investments</b>	<b>2,257,033</b>	<b>8,500,000</b>	<b>3,308,815</b>	<b>-61.1%</b>	<b>46.6%</b>
<b>Operating expenses</b>	<b>25,120,259</b>	<b>24,343,200</b>	<b>16,214,647</b>	<b>-33.4%</b>	<b>-35.5%</b>
<b>Profit before tax</b>	<b>84,301,478</b>	<b>67,111,800</b>	<b>72,491,410</b>	<b>8.0%</b>	<b>-14.0%</b>
Tax on profit (including tax on gross dividends due)	2,938,778	5,640,000	2,938,215	-47.9%	0.0%
<b>Net profit of the year</b>	<b>81,362,701</b>	<b>61,471,800</b>	<b>69,553,195</b>	<b>13.1%</b>	<b>-14.5%</b>
<b>Total comprehensive income for the year</b>	<b>218,614,576</b>		<b>338,419,313</b>		<b>50.4%</b>

**Total income** achieved is 2.9% above the provisions of 2017, representing 79.7% of the achievements of 2016.

**Net gain on investments** is significantly below the provisions set for the current year and 47% above achievements of the year 2016, as the Company's strategy focused on achieving financial performance without affecting the existing investment base, with sales being the result of the portfolio restructuring process.

**Operating expenses** of 2017 are 33.4% below budgeted provisions and 35.5% below the previous year's, both as a result of savings in the main categories of operating expenses, as well as from the reversals of some expenditures on depreciation of assets, recorded in the previous years.



**The gross result**, in the amount of RON 72.5 million, exceeds the provisions for 2017 with 8%, as a result of the recording a higher income than projected, (dividends and interest) as well as of the savings in operating expenses.

**The net result for the year**, amounting to RON 69.6 million, is 13.1% above the provisions of 2017, both due to the higher income 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 what was provisioned in the budget.

## 5. OTHER SIGNIFICANT INFORMATION

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### Programs for the repurchase of own shares

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 October 11, 2016*)

By Decision no. 1202/23.08.2017, Financial Supervisory Authority (ASF) approved the Public Tender Offer Document for the shares issued by SIF Banat-Crișana, with the Company as bidder and SSIF Swiss Capital SA as intermediary, for the acquisition of 20,000,000 shares, representing 3.6439% of the share capital of SIF Banat-Crișana, with the price of RON 2.30 / share, during 30.08.2017 – 19.09.2017. (*Announcement referring to the Public Tender Offer, Tender Offer Document, published on August 25, 2017*)

By Decision no. 1297/18.09.2017, ASF approved the amendment regarding the increase of the price of the Public Tender Offer, from RON 2.30/share to RON 2.50/share and the extension of the period until 20.09.2017, including. (*Current Report of September 18, 2017*)

The public offer for the purchase of shares issued by SIF Banat-Crișana S.A., launched by the company, was carried out during 30.08.2017 - 20.09.2017 through the intermediary SSIF Swiss Capital SA, a number of 539,276 shares, representing 0.0982% of the subscribed share capital of SIF Banat-Crișana, were deposited under the offer, being purchased a number of 539,276 shares representing RON 1,348,190. The date of transaction was September 25, 2017, settled through Depozitarul Central. Following the closure of the tender, the tenderer (SIF Banat-Crișana) owned 31,388,544 shares, representing 5.7189% of the social capital of the issuer. (*Notification from September 25, 2017*)

### 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.

By Decision no. 1167/23.11.2017, the ASF endorsed the amendment in SIF Banat-Crișana's Articles of Association as a result of the share capital reduction from RON 54,884,926.80 to RON 52,000,000, as per Resolution no. 1/October 11, 2016 of the Extraordinary General Meeting of SIF Banat-Crișana's Shareholders.

On December 13, 2017, ASF issued the Securities Registration Certificate under the number AC-168-3/13.12.2017 regarding the reduction of the company's share capital. The Company registered the operation of share capital reduction at the National Trade Register Office, and at the capital market institutions. The share capital of the company was reduced from RON 54,884,926.80 to RON 52,000,000, divided into 520,000,000 shares with a nominal value of RON 0.10, following the cancellation of 28,849,268 own shares acquired by the Company, as per Resolution no. 1/October 11, 2016 of the Extraordinary General Meeting of SIF Banat-Crișana's Shareholders. (*Current Report of December 15, 2017*).

## 6. EVENTS AFTER THE REPORTING PERIOD

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### Appointment of provisional administrator

According to the provisions of Art. 137<sup>2</sup> of Law no. 31/1990 on trading companies, and of Art. 7 par. (1) of Company's Articles of Association, SIF Banat-Crișana's Board of Directors, in the meeting held on January 16, 2018, approved the appointment of Mr. Ionel-Marian CIUCIOI as provisional administrator of SIF Banat-Crișana until the assembly of the general meeting of shareholders. In January 2018 the Company submitted to ASF the request for the endorsement of Mr. Ciucioi in this position, the documentation being under review at the Authority.

### Appointment of deputy general director

The Board of Directors of SIF Banat-Crișana, in the meeting held on January 25, 2018, according to the provisions of Art. 7 par. (15) of Company's Articles of Association decided to maintain the decisions of the Board of Directors dated 24.04.2017, reconfirming the appointment of Mr Radu Răzvan Străuț, Vice-Chairman of the Board of Directors, as Deputy General Director of SIF Banat-Crișana and delegating the management of the company as per Art. 143 of Law no. 31/1990. In January 2018 the Company submitted to ASF the request for the endorsement of Mr. Străuț in this position, the documentation being under review at the Authority.

### Preliminary financial results for 2017

On February 15, 2018, SIF Banat-Crișana published the preliminary financial results for the year ended December 31, 2017, prepared pursuant to IFRS, by submitting to the market operator (BVB) and posting on Company's website, [www.sif1.ro](http://www.sif1.ro).

### Authorization of SIF Banat-Crișana as an Alternative Investment Fund Manager (AIFM)

SIF Banat-Crișana informed the investors that the course of Company's authorization by the Financial Supervisory Authority (ASF) as **Alternative Investment Fund Administrator (AIFM)**, as well as **the authorization of persons holding the key functions** of risk management and compliance officer has been completed. At the same time, has been endorsed the Company's Articles of Association amended as per AIFM legislation.

On March 9, 2018, ASF transmitted to SIF Banat-Crișana the following documents:

- Authorization no. 78/09.03.2018 through which SIF Banat-Crișana is authorized as Alternative Investment Fund Manager (AIFM); - it has been certified the registration of SIF Banat-Crișana in the ASF Registry in Section 7<sup>1</sup> - Alternative investment fund managers, Subsection 3 - Alternative investment fund managers authorized by ASF (AFIAA), under no. PJR07.1AFIAA/020007;
- Endorsement no. 76/09.03.2018 approving the amendments to the SIF Banat-Crișana's Articles of Association as per Resolution no. 2 of the EGM held on 25.04.2016, respectively Art. 2 par. (1) of Company's Articles of Association, amended as follows: "*(1) The main field of business activity is: financial intermediation, except for insurance and pension funding activities, CAEN code 64, and the main object of the company is Other financial intermediation n.e.c. CAEN code 6499 as follows: a) carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force; b) management of investment portfolio and exercising all of the rights related to the instruments in which investments are made; c) risk management d) other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force*".
- Authorization no. 79/09.03.2018 authorizing Mrs. Adina-Eleonora HODĂJEU holding the key function of risk management for SIF Banat-Crișana;
- Authorization no. 80/09.03.2018 authorizing Mr. Ioan-Eugen CRISTEA in the key function of compliance officer for SIF Banat-Crișana;
- Decision no. 332/09.03.2018 withdrawing Mr. Ioan-Eugen CRISTEA the authorization as Representative of Internal Control Compartment for SIF Banat-Crișana.

## 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, 2017 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, 2017.**

The Board of Directors proposes for the approval of the Ordinary General Meeting of Shareholders the appropriation of net profit for 2017 in one of two options:

**Option I:**

The appropriation of the net profit for the financial year 2017, in the amount of RON 69,553,195 on the following destinations:

**Dividends RON 51,746,072.40 representing a gross dividend of RON 0.10 /share**

Approval of the date of October 12, 2018 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.

**Other reserves RON 17,807,122.60**

**In case of the approval of this distribution of profit, it becomes obsolete and it is removed from the agenda of the extraordinary general meeting convened for April 26 (27), 2018, the proposal for the approval a buyback program for the reduction of company's share capital (Program I), related to item 2 on the agenda of the said meeting.**

**Option II:**

**Approval of appropriation of the entire net profit for the financial year 2017, in the amount of RON 69,553,195 to Other Reserves, to support a buyback program.**

From its own financing sources as provided by law, the Company will conduct a buyback program for 17,460,724 shares to reduce the share capital by the cancelation of repurchased shares.

The buyback program will be conducted in accordance with the applicable legal provisions, having the following main characteristics:

- Minimum price per share: RON 1;
- Maximum price per share: RON 4.81;
- Duration of the program: maximum 18 months from the date of publication of the resolution in the Official Gazette of Romania Part IV.

**In case of the approval of this distribution of profit, it will be submitted for the approval of the Extraordinary General Meeting of Shareholders convened for April 26 (27), 2018 the resolution of item 2 on the agenda of this general meeting regarding the execution of the buyback program for the reduction of company's share capital (Program I).**

**3. Discharge from liability of the Board of Directors for the financial year 2017.**

**This report is accompanied by the following annexes:**

<b>ANNEX 1</b>	Financial statements as at December 31, 2017, prepared pursuant to International Financial Reporting Standards adopted by the European Union and ASF Norm no. 39/2015
<b>ANNEX 2</b>	Statement of SIF Banat-Crişana assets and liabilities as at December 31, 2017 and the detailed statement of investments (as per Annexes no. 16 and 17 to Regulation no. 15/2004)
<b>ANNEX 3</b>	Amendments to the Articles of Association in 2017
<b>ANNEX 4</b>	Status of compliance with the Code of Corporate Governance issued by BVB
<b>ANNEX 5</b>	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 19, 2018 and revised - including the Separate Financial Statements as at December 31, 2017 - in the meeting held on March 26, 2018.

**Bogdan-Alexandru DRĂGOI**

Chairman of the Board of Directors