



SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

— ANNUAL REPORT — OF THE BOARD OF DIRECTORS FOR 2018 FINANCIAL YEAR

PREPARED PURSUANT TO LAW NO. 24/2017, CNVM REGULATION NO. 15/2004,
ASF REGULATION NO. 5/2018 AND ASF RULE 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*

CONTENTS

MAIN FINANCIAL AND OPERATIONAL INFORMATION	2
GENERAL INFORMATION ON THE COMPANY	3
1. ANALYSIS OF SIF BANAT-CRIȘANA ACTIVITY	4
Economic environment	4
Analysis of the portfolio	7
Net asset value evolution	8
Portfolio structure	10
Portfolio management	13
Risk management	20
Human resources	29
Tangible assets of the company	30
Litigations	30
Perspectives for 2019	31
2. THE SHARES ISSUED BY SIF BANAT-CRIȘANA	33
3. CORPORATE GOVERNANCE	37
4. FINANCIAL ANALYSIS	56
Financial position	56
Statement on the profit and loss and other comprehensive income	58
Cash flow statement	59
5. OTHER SIGNIFICANT INFORMATION	61
6. EVENTS AFTER THE REPORTING PERIOD	64
7. PROPOSALS OF THE BOARD OF DIRECTORS	65
ANNEX 1	Financial statements as at December 31, 2018, prepared pursuant to International Financial Reporting Standards adopted by the European Union and ASF Rule no. 39/2015
ANNEX 2	Statement of SIF Banat-Crișana assets and liabilities as at December 31, 2018 and the detailed statement of investments (as per Annexes no. 16 and 17 to Regulation no. 15/2004)
ANNEX 3	Amendments to the Articles of Association in 2018
ANNEX 4	Status of compliance with the Code of Corporate Governance issued by BVB
ANNEX 5	Statement on the compliance with the principles of corporate governance as per ASF Regulation no. 2/2016

MAIN FINANCIAL AND OPERATIONAL INFORMATION

FINANCIAL POSITION [RON mn]			
	2016	2017	2018
Total assets, of which	2,110.19	2,488.15	2,452.94
Total financial assets	2,071.89	2,462.83	2,427.11
Equity	1,954.25	2,291.24	2,321.42
Total liabilities	155.94	196.91	131.52
FINANCIAL PERFORMANCE (IFRS) [RON mn]			
	2016	2017	2018
Income	107.16	84.93	114.88
Gain on investment	2.26	3.31	(16.05)
Expenses	25.12	15.75	17.93
Gross profit	84.30	72.49	80.89
Net profit for the year	81.36	69.55	77.19
FINANCIAL INDICATORS [%]			
	2016	2017	2018
ROE (net profit / equity)	4.16	3.04	3.32
ROA (net profit / total assets)	3.86	2.80	3.15
Gross profit margin (gross profit / total income)	36.91	35.55	37.49
SHARES AND NET ASSET PERFORMANCE			
	2016	2017	2018
Share price (year end, in RON)	1.848	2,770	2.0400
Net asset value* / share (RON)	3.7075	5.0111	4.3067
PER**	12.2	20.7	13.7
Dividend / share (RON)	-	-	***
Accounting net asset / share (RON)	3.7727	4.4062	4.4863
Nominal value of share (RON)	0.1	0.1	0.1
Number of issued shares	548,849,268	520,000,000	517,460,724
Number of outstanding shares	518,000,000	517,460,724	517,371,068
* calculated acc. to ASF regulations			
** calculated using EPS for the average number of shares in the respective year			
*** as per GMS decision			
OPERATIONAL DATA			
	2016	2017	2018
Number of employees, year end	38	37	34
Number of branch offices	1	1	1
SHAREHOLDING STRUCTURE as at December 31, 2018			
	number of shareholders	stake	
Romanian individuals	5,752,456	40.54%	
Non-resident individuals	2,028	0.34%	
Romanian legal entities	158	37.52%	
SIF Banat-Crişana (treasury stock) *		0.02%	
Non-resident legal entities	27	21.58%	
TOTAL	5,754,670	100%	

* own shares held by the Company following the buy-back program from October 2018

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GENERAL INFORMATION

COMPANY NAME	Societatea de Investiții Financiare Banat-Crișana S.A. (hereinafter referred to as “SIF Banat-Crișana” or “the Company”)
COMPANY TYPE	<ul style="list-style-type: none">▪ closed-end investment company self-managed, with a diversified investment policy investment policy, endorsed by the Financial Supervisory Authority by Endorsement no. 258 / 14.12.2005 and as AIFM with Authorization no. 78/09.03.2018, equivalent to closed-ended AIF▪ set-up as a joint stock company in November 1996 pursuant to the provisions of Law no. 133/1996 for the conversion of the Private Property Funds (FPP) into Financial Investment Companies (SIF)▪ Romanian legal entity with private capital
SHARE CAPITAL	<ul style="list-style-type: none">▪ RON 51,746,072.40 – subscribed and paid-in capital▪ 517,460,724 shares issued; 517,371,068 outstanding shares▪ RON 0.10 per share nominal value
REGISTRATIONS	<ul style="list-style-type: none">▪ Number in Trade Register J02/1898/1992▪ Tax Identification Code RO 2761040▪ Number in ASF Register PJR09SIIR/020002/2006▪ Legal Entity Identifier (LEI) 254900GAQ2XT8DPA7274
MAIN ACTIVITY	<p>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):</p> <ul style="list-style-type: none">▪ carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force▪ management of investment portfolio and exercising all the rights related to the instruments in which investments are made▪ risk management▪ other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB or BSE) – Premium category - ticker SIF1
FINANCIAL AUDITOR	PricewaterhouseCoopers Audit S.R.L.
DEPOSITARY BANK	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	Arad , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
BRANCH	Bucharest 175 Calea Floreasca, 7th floor, room A1, sector 1, 014459, Bucharest

1. ANALYSIS OF SIF BANAT-CRIȘANA ACTIVITY

Economic environment

Domestic economic environment

Estimates for the economic growth in 2018 are divergent, the National Commission for Strategy and Prognosis reported 4.5% annual GDP growth forecasts, while the International Monetary Fund (IMF) and the European Commission estimated 4%. The National Institute of Statistics reports 4.1% in the first provisional version.

After an advance of 7% in 2017, real GDP growth (adjusted for inflation) slowed down to an estimated 4.1% in 2018. Despite the substantial slowdown in 2018, growth remains robust and in line with the regional average. ¹

The slowdown in economic growth was mainly driven by the contraction of private consumption, the fading effects of the fiscal stimulus in 2017 and rising inflation that eroded the purchase power of the domestic currency. According to the EC, Romania reported the highest inflation rate in the EU in 2018, 4.63%, well above the European average and a new high in post-crisis period. Inflation has been fuelled both by external factors such as rising prices for food and energy as well as domestic factors such as the further raising of the national minimum wage or increasing excise duties on energy products, in the autumn.

The unemployment rate has shrunk from 4.9% in 2017 to 4.3% in 2018, recording a minimum of 3.8% in December. The rise of salaries for the public servants and of the national minimum wage has managed to slow but did not stop the emigration of the specialized labour force. A decreasing number of taxpayers, along with an aging population, will continue to put pressure on the pension budget and implicitly on the national budget. ²

The current account deficit continued its rise and the National Bank of Romania (BNR) draws attention to overspending budget expenditures that jeopardize economic stability.

Interest rates applied by NBR rose in 2018 and are of 1.50% on deposits, 3.50% on credit, and 2.50% on monetary policy. This points to a healthy economy, but also implies an increase in the cost of capital that can negatively impact financial markets.

The domestic currency against the Euro had moderate variations in 2018, resulting in an average annual rate of 4.6535 RON/EUR compared to 4.5681 RON/EUR in 2017. Still, we notice a tendency of devaluation for the Romanian currency over a long run as compared to 2008, when the average annual rate was of 3.68 RON/EUR). Versus the US dollar, the progress of the exchange rate can also be considered stable. There were no excessive currency fluctuations. ³

Public investment has been modest in recent years and is expected to recover only at a slow pace. Private investment may be affected by an ever-growing uncertainty arising from the lack of predictability in economic, legal, fiscal, monetary and legislative terms, that can undermine the economic equilibrium.

Romania's economic growth model, based on consumer spending, is affecting the country's ability to meet the European Union's living standards in a sustainable way. The halving of GDP growth in

¹ INS, FMI, Country Report Romania 2019 European Commission, National Commission for Strategy and Prognosis

² European Commission, Country Report Romania 2019

³ National Bank of Romania

2018, largely due to the slowdown in consumer spending, revealed the limits of Romania's economic growth model. ⁴

During 2018, Standard & Poor's has confirmed the ratings for long-term and short-term debt in foreign currency and Romanian leu to "BBB minus/A-3". The stable economic prospects have been maintained, even though weak institutional efficiency and significant deepening of fiscal and external deficits have been mentioned as existing risks. ⁵

The capital market

The Bucharest Stock Exchange (BVB) closed the year 2018 with a 4.77% decrease of the BET index, the main index of the local capital market, which includes the most traded 15 companies. The strong downward trend was triggered on December 19, 2018, when information on additional charges on the banking, energy, telecommunications sectors and the change of Pension Pillar II appeared, and then the BET benchmark slumped 11.21%, wiping out in a single day all the growth accumulated so far in 2018 by the local capital market. Between the values existing before that date, namely December 18, and the last trading session in 2018 and 31 December respectively, the main stock market index recorded a slump of 12%.

Daily average trading values in 2018 were still extremely low: 2018, EUR 9.72 million versus 2017: EUR 9.4 million. Tendencies indicate an upward trend, but for an institutional investment environment, these amounts indicate an extremely limited market liquidity and hide high risks if the will or need to sell the shareholdings listed on BVB appear (difficulty / inability to 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 due to the failure to meet the liquidity criteria. However, during the year 2018 by improving with a grade the liquidity criterion of the Bucharest Stock Exchange, the Romanian capital market is just one step away from becoming an emerging market.

Market indicators outline an undervalued market compared to other stock exchanges in the region: P/E: 7.67; P/BV: 0.83; DIY: 10.1. ⁶

These indicators put BVB in a favourable perspective, with a consistent growth potential. The generous dividend policies in previous years in companies with majority state holdings have anchored in the positive territory the stock quotes for many of the blue chips listed on BVB even in times when market conditions were tough. Preliminary results for 2018 reported by listed companies are broadly in line with investor expectations, therefore we can expect them to maintain or even increase capitalization until the start of dividend distributions, lest other significant events occur. We note, however, that excessive distribution of dividends can offset the cash flow situation, companies risk decapitalization, and we are in a mature economic cycle in which companies' balance sheets should be strengthened for future not so trouble-free economic cycles.

The main risk factor that could bring steep declines on BVB is GEO 114/2018. The ways of applying the ordinance are still unclear and given that most of the blue chips on BVB are subject to the GEO, the results of the negotiations will certainly be included in the stock prices of the issuers when a final form is published.

⁴ European Commission, Country Report Romania 2019

⁵ Bloomberg

⁶ Bucharest Stock Exchange, Monthly Report, December 2018

Evolution of main market indicators for CEE 1Y as at 06.03.2019 ⁷

Austria	ATX	-11.77
Bulgaria	BSE SOFIX	-14.35
Czech Republic	PX	-3.28
Croatia	CROBEX	-4.66
Poland	WIG 20	-0.38
Romania	BET	-6.92
Hungary	BUX	9.7

International economic environment

Europe The Euro appreciated in 2018 vs. the US dollar, and the exchange rate was influenced by both the US trade problems (trade war, temporary blocking of the functioning of the administrative mechanism) and the monetary policies adopted by the EU. ECB President, Mario Draghi, has announced that interest rates will remain unchanged at least until the summer of 2019 or as long as necessary to ensure inflation close to 2% over the medium term. At the same time, the ECB decided to discontinue the unconventional monetary policy measures by halting in December 2018 the QE quantitative easing program meant to boost economic growth.

Interest rates persisted at low levels, anchoring the financial markets on a neutral or ascendant trajectory. Indices such as DAX, FTSE, FTSE MIB, CAC40, IBEX, Euro STOXX etc. have YTD returns close to 10%, in some cases they have been exceeded while medium-term returns (3 years) are in the value range of 20%.

The low rates also helped finance European budgets in 2018, which is an important aspect in view of the diminished budget revenues resulting from the fiscal relaxation measures adopted. The decision to maintain the monetary policy has made its effect felt by the rise in consumer price indices.

European economies are still fragile. IMF and The European Commission forecast a growth of 1.9% in 2018 for Euro-zone and EU28, respectively a growth of 2.1% for EU27 (UK excluded). European economies have grown moderately, expansion has been high enough to keep the unemployment rates descending and the wages rising, but with risks such as: (i) Italy's budget crisis incompletely solved; (ii) continuing to conduct BREXIT negotiations where the risks have increased; (iii) the social tensions provoked and constantly triggered by the "yellow vests"; (iv) spreading populism in the European political environment; (v) an automotive industry in the middle of the trade war between major economic powers; (vi) Europe's entry into the electoral period for the European Parliamentary elections in May.

The negative facets equate the beneficial economic effects in the Euro-zone, the structural problems generated by the accumulated high debt along with deficient budgets cannot be resolved with so modest growth rates.

United States of America (USA) - Macroeconomic indicators published by the US indicate a positive economic progress. Even if the public debt-to-GDP ratio exceeds 100%, unemployment has reached the minimum of the last 48 years, the inflation rate is close to target areas and GDP growth has risen from 2.2% in 2017 to 2.9% in 2018, following the tax cuts that have stimulated investments in the business sector.

Further increases in interest rates by the EDF are expected to occur, in several tranches, in response to economic indicators that show a stable, solid economy. The FED raised the interest

⁷ Bloomberg, Investing.com

rate from 0.50% in 2016 to 2.5% by the end of 2018. With higher yields of American securities, equity capital swaps are also expected from fixed income financial instruments overseas. The primary risk is the overheating of the largest economy in the world as it would generate an acceleration in interest rates, deteriorating capital market valuations.

China's economic growth slowed from 6.9% in 2017 to 6.6% in 2018 due to slower lending, significantly lower Q3 infrastructure investment, and fears of escalating trade tensions between the top two economies in the world. Prepared for a slowdown (up to about 6.2%), the Chinese Government decided to adopt a stimulus package that would counterbalance the slowdown of economic expansion. The Central Bank stimulated lending by lowering the minimum reserve requirement, the local authorities introduced infrastructure financing through bond issues and tax cuts in support of the business climate. Internal consumption remained stable.

Analysis of the portfolio

SIF Banat-Crișana's investment strategy targets the maximizing of portfolio performance, thus increasing the value of the managed assets and the investment income.

SIF Banat-Crișana's objective is the efficient management of a diversified portfolio comprised of high-quality assets, capable of providing a steady flow of revenues, preservation and medium-term capital growth, in order to increase the value for shareholders and obtain as high yields for the capital invested.

The strategic allocations by asset classes and within each class are based on assessments of the individual attractiveness of investment opportunities, under the existing conditions on the macroeconomic and market environment.

Investments are performed over a specified period, complying to the regulated prudential terms, under appropriate risk monitoring and control, to ensure a steady balance of risk and expected return. The investment decision-making process is formalized through internal procedures and the levels of competence approved by the company's Board of Directors.

SIF Banat-Crișana has under management a complex portfolio, consisting of the following main categories of financial instruments: shares, bonds and fund units. The company applies an exit strategy tailored to the specificity of each investment, defined based on the applied strategy, investment objectives and the conditions (that trigger) of the exit transaction.

The differentiated approach addressed by the Company for each of its shareholding aims at capitalizing on an aggregate return, generated by dividend gain and capital gain.

The execution of the various exit strategies is adapted and correlated with a series of internal and external factors, such as: general economic prospects, bull or bear evolution of the Bucharest Stock Exchange, the liquidity of the listed securities and the daily trading volumes, the regionality of small businesses, access (interest) barriers, depending on the ownership structure, SIF Banat-Crișana's need of liquidity.

Lines of action in portfolio management:

- creating a varied portfolio comprised of assets capable of achieving the targeted returns at the level of risk assumed;
- increasing the quality of the portfolio, as a basis for its value growth and its capacity of constant income generation;
- management and development of the portfolio to adapt to the overall risk profile;
- developing the specific areas of expertise that form the basis of our operations;
- improving corporate governance practices.

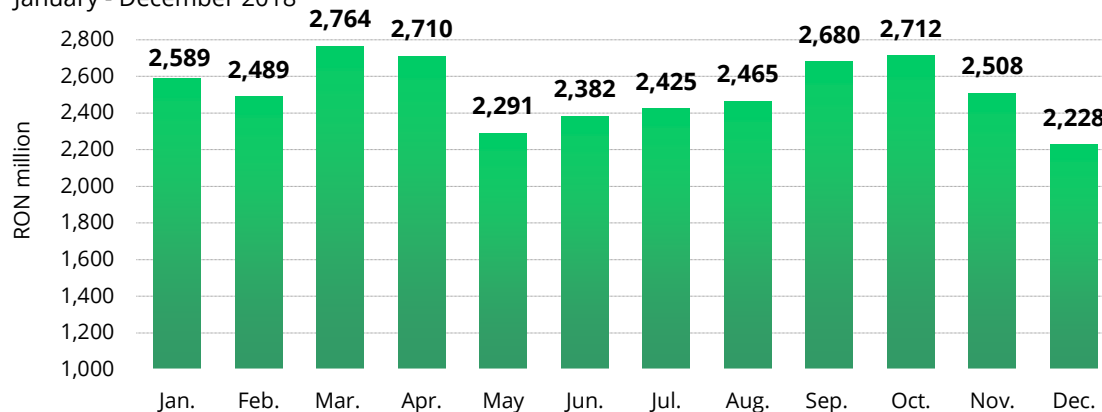
Net asset value (NAV) evolution

The net asset value (NAV) of SIF Banat-Crişana, key indicator for Company's performance, amounted to **RON 2,228.2 million** as at December 31, 2018, 14% below the value recorded at 2017-year end. Net asset value per share (NAV/S) was of **RON 4.3067** as at December 31, 2018 vs. RON 5.0111 as at December 31, 2017.

The monthly net asset values were calculated by SIF Banat-Crişana during 2018 pursuant to the regulations issued by the Financial Supervisory Authority (ASF). The calculated values for NAV were certified by BRD - Groupe Société Générale, the depositary bank of Company's assets. The monthly reports for the calculation of NAV were submitted to the Bucharest Stock Exchange and ASF - Securities and Financial Investment Sector and were published on SIF Banat-Crişana's website - www.sif1.ro - no later than 15 calendar days from the end of the reporting month.

MONTHLY NET ASSET VALUE

January - December 2018



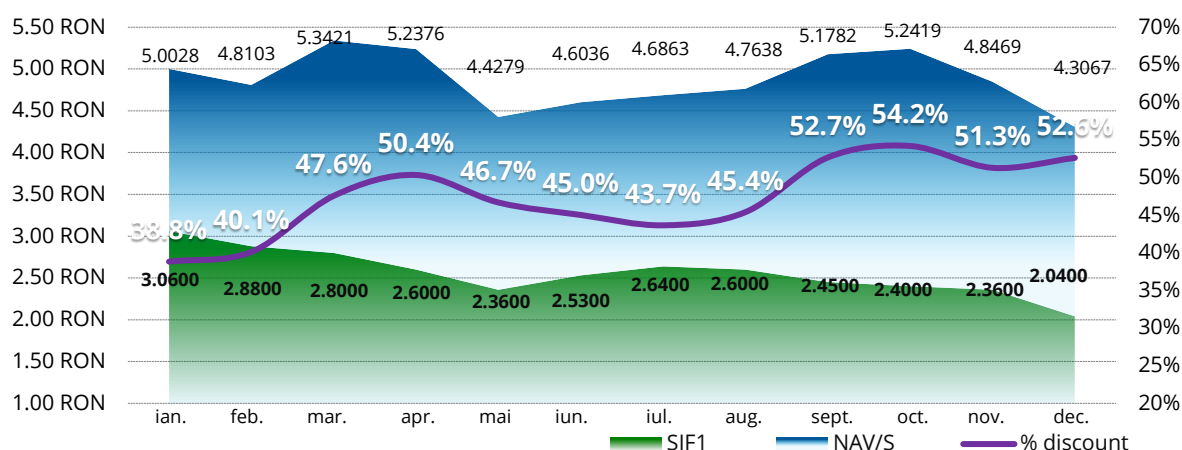
The statement for SIF Banat-Crişana assets and liabilities as at December 31, 2018, prepared pursuant to the provisions of Annex 16 to Regulation no. 15/2004, is presented in Annex 2 of this report.

Throughout 2018, the progress of NAV had significant fluctuations as the main result of the following circumstances:

The upsurges in March-April and September-October, respectively, have as main reason the rise in the value of the stake held in SIF Imobiliare PLC as a result of the different valuation methodology as compared to the previous months. SIF Imobiliare PLC (market symbol SIFI) is an issuer listed on the ATS market of BSE but with sporadic transactions and at prices significantly higher than the accounting value of the share. Under the applicable regulations, the valuation of this issuer is made at market price, and in the absence of transactions in the last 30 trading days the valuation is made at the accounting value per share.

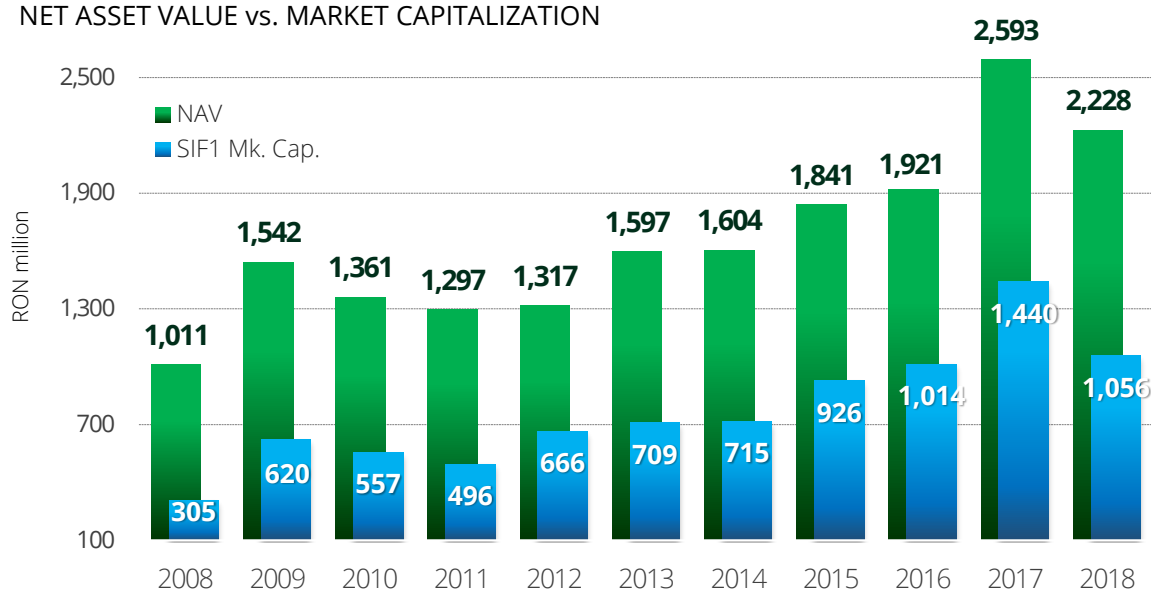
The descent of NAV for May and December is the result of the unfavourable developments on the domestic capital market during the respective periods, reflected in the significant decline of the share price of some shareholdings having significant weight in SIF Banat-Crişana's portfolio. Amidst the legislative changes at the end of 2018, the stock prices of companies in the financial and energetic sectors recorded sharp declines, with a strong impact on the value of an important segment of the Company's portfolio. In December 2018, SIF Banat-Crişana's net asset value declined 11.75% as compared to the previous month, but the decrease was lower than BET downturn (-14.8%).

SIF1 DISCOUNT TO NAV/S IN 2018



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

NET ASSET VALUE vs. MARKET CAPITALIZATION



NOTE: net asset values are those reported for the end of December for each year; for 2008 – 2015 non-portfolio items were calculated based on accounting records pursuant to Romanian Accounting Regulations (RAS); and under IFRS for 2016 – 2018 mk. cap. calculated using closing price for SIF1 in the last trading day of the year;

The methodology for calculating the net asset value

Throughout 2018, net asset value calculation was performed pursuant to the provisions of ASF Regulation no. 9/2014 (art. 113 – 122) of ASF Regulation no. 10/2015 and of ASF Regulation no. 2/2018 (entered into force in July 2018).

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 accounting (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.

Starting July 2018, the date of entry into force of the ASF Regulation no. 2/2018, in the case of joint stock companies not admitted to trading on a regulated market or alternative system, where

SIF Banat-Crişana holds more than 33% of the share capital, the respective shares are valued in SIF Banat-Crişana's net asset exclusively according to international valuation standards based on an assessment report, updated at least annually. These companies are presented in a separate annex in the Detailed statement of investments.

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.

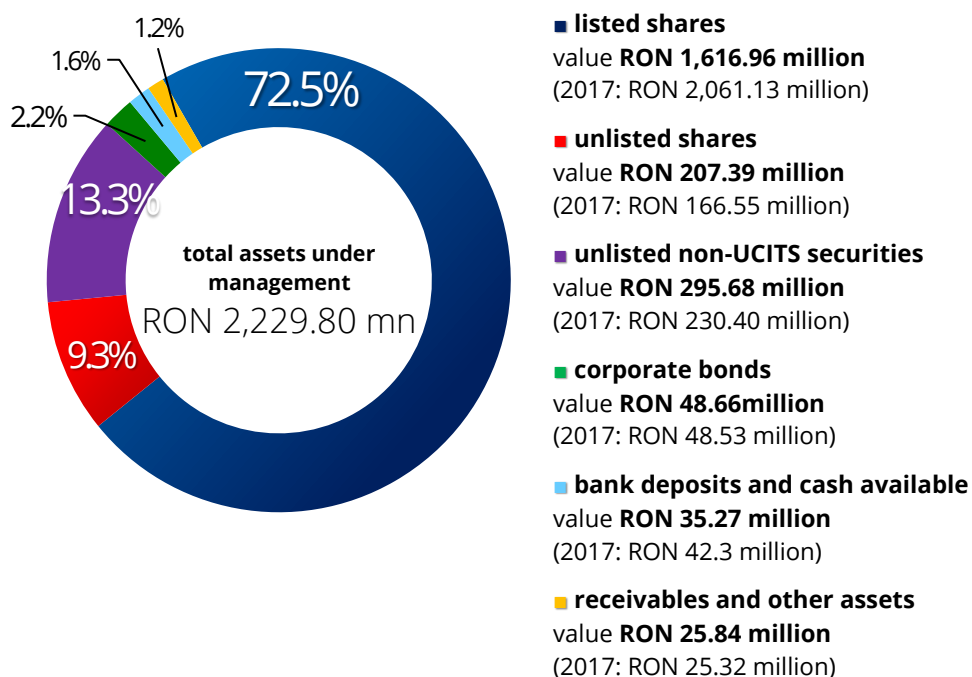
Value of non-portfolio items considered for the calculation of net asset value are based on accounting records under International Financial Reporting Standards (IFRS).

The valuation methods applied by the Company to evaluate the financial assets in the portfolio are presented on Company's website, www.sif1.ro, in the section *Investments > Net Asset > Net asset value calculation methodology*. The changes in valuation policies and methods are communicated to investors and the Financial Supervisory Authority, in accordance with the regulations in force.

Portfolio structure

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, amended and supplemented by GEO no. 32/2012 and CNVM Regulation no. 15/2004 regarding authorization and operation of asset management companies, collective investment undertakings and depositories.

ASSETS UNDER MANAGEMENT as at December 31, 2018
breakdown on classes (weight on total assets)



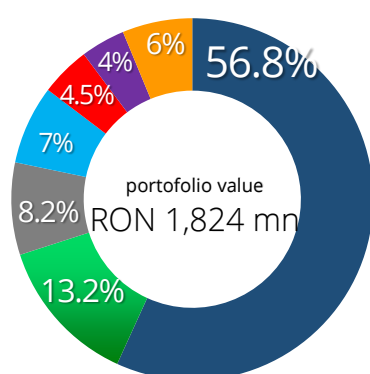
Note: values calculated ass. to ASF Regulations no. 9/2014, no. 10/2015 and no. 2/2018

The detailed statement of SIF Banat-Crişana's investments as at December 31, 2018, prepared pursuant to Regulation no. 15/2004 (Annex 17), is presented in Annex 2 to this report.

As at December 31, 2018, the value of SIF Banat-Crişana's stock portfolio reached RON 1,824,36 million (2017: RON 2,227.69 million) (calculated pursuant to ASF Reg. no. 9/2014, Reg. no. 10/2015, and no. 2/2018), having the dominant weight, of 81.88% of the total assets under management at 2018 year-end.

The assets managed by SIF Banat-Crişana have been within the allowed limits provided by ASF regulations throughout 2018. Details are presented in the *Risk management* chapter.

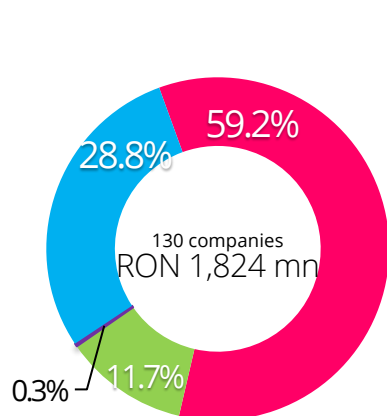
STOCK PORTFOLIO - sector breakdown



- **banking-financials**
 stakes in **14** companies worth **RON 1,036 million**
 (2017: RON 1,193 million)
- **commerce - real estate**
 stakes in **16** companies worth **RON 241.22 million**
 (2017: RON 447.85 million)
- **cardboard and paper**
 stakes in **5** companies worth **RON 150.41 million**
 (2017: RON 157.53 million)
- **energy - utilities**
 stakes in **10** companies worth **RON 128.47 million**
 (2017: RON 109.91 million)
- **pharmaceuticals**
 stakes in **2** companies worth **RON 81.27 million**
 (2017: RON 74.44 million)
- **tourism and public food services**
 stakes in **4** companies worth **RON 72.44 million**
 (2017: RON 110.23 million)
- **other industries and activities**
 stakes in **79** companies worth **RON 114.14 million**
 (2017: RON 134.72 million)

Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2018; values calculated pursuant to ASF Regulations no. 9/2014, no. 10/2015 and no. 2/2018

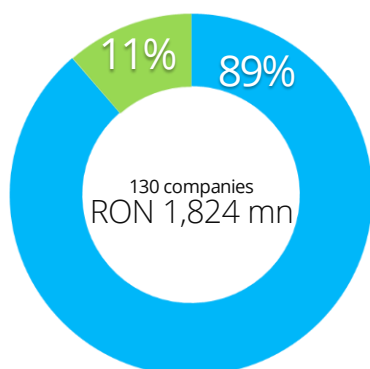
STOCK PORTFOLIO - breakdown on shareholdings



- up to 5%
shareholdings **up to 5%** in **45** companies
worth **RON 1,079 million** (2017: RON 1,281.80 million)
- 5-33%
shareholdings **between 5-33%** in **68** companies
worth **RON 213.99 million** (2017: RON 159.89 million)
- 33-50%
shareholdings **between 33-50%** in **4** companies
worth **RON 5.54 million** (2017: RON 1.03 million)
- peste 50%
majority stakes, above 50%, in **13** companies
worth **RON 524.96 million** (2017: RON 784.95 million)

Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2018; values calculated pursuant to ASF Regulations no. 9/2014, no. 10/2015 and no. 2/2018

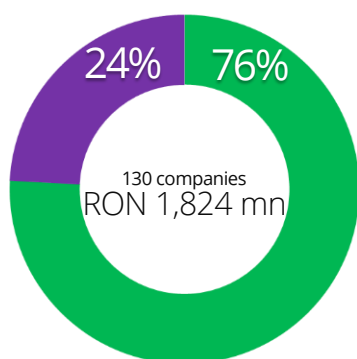
STOCK PORTFOLIO - breakdown on liquidity



- listed companies
RON 1,616.96 million (2017: RON 2,061.13 million) value of holdings in **47** companies (2017: 49)
- unlisted companies
RON 207.39 million (2017: RON 166.55 million) value of holdings in **83** companies (2017: 90)

Note: percentages in the chart represent the stake of the category in the stock portfolio as at December 31, 2018; values calculated pursuant to ASF Regulations no. 9/2014, no. 10/2015 and no. 2/2018

STOCK PORTFOLIO - breakdown by region



- Romania
RON 1,383.59 million (2017: RON 1,382.02 million) value of holdings in **128** companies (2017: 137)
- external markets
RON 440.76 million (2017: RON 845.66 million) value of holdings in **2** companies (2017: 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, 2018; values calculated pursuant to ASF Regulations no. 9/2014, no. 10/2015 and no. 2/2018

Stock portfolio management

As at 2018-year end, SIF Banat-Crişana was majority stakeholder (with a stake above 50%) in 13 companies, (2017:11) with an aggregate value of RON 524.96 million (2017: RON 784.95 million), standing for 23.6% 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 Q1 2018, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met, except for the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA).

Thus, starting with the financial year 2018, the Company prepares consolidated financial statements, including in the scope of consolidation the subsidiaries providing investment services (SAI Muntenia Invest and Administrare Imobiliare SA). Thus, as per IAS 27 and IFRS 10, as of the date that the Company's management ascertained that the Company meets the criteria for classification as an "investment entity", the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries providing investment-related services, that will continue to be consolidated.

During 2018, SIF Banat-Crişana's management focused on streamlining administration of the majority holdings in order to ensure high financial returns and a competitive management.

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 structuring the development programs;
- monthly assessment and analyse of results and supporting the implementation of some measures to increase efficiency of the activity;
- introducing good corporate governance practices, modern management techniques, and promotion of highly managerial teams;
- negotiating competitive performance objectives with the management teams;
- regular visits to companies and analyses, together with the management teams, of the results, prospects, opportunities and potential risks.

TOP 10 COMPANIES IN SIF BANAT-CRIŞANA PORTFOLIO as at December 31, 2018

Company (ticker)	Sector	SIF1 stake	Value of holding* [RON]	% of NAV
1 Banca Transilvania (TLV)	banking - financial	4.52%	436,148,404	19.57%
2 Erste Group Bank AG (EBS)	banking - financial	0.49%	285,198,651	12.80%
3 SIF Imobiliare Plc (SIFI)	financial	99.99%	155,565,429	6.98%
4 BRD Groupe Société Générale (BRD)	banking - financial	1.95%	155,216,666	6.97%
5 Vrancart Adjud (VNC)	cardboard and paper	75.06%	133,199,561	5.98%
6 Biofarm Bucureşti (BIO)	pharmaceuticals	23.22%	74,368,468	3.34%
7 SIF Moldova (SIF2)	banking - financial	4.99%	61,185,109	2.75%
8 CONPET (COTE)	energy - utilities	6.5%	43,724,898	1.96%
9 SNGN Romgaz (SNG)	energy - utilities	0.41%	43,692,343	1.96%
10 SAI Muntenia Invest	banking - financial	99.98%	40,997,799	1.84%
TOTAL			1,429,297,328	64.15%

* 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. An efficient portfolio management requires the

adjustment of portfolios' structure and exposure to the current economic realities in order to achieve performant returns in relation to the assumed investment risks.

For an efficient portfolio 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. BANCA TRANSILVANIA

	2015	2016	2017	2018*
Net Income [RON mn]	1,908	2,805	2,676	3,594
Net Profit [RON mn]	2,448	1,228	1,186	1,219
Net Cost of Risk [RON mn]	-795	-654,2	1,4	-231
Total assets [RON mn]	47,579	51,770	59,302	74,119
CAR	17.8 %	18.30%	21.16%	21.53%
NPL Rate (PAR>90 days)	9.8 %	9.8%	6%	4.97%
Cost/Income ratio	49.3 %	41.05%	48.53%	49.9%
ROE (without VBR effect in 2015)	18.5 %	21.52%	18.34%	16.96%

* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2018, SIF Banat-Crişana held 4.52 of Banca Transilvania's share capital.

Gross profit at group level increased, rising to RON 1,703 billion (+18.1% yoy) in 2018. Total assets rose 30% yoy up to RON 77.88 billion, operating revenues hiked 35.3%, while operating expenses advanced at a rate of 40.8% (the overall dynamics being affected by the completion Banc Post integration).

Based on EBA methodology, the NPL rate dropped to 4.97% in December 2018, the solvency ratio (profit included) is at a very comfortable level of 21.53%, and the coverage ratio with non-performing exposures is 94% (including collateral, reaches 133%).

The management of the bank announced the proposal to distribute 65% of the net profit as dividend, indicating at group level a gross dividend per share of RON 0.17 and capitalizing the difference up to the total distributable profit of 2018.

Banca Transilvania, ticker TLV and ISIN ROTLVAACNOR1, is listed on BVB since October 15, 1997, traded in the Main segment, Premium category, and is part of local indices BET, BET-BK, BET-TR, BET-XT, BET-XT-TR, BETplus and ROTX.

2. ERSTE GROUP BANK AG

	2015	2016	2017	2018*
Net Income [EUR mn]	6,307	6,691	6,669	6,916
Net Profit [EUR mn]	968	1,265	1,316	1,793
Operating Result [EUR mn]	2,903	2,663	2,511	2,735
Net Cost of Risk [EUR mn]	729	-196	-132	59
Total Assets [EUR mn]	199,743	208,227	220,659	236,792
CAR	17.9 %	17.9%	18.5%	18.2%
NPL Rate	7.1 %	4.9%	4%	3.2%
Cost/Income Ratio	57.1 %	60.2%	62.4%	60.5%
ROTE	10.8 %	10.8%	11.5%	15.2%

* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2018, SIF Banat-Crişana held a stake of 0.49% of Erste Bank's share capital.

Erste Bank reported a net profit of EUR 1,793.4 million for the year 2018, an all-time high at group level. The management of the bank proposes a gross dividend of EUR 1.4/share for the year 2018 (2017: EUR 1.2/share).

NPL rate improved significantly, down to 3.2% (2017: 4%), due to an improvement in the quality of both the existing stock of credits and the profile of newly granted loans.

The higher dynamics of customer deposits growth vs. the loans granted mainly supported the expansion of total assets by 7.3% yoy, changing the Loans / Deposits Ratio from 92.4% in 2017 to 91.8%.

Given that the bank operates in a region where the GDP growth of the respective countries was in 2018, 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 11% and a higher net dividend despite tax uncertainties in Romania.

The securities issued by Erste Group Bank AG, ticker EBS, ISIN: AT0000652011, are listed on Vienna, Prague and Bucharest Stock Exchange, and are part of local index BET-BK.

3. SIF IMOBILIARE

	2014*	2015*	2016*	2017*
Revenues [EUR mn]	5.19	12.35	10.38	7.85
Gross Profit [EUR mn]	13.32	8.61	4.47	4.59
Net Profit [EUR mn]	13	6.37	4.35	4.29

* consolidated financial statements

SIF Imobiliare Plc is an important company in SIF Banat-Crișana's portfolio, the stake of 99.99% of its share capital weights 6.98% in SIF Banat-Crișana's NAV as at December 31, 2018.

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

The holding SIF Imobiliare Plc, registered in Cyprus, was established in August 2013 as an investment vehicle by incorporating 18 companies from SIF Banat-Crișana's portfolio having activities in the real estate sector, to unify 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.

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.

4. BRD - GROUPE SOCIÉTÉ GÉNÉRALE

	2015	2016	2017	2018*
Net income [RON mn]	2,140	2,778	2,786	3,117
Net Profit [RON mn]	445	757	1,406	1,557
Net Cost of Risk [RON mn]	-631	-484	360	230
Total Assets [RON mn]	49,193	51,881	54,927	55,721
CAR	18.1 %	19.7%	19.8%	21.1%
NPL Rate	16.9 %	10.5%	5.8%	4.6%
Cost/Income Ratio	53.4 %	49.7%	52.9%	47.8%
ROE	7.8 %	10.1%	20.1%	20.8%

* preliminary results submitted to Bucharest Stock Exchange

As at December 31, 2018, SIF Banat-Crişana held 1.95% of BRD-Groupe Société Générale share capital.

The Group reported a net profit of RON 1.56 billion (2017: RON 1.4 billion), an increase of +10.6% yoy, a positive (but declining) impact with the net cost of the risk (+ RON 230 million vs +RON 360 million in 2017) and a trend of normalization indicated by management, as well as an increase of 11.9% yoy of net banking income (the annual growth rate of net interest income being of +15.7%) while the increase of the operational expenditures was of only 1.1%. Thus, the Cost / Income ratio decreased from 52.9% in 2017 to 47.8% by the end of 2018.

The management of the bank announced a proposal to distribute 73% of the net profit to shareholders, this meaning a gross dividend of RON 1.64 / share, standing at the same absolute unit value as in 2017.

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

5. VRANCART

	2015	2016	2017	2018*
Turnover [RON mn]	209.8	227.1	260	294.4
Operating Profit [RON mn]	21.8	23.8	26.7	22.5
Net Profit [RON mn]	18.2	20.2	22.3	17.5
Dividends [RON mn]	13.8	14	11.3	

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

SIF Banat-Crişana held 75.06% of the share capital of Vrancart S.A. Adjud as at December 31, 2018. The Vrancart group also includes Rom Paper SRL Braşov (100%).

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.

Significant events in 2018 for the company:

- July - approval of the merger with Giant SRL Tg. Mureş, completed at the end of 2018;
- July - the acquisition of the third, and last, instalment of shares in Rom Paper SRL Braşov, one of the most important converters in the industry. The stake has reached 100%;
- November – put into operation the new cardboard machinery;
- continuing the investments in technological upgrades, mainly on cardboard paper machinery and facilities of utilities production.

Vrancart SA, ticker VNC, ISIN: ROVRJUACNOR7, is listed on BVB since July 15, 2005, currently traded in the Main segment, Standard category and part of local index BETPlus.

6. BIOFARM

	2015	2016	2017	2018*
Turnover [RON mn]	149.3	152.1	170.2	184.3
Operating Profit [RON mn]	31.5	35.0	43	47.2
Net Profit [RON mn]	27.2	29.5	36	40.2
Dividends [RON mn]	15.7	16.7	18.7	

* preliminary results; source: Company reports submitted to BVB

As at December 31, 2018, SIF Banat-Crişana 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. On the export market, Biofarm delivers products in 13 countries.

In 2017, the turnover increased by +8.3% and net profit rose by +11.7%.

As an important event, following the resignation of Mr. Dan Vasile, was appointed as Director General Mr. Cătălin Constantin Vicol.

Biofarm, ticker BIO, ISIN: ROBIOFACNOR9, is listed on BVB since November 19, 1996, currently traded in Main segment, Premium category, and is part of local indices BETPlus and BET-BK.

7. SIF MOLDOVA

	2015	2016	2017	2018*
Net Profit [RON mn]	100.3	123.3	164.7	45.6
Dividends [RON mn]	46.2	45.6	49.8	

* preliminary results; source: Company reports submitted to BVB

As at December 31, 2017 SIF Banat-Crișana held 4.99% of SIF Moldova's share capital.

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

SIF Moldova, ticker SIF2, ISIN: ROSIFBACNOR0, is listed on BVB since November 1, 1999, traded currently in Main segment, Premium category, and part of local indices BET-XT-TR, BET-BK, BET-XT, BET-FI.

8. CONPET

	2015	2016	2017*
Turnover [RON mn]	381.7	376.7	385.1
Operating Profit [RON mn]	80.3	83.1	64.8
Net Profit [RON mn]	71.6	74.4	59.5
Dividends [RON mn]	228.6	69.6	

* preliminary results submitted to BVB

SIF Banat-Crișana held a stake of 6.50% of CONPET share capital, as at December 31, 2018.

Conpet (COTE) offers specialized services for oil transport (oil and its derivatives) via pipelines and railways. With 1,600 employees, the company operates a network of over 3,800 km of pipeline under a concession agreement with ANRM. The main clients are OMV Petrom, Rompetrol refinery and Lukoil.

The majority shareholder of the company is the Romanian state through the Ministry of Energy, with a holding of 58.70%. CONPET SA is listed on the BVB, currently trading on the Principal segment, Premium category, having COTE as market symbol, ISIN: ROCOTEACNOR7, an dis part of local indices BETPlus, BET-XT-TR, BET-BK, BET-TR, BET, BET-XT, BET-NG.

The average daily liquidity of Conpet shares in 2018 was of RON 652,000.

9. SNGN ROMGAZ

	2015	2016	2017	2018*
Turnover [RON mn]	4,052.6	3,411.9	4,585.2	5,001.2
Operating Profit [RON mn]	1,454	1,258.7	2,178.6	1,631.7
Net Profit [RON mn]	1,194.2	1,024.6	1,854.8	1,428.4
Dividends [RON mn]	1,040.6	2,220.3	2,640.1	

* preliminary results; source: Company reports submitted to BVB

As at December 31, 2018, SIF Banat-Crișana 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 2018 and holds 91% of Romania's underground storage capacities. Romgaz records annual revenues above

RON 4 bn, with an average net return between 25% - 30%. Main business segments of Romgaz: exploration, production and supply of natural gas, underground storage of natural gas, and electricity production.

Natural gas production in 2018 exceeded the budgeted amount by 1.6%. Compared to 2017, production volume advanced by 3.4%, to 5.333 million cubic meters.

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 a turnover growth of 9% above 2017.

Company's majority shareholder is Romanian State, through the Ministry of Energy, with a holding of 70%.

SNGN Romgaz S.A., ticker SNG, ISIN: ROSNGNACNOR3, is listed on BVB since November 12, 2013, traded in the Main segment, Premium category, and is part of local indices BETPlus, BET-XT-TR, BET-BK, BET-TR, BET, BET-XT, BET-NG, ROTX. The average liquidity of SNG shares on BVB goes above RON 4 mn daily.

10. SAI MUNTENIA INVEST

	2016	2017	H1 2018
Operating income [RON mn]	17.8	18.7	8.7
Operating Profit [RON mn]	8.6	9	3.9
Net Profit [RON mn]	7.5	7.7	3.4

source: Company reports submitted to BVB

SAI Muntenia Invest SA was established in 1997, SIF Banat-Crişana holding 99.98% of its share capital as at 31 December 2018.

The activity of SAI Muntenia Invest is regulated and supervised by the Financial Supervisory Authority (ASF), holding the authorization to operate as an investment management company (SAI) and since December 2017, it has been registered in the ASF Register as a registered AIFM.

According to data provided by the Association of Fund Managers (AAF) as at 31.12.2018, SAI Muntenia Invest's market share was of 3.13% of the total assets managed by AAF members.

SAI Muntenia Invest SA as an asset management company, is currently managing SIF Muntenia and FDI Plus Invest.

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, 2018 the number of companies in the workout portfolio was of 63 (2017: 62).

Most of these companies originate from the earlier portfolio taken from FPP1 when SIF Banat-Crişana was established, and they are not the result of portfolio investment decisions.

During the year 2018 three companies entered the workout portfolio: PROSPECTIUNI SA, AMIS IMPEX SA and ARMAX GAZ SA, all of them in insolvency proceedings.

During 2018, two companies, AGROCOM CLUJ SA and AGROINDUSTIALA ŞAGU SA, were removed from the portfolio following their liquidation, the acquisition value of which was provisioned in the previous years. At the end of 2018, 54 companies in the portfolio were still in bankruptcy / insolvency / dissolution proceedings. All these companies are reflected in the calculated value of the portfolio at zero.

As for the company ARIO Bistrița, the bankruptcy proceedings continued during 2018, following the verdict of the bankruptcy judge, and the judicial reorganization initiated in 2009.

The Company monitors the progress of these companies in the workout portfolio, without allocating significant resources. The main activities concerning these companies are: (i) monitoring and recording important events occurring in their situation; (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 2018

During 2018 the following acquisitions of financial assets were performed:

- on the domestic markets in a total amount of RON 65.9 million out of which RON 5.3 million investments in securities in subsidiaries (Uniteh) and RON 60.6 purchases of securities recorded at fair value through other comprehensive income;
- direct investments amounting to RON 40.6 million in the share capital increase in subsidiaries (Central, SIF Spv Two, Administrare Imobiliare);
- shares acquired free of charge as a result of the share capital increase by the incorporation of reserves by Banca Transilvania (20.90 million shares) and Petrocart (4.37 million shares);
- fund units, in total amount of RON 140.5 million, of which: FII Active Plus (RON 12 million), FIA Certinvest Shares (RON 74.5 million), FII Star Value (RON 10 million), FII Romania Strategy Fund (RON 29 million), FII Omnitrend (RON 15 million).

Disposals financial assets during 2018 include:

- sales of shares listed on the domestic markets totalling RON 4.9 million, with a gain of RON -0.05 million;
- sales of shares unlisted on domestic markets totalling RON 7.9 million, with a gain of RON 4.5 million;
- sales of shares listed on foreign markets totalling RON 98.8 million, with a gain of RON 63.4 million;
- value of the securities written-off the portfolio following the liquidation of companies amounting to RON 13.8 million (net book value adjusted to zero in the previous years);
- repurchase of fund units held in closed-end investment funds: Optim Invest (RON 18.5 million) and Omnitrend (RON 4.8 million);
- sales of govt. bonds in a total amount of RON 62.2 million

Risk management

SIF Banat-Crişana acknowledges its exposure to financial and operational risks resulting from daily activities, and the achievement of its strategic objectives. In this context, SIF Banat-Crişana's policy on significant risk management provides the framework for identifying, evaluating, monitoring and controlling these risks, providing a robust assurance of achieving company's objectives, aiming at a constant balance between the risk and the expected profit for the shareholders' benefit.

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 market risk, credit risk and liquidity 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 objective of market risk management is to control and manage market risk exposures in acceptable parameters to the extent that profitability is optimized against the associated risk.

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 volatility of market prices, such as stock prices, interest rates and foreign exchange rates will adversely impact the Company's revenues and the value of the portfolio of financial instruments and shareholdings of 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").

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).

Only a small fraction of Company's net asset is placed in instruments bearing interest 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 invests 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 2018 in both the Romanian currency (Leu) and in foreign currency, the Romanian currency has fluctuated compared to foreign currencies, but volatility was not in the expected parameters, with no significant impact on the portfolio value.

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.

The main sectoral risk source at portfolio level portfolio remain the stakes in financial-banking companies although investments in the banking sector proved to be profitable and with a return-risk profile in the parameters of the Company's investment objectives. However, the relatively high degree of sectoral concentration and expectations of a reduction in profitability coupled with tightening monetary and fiscal policies at local level support an ongoing monitoring of the risk generated by this exposure.

b) Credit risk

Credit risk is the risk of an economic loss due to a counterparty's failure to meet contractual obligations or the increased default risk during the transaction as a result of changes in the factors that determine the credit quality of an asset.

Counterparty risk is a contingent one, any loss being dependent on a counterparty's failure (credit risk) in an ongoing transaction (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.

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 credit risk management is performed by closely and constantly monitoring 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 intend to perform transactions with derivative financial instruments.

c) 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.

In the risk management activity, there are performed distinct analyses of the liquidity risk of the portfolio of financial instruments and 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.

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.

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 2018 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.

The internal assessment of operational risks as a whole, as well as those generated by the use of information and communication technology, uses self-evaluation as the main tool for analysing and managing operational risk.

In March 2018 was executed the internal assessment of the operational risks generated by the computer systems as per ASF Rule no. 6/2015. The results of the evaluation were approved by the Board of Directors and submitted to ASF within the required term.

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 supervisory authority.

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. The strategic risk is uncontrollable and unquantifiable.

According to the internal assessment methodology, the strategic risk is low for the Company.

Systemic and contagion risk

Macroeconomic influences can affect the business of the companies in the portfolio of the company and implicitly on the investment / disinvestment activity. We appreciate at this point that systemic risk and contagion risk have increased towards the end of 2018 and will need to be monitored during 2019 and their management is a priority.

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-Crișana 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.

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-Crișana 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 benchmark portfolio

The analysis of performance and market risk covers the issuers held by SIF Banat-Crișana 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, and Erste Bank, listed also 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. The difference to BET-XT, the nearest index as a structure, is the inclusion of foreign listed companies on BVB/BSE and a liquidity factor.

To measure the market risk for the stock (equity or shares) portfolios it is used the "Bloomberg Risk Model (Regional)" complex, multifactorial and integrated, providing both performance analysis and portfolio risk analysis and testing the probable development of portfolio in extreme market conditions. 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 (*VaR*) is an effective method for calculating the maximum possible loss expected within a given timeframe under normal market conditions, at a certain confidence interval. VaR

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 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.

Another elementary measure for managing market risk is sensitivity analysis. It measures the loss or gain earned as a result of a change in a market factor.

The sensitivity analysis used to measure market risk considers the identification of the factors that have the greatest influence on the value of the managed assets.

With the authorization of SIF Banat-Crișana by the ASF as an AIFM, arises the obligation to report to the competent authorities according to art. 110 of Regulation (EU) No. 231/2013. The purpose of this regulation is to provide a coherent framework in all EU Member States for all market operators. The extensive requirements that the AIFM must comply with are designed to ensure that fund managers can manage AIF across borders. According to this article, the periodicity with which the Company must report the information contained in Annex IV of the Regulation is half-yearly. For the year 2018 two reports were submitted with the reference date June 30, 2018 and December 31, 2018 respectively.

At December 31, 2018, the value of equity instruments such as listed and traded shares, according to the Detailed statement assets and liabilities, amounted to RON 1,440 million (64.58% of total assets). A variation of $\pm 1\%$ in the price of these shares implies a total asset variation of $\pm 14,400,151$ RON.

The sensitivity of the asset to foreign currency risk asset was calculated for issuers of shares denominated in EURO and current accounts in EURO, USD and GBP, the value of these instruments as at December 31, 2018 was of RON 461.20 million lei (20.68% of total assets). A variation of $\pm 1\%$ in the exchange rates induces a total asset variation of $\pm 4,612,018$ RON.

The sensitivity of the total asset to one-point base interest rate variation on the bond yield the Company has exposure on, has been calculated for maturity ranges <5 years and 5 to 15 years. Thus, at a total value of the bonds held as at December 31, 2018 of RON 48.65 million (2.18% of the total assets), a change of $\pm 0.01\%$ of the yield may change the exposure on bonds with a maturity <5 years in the sense inversely with RON 1,207.77 and for maturities ranging from 5 to 15 years in the opposite direction by RON 16,651.08.

4. The risk of exceeding the legal thresholds on ownership

Compliance with the holding limits regulated by the supervisory authority for AOPC with a diversified investment policy in accordance with the provisions of Art. 188 of CNVM Regulation no. 15/2004 is one of the main lines of action for managing and controlling the risk associated with the asset portfolio.

The analysis of the compliance with the holding limits is performed both monthly with the approval of the net asset calculation reports, as well as part of the pre-investment verification procedure. In accordance with SIF Banat-Crișana's investment risk management policy, the portfolios were framed within the limits of detention provided by Law no. 297/2004, GEO 32/2012, CNVM Regulation no. 15/2004 and the ASF Rule no. 14/2013 amended by the ASF Regulation no. 2/2018.

4.1 During 2018, no legal prudential limit set by the CNVM Regulation no. 15/2004 has been exceeded, detailed below.

Exposure to securities and money market instruments not admitted to trading limited to 20% of total assets

As of 31.12.2018 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, the total amount being of RON 213,905,066 with a weight in the total assets of 9.59%.

Exposure on a single issuer limited to 10% of total assets

The 10% limit may be increased up to a maximum of 40% provided that the total value of securities and money market instruments held by the Company in each of the issuers in which it holds more than 40% does not exceed in any case 80% the value of its assets.

The investments in shares issued by Banca Transilvania amounting to RON 436,148,404 with a weight of 19.56% of the total assets as at December 31, 2018, and Erste Group Bank shares amounting to RON 285,198,651, with a weight of 12.79% 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, 2018 and are within the increased legal limits of ownership up to 40% of total assets value.

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

Exposure on financial instruments issued by entities belonging to the same group limited to 50% of total assets

SIF Banat-Crișana monitored throughout 2018 the exposure on the groups defined by art. 2 par. (1) point 9 of the Law no. 297/2004, the situation at December 31, 2018 is as follows:

- BANCA TRANSILVANIA Group – holdings in shares and bonds issued by Banca Transilvania, and shares issued by BT Asset Management have a weight of 20.03% in the total assets of the Company;
- Vrancart Group - holdings in shares and bonds issued by Vrancart SA Adjud have a weight of 7.64% in the total assets of the Company;
- The Erste Group - holding of shares issued by Erste Group Bank AG and 1 (one) residual BCR share have a weight of 12.79% in the total assets of the Company;
- SIFI Group - holdings in shares issued by SIF Imobiliare SA, Administrare Imobiliare SA and Uniteh SA have a weight of 8.96% in the total assets of the Company.

Exposure to a counterparty risk in a transaction with derivatives traded outside the regulated markets limited to 20% of total assets

Throughout 2018, SIF Banat-Crișana has not held in its portfolio such financial instruments.

Value of current bank accounts and cash available limited to 10% of total assets

Throughout 2018, the value of accounts and cash stood between a minimum of 0.11% in January and a maximum of 2.75% in February, complying with the limit of 10% of the total assets.

Exposure on a single bank, bank accounts limited to 30% of total assets

As at December 31, 2018, the highest amount held in current accounts and deposits with one bank represented 1.07% of total assets, amounting to RON 23,946,096.49, the maximum was reached in October, with a weight of 3.43%.

Overall exposure to derivative financial instruments may not exceed the value of total assets

Throughout 2018, SIF Banat-Crișana has not held in its portfolio derivative financial instruments.

Exposure on securities of other collective investment undertakings limited to 50% of total assets

As at December 31, 2018, SIF Banat-Crișana held titles and securities of non-UCITS amounting to RON 391,320,272, representing 17.55% of total assets.

4.2 According to art. 9 of ASF Rule no. 14/2013 regarding investments in money market instruments such as promissory notes, the exposure resulting from direct and indirect investments in money market instruments such as promissory notes must not exceed 20% of assets, regulation repealed by the ASF Regulation no. 2/2018 published in the Official Gazette in April 2018.

During the validity of the aforementioned regulation, as well as at the end of 2018, SIF Banat-Crișana does not hold direct investments in promissory notes (direct exposure is zero).

Holdings in non-UCITS held represent 17.55% of total assets (potential indirect exposure is less than 17.55%). From the information provided by the AIFM managing these funds, it is found that they do not hold money market instruments such as promissory notes.

4.3 SIF Banat-Crișana may not hold more than 5% of the total voting rights of a market operator (Article 129 of the updated Law 297/2004, provision in force on 31.12.2018)

During 2018 SIF Banat-Crișana has not held investments in securities of a market operator.

4.4 SIF Banat-Crișana may not hold more than 5% of the voting rights of a central depository (Article 150 of the updated Law 297/2004, provision in force on 31.12.2018)

On December 31, 2018, SIF Banat-Crișana owns 9,878,329 shares issued by Depozitarul Central, having a weight of 3.9057% of the share capital of the issuer.

4.5 SIF Banat-Crișana may not hold more than 5% of the share capital of a financial investment company (Article 286¹ of Updated Law 297/2004, Provision in force on 31.12.2018)

SIF Banat-Crișana's investments in securities issued by other SIFs as at 31.12.2018 are the following:

Issuer	No. of shares held	Weight in the share capital of the issuer [%]
SIF Moldova	50,649,925	4.9991
SIF Muntenia	40,123,500	4.9717
SIF Oltenia	11,603,000	1.9999

Throughout 2018, SIF Banat-Crișana's portfolio of assets complied with the legal provisions in force regarding the holding limits stated by Law 297/2004, CNVM Regulation no. 15/2004 and the ASF Rule no. 14/2013 amended by the ASF Regulation no. 2/2018.

5. 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 leverage calculated according to the requirements of the AIFM as at December 31, 2018 through the gross method is 99.55% (excluding cash and cash equivalents according to the requirements of the AIFM regulations) and the 100% commitment method.

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

During 2018, SIF Banat-Crișana did not use financing operations through financial instruments (SFTs) and total return swap instruments as defined by EU Regulation 2365/2015.

6. Liquidity profile of the assets under management

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

- separating holdings of the portfolio of financial assets in highly liquid assets, 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 package in relation to the average daily volume recorded on the main 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, and the estimated duration of liquidation of the entire stake held.

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

7. Crisis simulations

During December 17, 2018 - January 19, 2019, the Risk Management Department conducted the crisis simulation, the methodology of which was approved by the Board of Directors on December 13, 2018, with a reference date of November 30, 2018.

The methodology was based on the forecasts of the European Systemic Risk Board described in the negative macroeconomic scenario for the EU-wide 2018 stress test of the banking sector.

The description of the unfavourable scenario reflects the four systemic risks identified by the General Council of the ESRB as representing the most important threats to the stability of the EU financial sector:

1. the sudden and significant reassessment of the risk premium on the global financial markets - triggered, for example, by an extreme change in the expected monetary policies - which leads to tighter financial conditions,
2. the relationship between poor bank profitability and low nominal growth in a vicious circle, against the backdrop of the structural challenges of the EU banking sector,
3. concern about the sustainability of public and private debt on the background of a possible reassessment of risk premiums and a more fragmented fragmentation of macro policies,
4. liquidity risks in the non-banking financial sector, with potential effects on the financial system.

The specific macroeconomic shocks assumed to materialize within each part of the scenario and the types of risks covered by the stress test are presented in the table below.

The proposed shock magnitude has been established by using econometric calculations so that the shock level is relevant and plausible.

Stress factor	Scenario	The shock applied	Impact % of total assets
1. The risk of declining stock prices	Decline of selected indices as a benchmark for the local market and external markets (in %) compared to the reference value	BET-XT: -35% STOXX600: -30%	40.05%
2. The risk of rising interest rates	For bonds denominated in RON and other currencies: the hypothetical rising change in the interest rate <i>at par</i> (pp).	- bonds denominated in RON: +2% (200 bps). - Bonds denominated in other currencies than RON: +1,5% (150 bps).	0.11%

Stress factor	Scenario	The shock applied	Impact % of total assets
3. Foreign currency risk	Decreases in the exchange rate of other currencies in which the financial instruments held against the RON are denominated compared to the reference date (in %).	-10%	2.04%
4. Credit / Counterparty risk	Simultaneous inability to pay of the largest 3 counterparties in terms of net exposures at the reference date. The analysed instruments: current accounts and bank deposits placed with BT and BRD, corporate bonds issued by TLV and VNC	Known LGD values based on rating class	2.34%
5. Liquidity risk	Liquidity deficit of assets and atypical liquidity requirements	maximum allowable amount in the historical volume of the period: 30%	*

* From the simulated liquidity deficit performed, it results that the financial instruments that provide immediate and reserve liquidity can cover an atypical liquidity need of RON 183,452,690 for the next 30 days.

The impact of each of the five individual factors on each of the financial instruments in the portfolio was calculated and then these effects were summed to determine the cumulative impact of a factor on the total assets.

The methodology used, detailing the scenarios tested, as well as the results obtained as a result of the annual stress test, were presented to the Board of Directors and approved by the Board on January 30, 2019 and were submitted to ASF on January 31, 2019.

Human resources

SIF Banat-Crişana's employees, as at December 31, 2018, was of 34 persons with an employment contract, of which 30 at headquarters in Arad and 4 at Bucharest branch.

The breakdown on employees' education: 82% of employees have higher education, 68% secondary education and 12% general studies.

Of staff with higher education: two persons hold a doctorate (PhD) in Economics; 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.

The labour relations of the company are regulated by the Individual Labour Contracts and Collective Labour Contract. During 2018 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.

The continuous development and training are pivotal in the company's strategy. In this way, employees acquire skills in all essential operational areas through training programs or individual study. 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 risk management, IT, legislation, personal data protection. The training programs conducted were carried out in accordance with personal development plans.

Tangible assets of the Company

SIF Banat-Crișana owns the premises for the conduct of operational and administrative activities of the company located in Arad (headquarters). The company also owns real-estate properties in the cities of Bucharest, Cluj-Napoca, 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-Crișana owns a land located in the town of Bușteni, and following the withdrawal from the company Hidrotim, in 2015, the Company took possession of a building and the related land located in Timișoara. The above-mentioned buildings (except for the headquarters located in Arad, included in tangible assets) are accounted pursuant to IFRS as investment property at fair value, totalling RON 20,128,515 as at December 31, 2018.

As at December 31, 2018, the net book value of tangible assets in the construction category is of RON 2,725,370, recorded amount of wear (determined based on accounting under linear amortization) was 27.7%. The company carried out the revaluation of tangible assets at December 31, 2015 in view of harmonizing the accounting and the market and utility values of the tangible assets owned.

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

Litigations

As documented in the Legal Department records as at December 31, 2018, the Company was involved in 86 litigations in Court. The Company had an active procedural activity in 74 litigations and passive procedural activity in 12 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 2018, the amounts recovered as a result of legal actions initiated and / or forced execution were in the amount of RON 931,989.82.

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

Perspectives for 2019

Trends for Romania

Romania's economy is still in transition to a functioning market economy and the macroeconomic environment is still 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 may have a significant impact on the market value and liquidity of financial instruments. Considering that the activities of the Company are highly dependent on the development of the Romanian economy, such transformations may have a major negative impact on the financial conditions, or the achieved results.

The project for developing the capital market towards the emerging market status will continue in 2019, through joint efforts of the authorities and investors, to improve tax regulation on providing foreign investors with access to the mechanism of borrowing financial instruments and stimulating individual investors to invest with ease in listed instruments. The main projects of the Bucharest Stock Exchange are the evaluation of the best solutions for the Central Counterparty for the domestic market in order to launch the derivatives market, attracting private IPOs and expanding the financial education programs.

Domestic economic growth prospects are correlated with those of the EU, as there are both common markets and a free labour market among EU countries. Forecasts for Romania's economic growth have proposed lower figures lately.

According to macroeconomic scenarios, annual GDP growth could decelerate to 2.8% in 2019 from 4.1% in 2018 amidst the deterioration of the Eurozone macroeconomic climate and the challenges of domestic economic policies (aggressive state intervention by measures to overburden the banking, energy and telecommunications sectors) with an unfavourable impact on investment. The European Commission has recently lowered its growth forecast to 3.8%, and the World Bank down to 3.5%. Romania's state budget for 2019 was drafted, however, on an economic growth of 5.5% of GDP.

The UK leaving the European Union (Brexit) will bring radical changes to the economic environment, and companies in Romania, regardless of the field in which they operate, will also endure the short and long-term impact. As long as Romania depends commercially on the European economies that will be affected by Brexit, the consequences will also be endured here from the point of view of the suppliers, the manufacturers, the business partners and the clients working in Romania. At the same time, companies will have to develop their own plan for Brexit, as there are various companies or economic areas where a direct impact is expected.

At present (February 2019), inflation is 3.8% (yoy, source: INS). Calculated based the Harmonized Index of Consumer Prices (HICP), annual inflation was of 4%. The NBR's annual CPI inflation forecast predicts the downward trajectory started in the second half of the last year until Q3 2019, followed by repositioning around the central target (2.5% ± 1 pp). The projected values for the end of 2019 and the next are of 3% and 3.1% respectively.

According to the NBR, the risk factors for the progress of short and medium-term inflation consist of the fiscal-budgetary measures in force on January 1, 2019, the delay of approval of the 2019 budget draft, the decision on the fiscal-budgetary policy and the revenue policy (from the domestic perspective) and the dynamics in the Eurozone and global fluctuations in international oil quotations and monetary policy decisions in the Eurozone and the region (from an external perspective).

Standard & Poor's has recently confirmed the ratings for long-term and short-term debt in foreign currency and Romanian leu to "BBB minus/A-3", while the outlook for economic prospects were to

be changed to negative, the rating agency invoking the weak institutional efficiency and significant deepening of fiscal and external deficits. Perspective evaluation is currently underway.

In the current macroeconomic context, we expect to continue the upward trend in the cost of financing and the depreciation of the RON on the short and medium term.

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

An extremely important element in the conduct of the investment management activity will be the entering into force of the **Law on the regulation of alternative investment funds and on the modification and completion of some normative acts**, published by the Ministry of Public Finance in the second half of December 2018. The draft normative intends to regulate the alternative investment funds (AIFs) regarding the organization, functioning and transparency obligations of these types of entities. The entry into force of this law is extremely important for SIF Banat-Crișana which, in accordance with the provisions of Law 74/2015 - the AIFM Law and the Regulation 10/2015 on the application of this law, is assimilable to a closed-end retail AIF.

This draft normative act aims at adapting / aligning the legislation in the non-UCITS (in Romanian: AOPC) domain to the current European practice by creating the national regulatory framework and classifying a new category of collective investment undertakings, namely the alternative investment funds (AIF), as indicated in the provisions of Directive 61/2011 / EU.

SIF Banat-Crișana's objectives for 2019

- Improving the quality of the portfolio by investment projects in areas of economy with good perspectives, in conditions of optimizing the risk – return balance;
- Further restructuring the existing portfolio with an aim to reduce exposure in minority-stake companies that do not fit in the Company's investment strategy;
- Active involvement in majority-owned companies to improve their business and performance;
- Adapting to the major economic challenges generated by an unpredictable political climate;
- Maintaining the transparency good corporate governance;

In this context, the Company aims to continue the **productive portfolio management and maximizing its performance, meeting all regulatory requirements**.

2. SHARES ISSUED BY SIF BANAT-CRIȘANA

CHARACTERISTICS OF SIF BANAT-CRIȘANA SHARES

Total number of shares issued (December 31, 2018)	517,460,724
Outstanding shares (December 31, 2018)	517,371,068
Nominal value	RON 0.1000 / share
Type of shares	common, ordinary, registered, dematerialized, indivisible
Trading market	Regulated spot market of Bucharest Stock Exchange (BVB or BSE), Premium category, listed since November 1, 1999
Symbol on BVB (ticker)	SIF1
ISIN code	ROSIFAACNOR2
International identifier	Bloomberg BBGID: BBG000BMN388 (SIF1:RO)

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

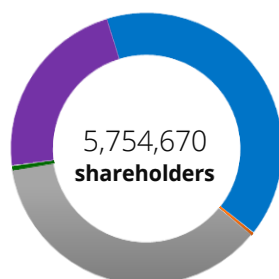
Pursuant to art. 286¹ par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital. The voting right is suspended for the shares held by shareholders that exceed this limit, pursuant to art. 286¹ par. (2) of Law no. 297/2004 and CNVM/ASF Instruction no. 6/2012 issued in application of art. 286¹ of Law no. 297/2004.

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

During October 2018, SIF Banat-Crișana purchased through market operations, in a buyback program, a number 89,656 own shares, whose value totalled RON 223,486.35. Details of repurchase programs approved by the EGMS of SIF Banat-Crișana in 2018 are presented in *Chapter 5 Other significant information*.

As at December 31, 2018, SIF Banat-Crișana has **5,754,670** 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, 2018



■ 40.54%
Romanian individuals
(5,752,456 shareholders)

■ 37.52%
Romanian legal entities
(158 shareholders)

■ 0.02%
treasury stock
(following the buy-back program from 2018, partially executed, the company holds 89,656 own shares)

■ 0.34%
non-resident individuals
(2,028 shareholders)

■ 21.58%
non-resident legal entities
(27 shareholders)

Dividend distribution from the net profit of the Company for the 2014 – 2017 financial years

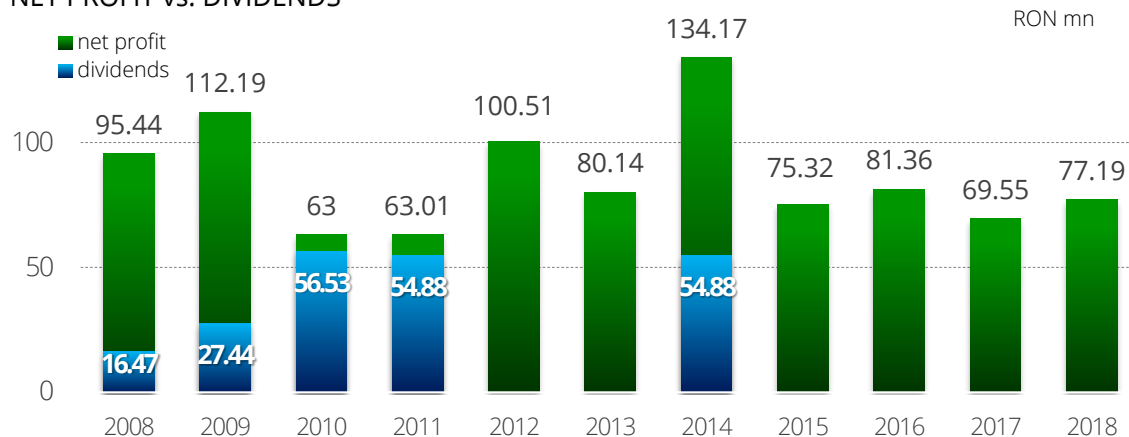
Financial year for which the distribution was made	2014	2015*	2016*	2017*
Net Profit (RON mn)	134.17	75.32	81.36	69.55
Total number of shares	548,849,268	548,849,268	520,000,000	520,000,000
Gross DPS (RON)	0.1	-	-	-
Gross dividend payable (RON mn)	54.88	-	-	-
Net dividend payable (RON mn)	47.74	-	-	-
Dividend pay-out ratio	40.9%	-	-	-
Payment stage as at December 31, 2017	67.63%	-	-	-

*2015, 2016 and 2017 with no dividend distribution as per GMS decisions of April 26, 2016, April 20, 2017 and April 26, 2018

The general meeting of SIF Banat-Crişana's shareholders held on April 20, 2018, approved the allocation of the entire net profit for the financial year 2017, to *other reserves*.

During 2018 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 - 2018 under IFRS

SIF1 SHARES ON BVB

	2015	2016	2017	2018
Price (RON, closing price)				
low	1.253	1.3680	1.8520	1.9800
high	1.740	1.8480	2.8200	3.0600
year end	1.688	1.8480	2.7700	2.0400
Net profit per share (RON)	0.1372	0.151	0.134	0.149
PER	12.3	12.2	20.7	13.7
NAV/S (RON)	3.3541	3.7075	5.0111	4.3067
Dividend (RON/share)	-	-	-	n/a
Mk. Cap.* (RON mn)	926.46	1,014.27	1,440.40	1,055.62

* 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 2018: -14.19%. Weight of SIF1 in BET-FI: 18.15% (2018 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 2018: -12.86%. Weight of SIF1 in BET-BK: 4.7% (2018 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 2018: -9.29%. Weight of SIF1 in BET-XT: 3.16% (2018 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 2018: -1.33%. Weight of SIF1 in BET-XT-TR: 2.84% (2017 year-end).

SIF1 PERFORMANCE AND VOLUMES IN 2018



SIF1 shares were traded during 2018 on Bucharest Stock Exchange (BVB or BSE) in 249 trading sessions.

SIF1 share price declined 27.7%, from RON 2.8200 (closing price on January 3, 2018, the first trading session of the year), to RON 2.0400 (closing price on December 31, the last trading day of 2018). The highest price recorded in 2018 was of RON 3.0600 recorded during the trading session of January 31, while the lowest was in the trading session of December 21, when the price was of RON 1.9800 per share (closing price), the spread during the period was 55% (considering the values recorded at the close of trading sessions).

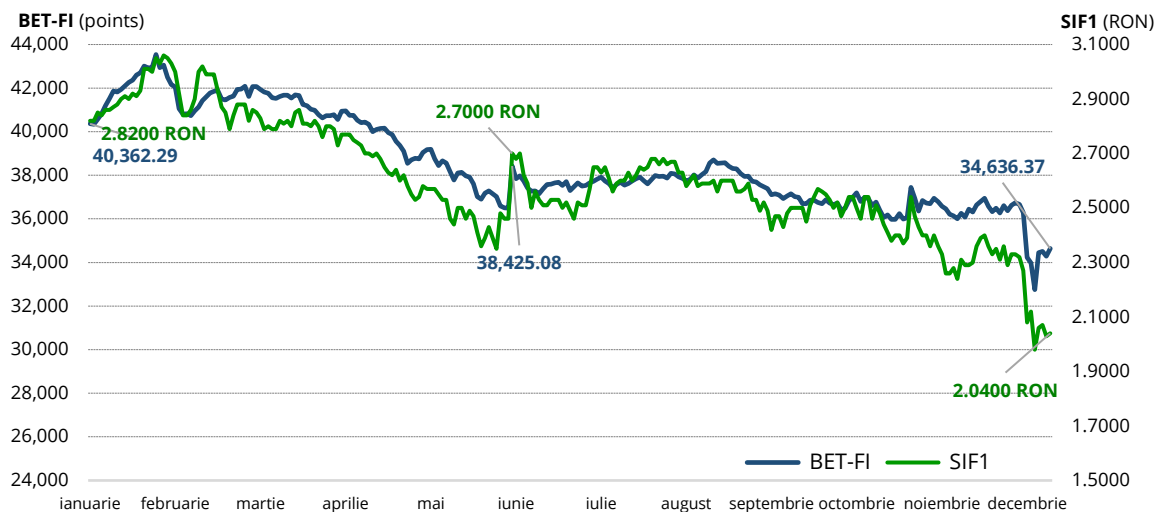
Highest daily volume of SIF1 shares traded on the main regular market (REGS) during 2018 was of 2,360,126 shares, recorded on July 27th.

Liquidity for SIF1 title was rather low, in 2018 being traded a total of 13,026,126 shares on the main regular market, representing 2.517% of the total shares issued, while during 228 of the 249 trading sessions the transferred volume was below 100,000 units. The total value of shares traded in 2018 was of RON 33,649,703.

On „DEAL” market 4 transactions were performed, with a total of 2,660,000 shares, worth RON 7.1 mn.

Market capitalization for SIF1 was of RON 1,055.62 mn on December 31, 2018, (calculated using the closing price).

SIF1 vs. BET-FI PERFORMANCE IN 2018



highlighted values recorded at the close of trading sessions

3. CORPORATE GOVERNANCE

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 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 provisions of the Code.

A statement on SIF Banat-Crișana's compliance with the principles and recommendations of the Code as at December 31, 2018, is presented in Annex 4 of this report, the document that will also be published on Company's website, www.sif1.ro.

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 during 2018, 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-Crișana 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, 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 2018, SIF Banat-Crișana's Board of Directors convened once the Ordinary General Meeting and the Extraordinary General Meeting of Shareholders also once. Additional information on the general meetings of shareholders are presented in this chapter in subchapter *Observance of shareholders' rights*.

The Board of Directors

SIF Banat-Crișana 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 2018

According to the provisions of art. 137[^]2 of the 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.

The OGM of April 26, 2018, elected Ionel Marian CIUCIOI as administrator (member of the Board of Directors) on the vacant seat in the Board of Directors, for a term of office equal to the remaining period until the expiry of the term of office of the administrators in office, respectively until 24.04.2021.

The Financial Supervisory Authority, by Authorization no. 245/25.10.2018 authorized the changes in SIF Banat-Crișana's documents following the change in the composition of company's Board of Directors, by the appointment of Mr Ionel Marian Ciucioi as administrator (member of the Board of Directors) of SIF Banat-Crișana, as per Resolution of the OGM no. 2 of 26.04.2018. Following this authorization, the composition of SIF Banat-Crișana's Board of Directors is the following: Bogdan-Alexandru Drăgoi – Chairman and CEO; Radu Răzvan Străuț – Vice-Chairman, Deputy General

Director; Sorin Marica – non-executive member; Marcel Heinz Pfister – non-executive member; Ionel Marian Ciucioi – non-executive member

The composition of the Board of Directors as at December 31, 2018, was the following:

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

BOARD OF DIRECTORS as at December 31, 2018		
	Position	Other information
Bogdan-Alexandru DRĂGOI (1980)	Chairman of the Board of Directors, Executive administrator, Member of the Board since March 2015	<p>Studies Tufts University, Fletcher, Boston, Massachusetts, USA Specialization in International Relations – graduated <i>Magna cum Laudae</i> Specialization in Economics – graduated <i>Magna cum Laudae</i> Member of Golden Key Honor Society</p> <p>Experience 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)	Vice-Chairman of the Board of Directors, executive administrator Member of the Board since April 2017	<p>Studies 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>Experience 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 Consultantă SRL – <i>September 2008 – October 2009</i> Junior consultant</p>

BOARD OF DIRECTORS as at December 31, 2018	
Position	Other information
	<p>Studies The Bucharest University of Economic Studies – 2014-2017 PhD Candidate “Financing of national programs for preserving and promoting Romanian customs and traditions” “Lucian Blaga” University – Sibiu – 2013 – 2015 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>Experience S.C. Dracula Park S.A. – Bucharest – 2002 – present General Director /Chairman of the Board Kogaion 115 Foundation – 2004 – present President, Project Manager Ministry of Transport – Bucharest – 2013 – 2014 Counsellor / Cabinet Director at the Ministry of Transport Ministry of Tourism – 2002 – 2003 Counsellor of the Minister of Tourism National Institute for Research and Development in Tourism (INCD) – 2002 – 2003 Deputy General Director S.C. Active International S.A. Bucharest (Investment Firm) – 2000 – 2002 Chairman / General Director S.C. Active Management International S.A. Bucharest (Investment Firm) – 1999 – 2000 Chairman / General Director S.C. Active International S.A. Bucharest (Investment Firm) – 1997 – 1999 Broker/Trader</p>
Sorin MARICA (1971)	<p>Member of the Board of Directors since April 2017, Independent, non-executive administrator</p> <p>Member of the Audit Committee</p> <p>Chairman of Nomination and Remuneration Committee</p>
Marcel PFISTER (1980)	<p>Studies University of Liechtenstein – March 2010 – January 2011 Executive MBA in Wealth Management University of Liechtenstein – September 2008 – November 2009 Diploma of Advanced Studies (DAS) in Private Banking College of Higher VET in Business Administration, Zurich – October 2004 – October 2007 Professional Bachelor’s in economics (ODEC)</p> <p>Experience Bank Alpinum AG – July 2016 – present Vice Director Falcon Private Bank Ltd. – October 2010 – June 2016 Director Banque Pasche (Liechtenstein) SA – April 2009 – September 2010 Vice President Alpe Adria Privatbank AG (former Hypo Alpe Adria Bank (Liechtenstein) AG) – December 2007 – April 2009 Vice President Alpe Adria Privatbank AG (former Hypo Alpe Adria Bank (Liechtenstein) AG) – December 2007 – April 2009 Junior Relationship Manager Private Banking Zurich Cantonal Bank (ZKB) – November 2005 – April 2007 Junior Controller Zurich Cantonal Bank (ZKB) – September 2003 – November 2005 Relationship Manager Zurich Cantonal Bank (ZKB) – December 2002 – September 2003 Account Manager</p>
Ionel-Marian CIUCIOI (1977)	<p>Studies University of Economic Studies Bucharest 2002 Faculty of International Business and Economics Constantin Brâncoveanu Highschool, Horezu (Vâlcea) 1995</p> <p>Affiliations Association of Chartered Certified Accountants, United Kingdom (ACCA) 2012</p> <p>Experience Vrancart S.A. – November 2013 – present Chairman of the Board of Directors and General Director SIF Banat-Crişana – September 2015 – April 2017 Member of the Board of Directors Administrare Imobiliare S.A. – May 2015 – September 2015 Member of the Board of Directors PricewaterhouseCoopers Romania – January 2011 – July 2013 Senior Manager, Financial Services Dept. Ernst & Young Romania – October 2004 – December 2010 Audit Manager, Financial Services Dept. UTI Group – June 2003 – September 2004 Financial analyst DDP Consult – October 2002 – June 2003 Financial analyst</p>
	<p>Member of the Board of Directors, non-executive administrator</p> <p>Member of the Audit Committee</p> <p>Member of Nomination and Remuneration Committee</p>

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 2018 the position of Secretary of the Board of Directors was held by Mr. Daniel Gavrilă.

The activity of the Board of Directors in 2018

During 2018, the Board of Directors of SIF Banat-Crișana met 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 2018 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 106 resolutions on the current activity of the company. All decisions were taken by the vote "for" of the majority of those present.

Of the 106 resolutions issued by the Board of Directors during the period under review:

- 39 resolutions had well defined objective, requiring its fulfilment;
- 67 were resolutions for the approval of procedures, mandatory reports and activity reports, of which:
 - 10 resolutions for the approval of internal regulations and working procedures;
 - 57 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 106 resolutions issued by the Board of Directors, it results they were all fully fulfilled.

For 2018, the Ordinary General Meeting of Shareholders held on April 26, 2018, 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 monthly and additional remunerations granted to the members of the Board of Directors in 2018 fell within the limits approved by the GMS.

In 2018, in July 2018, the Board of Directors carried out an overall assessment of the management structure (Board of Directors), and in December 2018 conducted the overall assessment of the executive management for the year 2018.

Advisory Committees within the Board of Directors

The Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibilities in the financial reporting, internal control and risk management areas, assists the Board of Directors in monitoring the trustworthiness and integrity of financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards applied by This one. The duties of the Audit Committee are detailed in the Company's Internal Regulations.

The Audit Committee consists of at least three non-executive members of the Board of Directors.

The Chairman of the committee is an independent non-executive member. At least one member of the audit committee shall have competence in accounting or auditing.

Until June 8, 2018, the Audit Committee had the following composition: Mr. Marcel Pfister – Chairman of the Audit Committee and Mr. Sorin Marica – member of the Audit Committee.

Following the authorization of Mr. Marian CIUCIOI as administrator of the Company, by Decision of the Board of Directors, the composition of the Audit Committee changed to comply with the corporate governance requirements. Thus, as at December 31, 2018, the composition of the Audit Committee was the following: Mr. Marcel Pfister – Chairman of the Audit Committee, Mr. Sorin Marica – member and Mr. Ionel Marian CIUCIOI – member.

The members of the Audit Committee have the appropriate experience for the specific duties incumbent as members of this body.

During 2018, the Audit Committee met in 12 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 Rule 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 audit of the consolidated financial statements for 2017; analysis and approval of the consulting service contract with PricewaterhouseCoopers Audit SRL with the object the procedures for reducing Company's share capital; the analysis and approval of the renegotiated fee for PricewaterhouseCoopers Audit SRL for the audit of the separate and consolidated financial statements as at December 31, 2018; appointment of the internal auditor, monitoring the work of the internal auditor.

The annual report of the Audit Committee for the year 2017 was submitted to the Financial Supervisory Authority.

Nomination and Remuneration Committee

A Nomination and Remuneration Committee (NRC) functions, with advisory role, within the Board of Directors, to assist the Board in fulfilling its responsibilities for the nomination of candidates for management positions and their remuneration. NRC recommends to the Board of Directors the appointment or dismissal of key personnel and control personnel within the Company, the level of their remuneration and their rights and duties and, at the same time, participate in the development and review of remuneration policies applicable at Company level. NRC duties are detailed within the Company's Internal Regulations.

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 was established in September 2017.

Until June 8, 2018, the composition of NRC was the following: Mr. Radu Răzvan STRĂUȚ – Chairman and Mr. Sorin MARICA – member of the Committee.

Following the authorization of Mr. Radu Răzvan STRĂUȚ in the executive position as General Deputy Director and of Mr. Marian CIUCIOI as administrator of the Company, after June 8, 2018, by Decision of the Board of Directors, the composition of NRC changed to comply with the corporate governance requirements. Thus, as at December 31, 2018, the composition of the Committee was the following: Mr. Sorin MARICA – Chairman of the Audit Committee, Mr. Marcel PFISTER – member and Mr. Ionel Marian CIUCIOI – member.

Due to its attributions stipulated in SIF Banat-Crișana's Internal Regulations and ASF Regulation no. 2/2016, in 2018 the Nomination and Remuneration Committee assumed the role of coordinating the activity of assessing the collective adequacy of the members of the Board of Directors, namely establishing relevant criteria for monitoring the results of the activity of the executive management and annual evaluation applying these criteria. For the year 2018, in the absence of a national regulatory framework regulating the effective manners of performing these evaluations, the Remuneration and Nomination Committee used, by adapting to the specificities of SIF Banat-Crișana's activities, the procedures and models set out in the Guidance on in assessing the adequacy of management and key personnel, developed by EBA-ESMA, and the draft of ASF Regulation on the evaluation and approval of members of the management structure and of persons holding key positions within the entities regulated by ASF.

During 2018, the Nomination and Remuneration Committee submitted the reports to the Board of Directors based on which the Board conducted the overall assessment of the management in July 2018, and in December 2018 the overall assessment of executive management for 2018.

In order to be in line with the procedural requirements of the AIFM's legislation, the remuneration policy within SIF Banat-Crișana was subject to the approval of the Board of Directors in February 2018.

Remuneration Policy

The Board of Directors has approved the remuneration policy to ensure that the remuneration of company personnel is consistent and promotes a robust and effective risk management and does not encourage risk-taking that contradicts the risk profile and company's constituent acts.

The remuneration policy and practices are applied to the management of the company and the categories of staff whose professional activities have a significant impact on the risk profile of SIF Banat-Crișana. Remuneration policies and practices are subject to an internal assessment at least annually, and the changes to be made will consider the economic context, the company's activity and its strategy and objectives.

The main principles underpinning the remuneration policy:

- pursuing compatibility with the solid and effective risk management and promoting this type of management, without encouraging risk-taking that is inconsistent with the risk profile, internal rules or company's articles of association;
- substantiating the values and beliefs of the organization and its compatibility with the business strategy, objectives, values and interests of SIF Banat-Crișana, as well as investor interests, including measures to avoid conflicts of interest;
- the remuneration of the members of the staff holding control functions depends on the achievement of the objectives related to their functions, independently of the results of the commercial sectors they control;
- performance-based remuneration is calculated based on an evaluation combining the individual and operational performance of the entity and the overall results of the Company;
- between the fixed and the variable component of the total remuneration there is an appropriate balance and the fixed component represents a sufficiently large percentage of the total remuneration to allow the application of a flexible policy on variable remuneration components, including the possibility of not paying any variable remuneration component;
- variable remuneration is paid or granted only if it is sustainable according to the financial position of the Company as a whole and is justified by the performance of the operational unit within the company and the person concerned.
- it is forbidden for Company's personnel to use personal cover or insurance policies related to remuneration or liability to undermine the effects of aligning the risks provided in their

remuneration arrangements;

- variable remuneration is not paid by means of instruments or methods to facilitate the avoidance of compliance with the remuneration policy requirements applicable within SIF Banat-Crișana.

The monthly remuneration of the administrators is set by the general meeting of SIF Banat-Crișana's shareholders. Additional remunerations for the administrators will not exceed the general limits approved by the general shareholders' meeting.

Directors remuneration may consist of a fixed component and a variable component. All directors' remuneration must fall within the general limits of remuneration and budget approved by the ordinary general meeting of SIF Banat-Crișana's shareholders.

Given that the authorization of SIF Banat-Crișana as an AIFM was issued during 2018, in view of the substantiation of the remuneration of the staff for full performance periods, the remuneration procedures regarding variable remuneration will be effectively applied to the staff identified in SIF Banat-Crișana starting with the financial year 2019.

Investment Strategies Committee

The Investment Strategies Committee was set up in September 2017, consisting of at least two non-executive administrators, assisting the Board of Directors in fulfilling their responsibilities in developing investment strategies and policies, monitoring their implementation, analysing the performance of the portfolio of financial instruments managed by the Company and managing associated risks. The duties of the Investment Strategies Committee have been detailed in the Company's Internal Regulations.

Until June 8, 2018, the Investment Strategies Committee consisted of: Mr. Radu Răzvan STRĂUȚ - Chairman and Mr. Sorin MARICA - Member of the Committee.

The Board of Directors in the meeting held on June 8, 2018 approved the Company's new organizational chart and decided the dissolution of this committee within the CA. Since then, the Investment Strategies Committee has ceased its activity.

The executive management

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 2018

The Board of Directors of SIF Banat-Crişana, 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-Crişana and delegating the management of the company as per Art. 143 of Law no. 31/1990.

The Financial Supervisory Authority by the Authorization no. 146/17.05.2018, authorized the changes in SIF Banat-Crişana's documents following the change in the composition of company's management, by the appointment of Mr Radu Răzvan Străuț as Director of SIF Banat-Crişana Director, as per Decision of the Board of Directors no. 1 dated 25.01.2018.

The composition of company's executive team as at December 31, 2018 was the following: Mr. Bogdan-Alexandru Drăgoi, Mr. Radu Răzvan Străuț, Mrs. Teodora Sferdian and Mr. Laurențiu Riviș.

EXECUTIVE DIRECTORS OF SIF BANAT-CRIȘANA as at December 31, 2018		
	Position	Other information
Bogdan-Alexandru DRĂGOI	CEO (General Director)	Information presented on page 39
Radu Răzvan STRĂUȚ	Deputy General Director	Information presented on page 39
Teodora SFERDIAN	Deputy General Director	<p>Studies Faculty of Economics - Aurel Vlaicu University Arad (2000 – 2004) Faculty of Electronics and Telecommunications – Polytechnic Institute of Timișoara (1975 – 1980)</p> <p>Experience SIF Banat-Crișana, Arad (1994 – present); Deputy General Director (2014 – present); Member of the Board of Directors at COMALIM SA Arad; SIFI Cluj Retail SA, Gaz Vest SA, SIF Hoteluri Oradea Rolling Stock Company Arad – electrical engineer (1981 – 1994)</p> <p>Specializations Capital markets / analysis and portfolio management (Bank Akademie & CDG Germany); General management (Austrian Chamber of Commerce & WIFI Vienna); Investment consultant; Implementing IFRS (KPMG); Business Valuation (ANEVAR); Risk Management; Corporate governance standards; Development and HR performance management.</p> <p>Responsibilities Oversees the activities of Corporate Administration (Economic, Reporting, Investor Relations and Conformity, Human Resources, and IT offices)</p>
Laurențiu RIVIȘ	Director	<p>Studies Faculty of Law, "Vasile Goldiș" Western University of Arad, (1998 – 2002)</p> <p>Experience SIF Banat-Crișana, Arad (January 2005 – present); Director (February 2016 – present) Director Legal Division (September 2013 – February 2016) Legal adviser (January 2005 – September 2013) 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>Specializations 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>Responsibilities Coordination of legal activities of the companies and the management of workout portfolio</p>

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

Name	Position	SIF1 shares held as at December 31, 2018	
		No. of shares	% of share capital
Bogdan-Alexandru DRĂGOI	Chairman and CEO	200,000	0.03865%
Radu-Răzvan STRĂUȚ	Vice-Chairman - Deputy General Director	500	0.00010%
Sorin MARICA	Non-executive administrator	250	0.00005%
Marcel PFISTER	Non-executive administrator	0	0%
Ionel CIUCIOI	Non-executive administrator	0	
Teodora SFERDIAN	Deputy General Director	13,005	0.00251%
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

Risk management

SIF Banat-Crişana established and permanently and operationally maintains the risk management function, which is carried out independently of other activities.

The diversity of activities carried out by SIF Banat-Crişana 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 implements 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;
- demonstrate *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 Permanent Risk Management function has a foremost role in defining risk policy, monitoring and measuring risks, ensuring the permanent compliance with the risk level of the Company's risk profile assumed by the Board of Directors.

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.

By authorization no. 79 / 09.03.2018, ASF authorized Ms. Adina Eleonora Hodăjeu as Person in charge of risk management within SIF Banat-Crișana, registered under no. PFR13.2FARA / 020053 in the ASF registry.

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 / Compliance

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

- to monitor and regularly evaluate the effectiveness and 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.

The activity of Compliance Office was performed pursuant to the plan of investigation and control for 2018, approved by the Board of Directors of SIF Banat-Crișana, the provisions of ASF Regulation no. 9/2014, of EU Regulation 231/2013, of the working procedures and internal regulations.

By the ASF Authorization no. 80 / 09.03.2018, Mr. Ioan Eugen Cristea, the representative of the Internal Control Dept., was authorized as compliance officer / representative of the Compliance Office, the internal control function being transformed into the compliance function.

The compliance / verification activities were conducted during the year 2018 in compliance with the approved Control Plan. Subsequent to the authorization decisions issued by ASF, the organization chart and the internal regulations of the company were modified accordingly.

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-Crișana to ASF in order to get authorizations provided by the ASF regulations, endorsing the reports submitted to capital

market entities and ASF, endorsement of informative materials and advertisements of the Company, other activities concerning 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 2018, it was verified the compliance with work procedures and capital market legislation in such activities as:

- trading of securities;
- valuation of assets and 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 international sanctions regime
- compliance with the legal provisions and internal procedures concerning avoidance and / or managing conflicts of interest, privileged information regime and personal transactions;
- 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 2018, two petitions were filed at SIF Banat-Crişana, and were favourably settled within the deadline provided for by the regulation.

Internal Audit

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

As per the Internal Audit Program for 2018, approved by the Board of Directors by Decision no. 3/30.01.2018, the main activities and operations of the Company subject to internal audit in 2018 addressed:

- compliance with document archiving procedures;
- 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;
- human resource management, compliance with the Collective Labour Contract, internal regulations and approved procedures;
- managing the portfolio of financial instruments, substantiating the investment / disinvestment decisions in these instruments and respecting the approved competence limits;
- observance of the working procedures related to economic and administrative activities, including the patrimony inventory. Observing the procurement procedure and the conclusion of the contracts in which SIF Banat-Crișana is a party;
- compliance with the procedure regarding conflicts of interest, respectively the 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-Crișana during 2018, which were subject to the audit, are compliant with the policies, programs and management of the Company and with the legal provisions and internal regulations.

The activity of internal audit of SIF Banat-Crișana is outsourced to the company New Audit SRL from Arad, the mandate was extended starting September 2018 for another two years.

Shareholders' rights abiding

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

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

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

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

General meetings of shareholders are convened by the Board of Directors at least 30 days before the set date to be held. The general meetings give the opportunity for Board members and Company's executive directors to present the shareholders the results achieved during the exercise of their mandate under the conferred responsibilities.

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

The right to vote

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

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

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

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

In 2018, the Board of Directors convened the Ordinary General Meeting of Shareholders ("OGM") and the Extraordinary General Meeting of Shareholders ("EGM") for April 26 (27), 2018

In 2018, the Board of Directors convened the ordinary general meeting of shareholders (OGM) and the extraordinary general meeting of shareholders (EGMS) for April 26 (27), 2018.

The OGM held on April 26, 2018: The ordinary general meeting of shareholders (OGM) gathered statutorily on the first call on April 26, 2018, with the direct participation, or by representative or by correspondence of shareholders holding 174,705,993 shares, representing 33.76% of the share capital. The resolution of the OGM was submitted to ASF, BVB and communicated to the investors by the Current Report of April 26, 2018, available on company's website, www.sif1.ro

The OGM held on April 26, 2018, approved:

- the separate and consolidated financial statements for 2017;
- appropriation of 2017 profit in the amount of RON 69,553,195, to Other reserves, to support a share repurchase program;
- the discharge from liability of the Board of Directors for the financial year 2017;
- Budget and Activity Plan for 2018;
- maintaining the monthly remuneration for the members of the Board in the amount approved by the ordinary general meeting of shareholders of April 26, 2016;
- the general limits of all additional remunerations for the directors and administrators;
- election of Mr. Ionel Marian CIUCIOI as administrator on the vacant seat in the Board of Directors, with a term of office equal to the term remaining until the expiry of the current administrators, i.e. 24.04.2021;

- the date of September 21, 2018 as registration date (September 20, 2018 as ex-date) as per the provisions of art. 86 par. 1 of Law 24/2017, of CNVM Regulation no. 6/2009 and CNVM Regulation no. 1/2006.

The EGMS held on April 26, 2018: The extraordinary general meeting of shareholders (EGM) gathered statutorily on April 26, 2018 at the first call, with the direct participation, or by representative or by correspondence of shareholders holding 177.078.546 shares, representing 34.22% of the share capital. The resolution of the EGM was submitted to ASF, BVB and communicated to the investors by the Current Report of April 26, 2018, available on company's website, www.sif1.ro

The EGMS held on April 26, 2018 approved:

- the reduction of company's share capital, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.4, following the cancellation of 2,539,276 own shares acquired by the company, in the buyback programs;
- the execution of buyback program ("Program I") to reduce the company's share capital, for a maximum number of shares that may be repurchased of 17,460,724 shares at most; with the minimum price per share of RON 1; and a maximum price per share of RON 4.81; with the program duration of maximum 18 months after publication of the decision in the Official Gazette of Romania, Part IV, and the shares acquired under the Program I to be paid from sources permitted by law;
- the execution of a buyback program ("Program II") for the distribution free of charge to the members of the Company's management (administrators, directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors, for a maximum number of shares that may be repurchased of 1,400,000 shares at most; with the minimum price per share of RON 1 and the maximum price per share of RON 4.81; with the duration of the program of maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; and the shares acquired under the Program II to be paid from sources permitted by law;
- the use of the shares purchased under Program II for the redemption of own shares for their distribution free of charge to members of the company's management (administrators, directors) in a "Stock Option Plan", in compliance with applicable law;
- the date of May 16, 2018 as registration date (May 15, 2018 as ex-date) as per the provisions of art. 86 par. 1 of Law 24/2017, of CNVM Regulation no. 6/2009 and CNVM Regulation no. 1/2006.

For the general meetings of shareholders, suspending the voting rights for the holdings above the legal and statutory threshold of 5% of the share capital was performed pursuant to the legal provisions, as per ASF Decision no. 517/25.04.2018.

Right to dividend

The dividend policy embraced by SIF Banat-Crişana aims at keeping a balance between the shareholders' remuneration through dividend and the need to finance new investment of the reinvested profits obtained. The strategy of keeping this balance aims to increase the long-term investment attractiveness of SIF Banat-Crişana 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.

The manner of remunerating SIF Banat-Crişana's shareholders is applied for their benefit both through the dividend distribution policy, and also by the decision to reinvest the profits or to repurchase the shares for the stated purpose of increasing the value of the shares. This increase of shareholder's capital is manifested by at least by the implicit growth in the value of the share due to the favourable effect of profitable reinvestment of the capital. Depending on the economic and financial developments, the risk profile and the investment expectations of the shareholders, the two ways of remuneration should offer at least the same investment attractiveness. If profit reinvestment opportunities are more attractive to shareholders or in case of repurchasing shares

from the, the return for SIF Banat-Crișana's shareholder capital is likely to be higher than a simple distribution of taxable dividends.

Remunerating the shareholders through dividend distribution or their reinvestment, or by repurchasing shares listed on the market, may bring additional benefits, over the medium and long term, to shareholders.

Determining the manner and proportion of the distribution of net profit is subject to the approval of the General Meeting of Shareholders and considers the sustainability of the measure, the economic context and the current market performance.

For the financial year 2017, the Board of Directors' proposal for allocation of net profit was for two options: (1) the distribution of cash dividends at a rate of 74% of the profit; (2) allocating the entire profit to *Other reserves* to support a buyback program to reduce the Company's share capital (Program I).

The General Meeting of the Shareholders approved the second option of allocating the entire net profit for the financial year 2017, in the amount of RON 69,553,195, to *Other reserves*, to support the Buyback Program I.

SIF Banat-Crișana' dividend policy is published on the company's website, www.sif1.ro, in the *Corporate Governance* section.

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) 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. 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. 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.

Increasing the company's visibility on the Romanian capital market and towards a wider base of international institutional investors was further an objective assumed in the activity plan for 2018, promoting SIF Banat-Crișana in the capital market events (either individually or together with BVB, intermediaries), to increase transparency and attract new investors / shareholders.

SIF Banat-Crișana was promoted within capital market events (either individually or together with BSE, intermediaries) in order to increase transparency and attract new investors / shareholders. In May 23 and 24, 2018, SIF Banat-Crișana participated, represented at top-management level by Mr. Bogdan Drăgoi, Chairman - CEO at the "CEE Investor Days" conference organized in New York by the stock exchanges from Bucharest, Warsaw and Prague in collaboration with the Wood & Company independent brokerage firm. In the two days of the event, 34 companies from Poland,

the Czech Republic and Romania met with 84 institutional investors representing the largest 59 investment houses in the US.

Also, SIF Banat-Crișana was a partner of several events organized by various media companies, such as the meeting with the economic press organized by the editor of "Piața Financiară" magazine in February 2018 in Predeal, the conference "The Future of the Romanian Capital Market" organized by the publisher of "Bursa" daily newspaper, or "The New Market 2018", organized by the editor of the business daily magazine wall-street.ro, both took place in Bucharest in March, of "Wall-Street Gala", of „Financial.forum” in November and of the "Capital Market Awards" gala, organized by Romanian Brokers' Association in December.

The organizational structure 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: investitori@sif1.ro, person of contact Mr. Claudiu Horeanu.

Financial reporting

Financial statements for 2018 have been prepared pursuant to the International Financial Reporting Standards and ASF Rule 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 27, 2018, the Company published The Separate Financial Statements and The Consolidated Financial Statements for the year ended December 31, 2017 prepared in accordance with the ASF Rule 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 26, 2018 - together with the annual report of the Board of Directors and Independent Auditor's Report.

During Q1 2018, SIF Banat-Crișana's management reviewed the criteria for the classification of the Company as an investment entity and the situation of the exemption from the preparation of consolidated financial statements, taking into account the provisions of IFRS 10 "Consolidated Financial Statements".

Following the conducted review, the management of the Company ascertained that the Company meets the required conditions to be classified as an investment entity. Thus, as of 2018, the Company will apply the IFRS 10 consolidation exception applicable to investment entities, except for subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). Thus, in accordance with IAS 27 and IFRS 10, as of the date that the Company's management has ascertained that the Company meets the criteria for classification as an "investment entity", the Company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries providing investment-related services that will continue to be consolidated. Under these circumstances, the Company will prepare two sets of financial statements: separate and consolidated financial statements, in accordance with IFRS 10 and IAS 27.

Based on the requirements of Law no. 24/2017 and the ASF Regulation no. 5 on Issuers of Financial Instruments and Market Operations, the Company prepared and submitted on September 28, 2018, consolidated interim financial statements for H1 2018, as per the legal requirements.

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 2018 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.

Internal rules and procedures have been established for the prior approval of personal transactions, in accordance with the provisions of the ASF Regulation no. 2/2018.

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 on the transactions they execute with SIF1 shares.

Pursuant to Law no. 24/2017 and the European regulations, insiders and persons with access to inside information concerning SIF Banat-Crișana notified 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-Crişana also made public these notifications on its website in 2018.

Market abuse. A special attention was paid in 2018 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 2018, SIF Banat-Crişana financially supported some projects of "Academy of Economic Studies in Bucharest" Foundation in the "ASE 105" events.

4. FINANCIAL ANALYSIS

SIF Banat-Crişana prepared the financial statements as at December 31, 2018, pursuant to International Financial Reporting Standards (IFRS) as adopted by the European Union and to the ASF Rule 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, 2018, 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 2018, compared to the preceding three financial years:

4.1 Statement on the financial position

STATEMENT OF ASSETS, LIABILITIES AND EQUITY	2018	2017	2016	2015
Cash and cash equivalents	35,274,867	16,134,803	57,625,994	151,400,510
Financial assets at fair value through profit and loss	1,105,989,265	338	309	449
Financial assets at fair value through other comprehensive income (assets available for sale 2015 – 2017)	1,279,345,173	2,440,191,357	2,007,925,978	1,728,617,277
Investments recorded at amortized cost	6,505,683	6,499,764	6,336,716	34,498,231
Investment property, tangible assets, Other assets	25,828,264	25,318,909	38,300,331	27,008,238
Total assets	2,452,943,252	2,488,145,171	2,110,189,328	1,941,524,705
Deferred tax liabilities	129,889,043	176,433,120	130,804,501	124,114,688
Other liabilities	1,633,596	20,471,908	25,138,742	28,600,622
Total accrued liabilities and income	131,522,639	196,905,028	155,943,243	152,715,310
Share capital (inflated under IAS 29)	696,910,187	700,330,055	739,183,919	739,183,919
Own shares (including costs associated with the repurchase)	(224,045)	(4,872,849)	(53,177,886)	-
Accumulated profit	683,411,583	835,722,946	813,015,115	731,652,414
Other elements of equity	288,444,988	(491,769,188)	(527,738,125)	(527,770,890)
Reserves from revaluation of financial assets through other items of comprehensive income (available for sale 2015 – 2017)	652,877,901	1,251,829,179	982,963,061	845,743,952
Total equity	2,321,420,613	2,291,240,143	1,954,246,085	1,788,809,395
Total liabilities and equity	2,452,943,252	2,488,145,171	2,110,189,328	1,941,524,705

Cash and cash equivalents include all liquid investments of the Company in term bank deposits, current accounts and petty cash. The amount increased as compared to 2017, given that the investment activity of the Company generated a cash surplus placed in short-term money market instruments.

The category of *Financial assets at fair value through profit or loss* comprises the Company's shareholdings in subsidiaries of the Company (except for interests in consolidated subsidiaries), holdings in fund units and investment in bonds (issued by subsidiaries - Vrancart). Structurally, the item Financial assets at fair value through profit and loss increased as compared to 2017 as a result of:

- Reclassification of subsidiaries removed from the scope of consolidation following the application of IFRS 10 provisions with respect to investment entities starting from the financial year 2018, from the Financial assets available for sale category (until December 31, 2017 – as per IAS 39) to Financial assets at fair value through profit and loss (starting with January 1, 2018 – as per IFRS 9);

- Mandatory reclassification of investments in fund units from the Financial assets available for sale category (until December 31, 2017 – as per IAS 39) to Financial assets at fair value through profit and loss (starting with January 1, 2018 – as per IFRS 9);
- Investment activity in 2018, by disinvestment from certain placements recorded in the category Financial assets at fair value through other comprehensive income and making investments in financial instruments recognized as Financial assets at fair value through profit or loss.

Financial assets at fair value through other comprehensive income comprise shareholdings, in respect of which the Company has chosen - from the initial application of IFRS 9 - the irrevocable option to reflect fair value changes in other items of comprehensive income, and investments in corporate bonds (Impact). The decrease as compared to the previous year is due to:

- the reclassification of investments in the deconsolidated subsidiaries (following the application of the exception from consolidation for investment entities under IFRS 10) and the placements in fund units in this category in that of *Financial assets at fair value through profit and loss*;
- the recording of negative fair value differences at December 31, 2018, mainly for the company's portfolio of listed shares, following a general unfavourable progress of stock market quotes for companies listed on BVB, at the end of 2018.

Investments at amortized cost as at December 31, 2018 represent the company's investments in bonds issued by banking companies (Banca Transilvania). No transactions were recorded with the assets recorded in this category, the difference from the previous year being the change in the RON-EURO exchange rate according to which the balance sheet value was set 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 (Hidrochim) or withdrawal of the contribution in kind (Azuga Turism). The value of investment property at fair value of the Company at December 31, 2018 is of RON 20.1 million. Tangible assets held by the Company are those used while carrying out operational and administrative activities, at the headquarters. The level of these balance sheet items did not show any significant variations compared to the previous year.

Deferred tax liabilities represent the tax payable / recoverable in future periods in connection with temporary taxable differences / deductibles between the carrying amount and the tax asset or liability. The decrease of this item as compared to the previous year is mainly the effect of the reduction of the deferred tax related to the reserves from the valuation at fair value of securities and the transfer of deferred tax in the current tax, together with the transfer of the fair value reserve related to the disinvestments from financial assets at fair value through other items of comprehensive income to retained earnings.

Other liabilities item significantly decreased as compared to the previous year, as the Company transferred the dividends not collected by shareholders for 3 years from Liabilities to Reserve as at December 31, 2018.

Equity holds the largest stake in the structure of liabilities. The value of this item stood at the previous year's level, as the net profit realized (mainly from dividend income) and gains from the sale of shares (reflected in retained earnings) were negatively affected by the changes of fair value of the listed stock portfolio, the impact on total equity being almost neutral.

4.2 Statement on the profit and loss and other comprehensive income

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	2018	2017	2016	2015
Income, of which:	114,876,610	84,927,868	107,164,704	40,760,477
Dividend income	110,224,602	81,469,412	101,624,336	34,072,103
Interest income	4,399,872	3,277,959	5,314,722	6,461,141
Other operational revenues	252,136	180,497	225,646	227,233
Gain on investments, of which:	(16,053,869)	3,308,817	2,257,033	65,220,044
Net foreign exchange gains	92,468	168,443	(110,431)	73,886
Gains on investment property	86,351	989,353	177,703	10,515,917
Net profit on sale of assets	(1,282,416)	2,150,991	2,189,901	55,302,792
Net gain / (Net loss) on financial assets at fair value through profit and loss	(14,950,272)	30	(140)	(672,551)
Expenses, of which:	(17,930,623)	(15,745,275)	(25,120,258)	(17,636,031)
Expenses/reversals on adjustments for impairment	-	3,710,134	(5,948,134)	(1,851,313)
Expenses related to fees and commissions	(3,248,280)	(2,717,509)	(2,255,325)	(2,443,923)
Other operating expenses	(14,682,344)	(16,737,900)	(16,916,799)	(13,340,795)
Profit before tax	80,892,118	72,491,410	84,301,479	88,344,490
Tax on profit	(3,705,890)	(2,938,215)	(2,938,778)	(13,019,922)
Net profit for the period	77,186,227	69,553,195	81,362,701	75,324,568
Other comprehensive income	(83,198,128)	268,866,118	137,251,875	215,368,532
Total comprehensive income for the period	(6,011,901)	338,419,313	218,614,576	290,693,100

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

Dividend income recorded a significant increase in 2018, with a plus of RON 29 million, the main source being shareholdings in banks (Banca Transilvania, BRD).

Interest income includes interest on bank deposits, corporate bonds and govt. bonds. In 2018, interest income rose as compared to the previous year, influenced both by a marginal increase in the interest rates on bank deposits and by the contribution of corporate bonds at a significantly higher interest rate than in the case of bank deposits.

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

Gains on investments in 2018 was adversely impacted by the recording of fair value differences for financial assets measured at fair value through profit and loss, as per IFRS 9. These investments include both shareholdings in subsidiaries removed from the scope of consolidation following the ascertainment of the investment entity status, as well as investments in fund units issued by closed-end investment funds. The negative result is the combined effect of a positive development in the case of the shares held in the respective subsidiaries respectively negative in the case of the fund units (the total net position for these kept being positive versus the subscription value).

Commission expenses include fees due to regulatory institutions, the depository and the Stock Exchange, the majority share of which accrues the monthly fee of 0.0078% of the net asset due to ASF. Their level is higher as compared to the values registered in the previous year, correlated with an average value of the Company's Net Asset in the year 2018 higher than in the previous year. There is a marginal influence on the transaction costs, as in 2017 only a small volume of transactions with listed shares has been made.

Other operating expenses include staff salaries and management costs, the taxes and fees and other expenses incurred in the operation of the Company. These expenses decreased compared to the previous year, mainly as a result of the savings made on the remuneration of personnel and Company's management.

4.3 Cash flow statement

CASH FLOW STATEMENT	2018	2017	2016	2015
Operating activities				
Net profit for the year	77,186,227	69,553,195	81,362,701	75,324,568
<i>Adjustments for:</i>				
Amortization of tangible and intangible assets	281,866	202,645	237,539	255,359
Net (Gain) / Loss on disposal of tangible assets	4,557	(11,988)	-	-
Gain on valuation of investment property	(86,351)	(989,353)	(177,703)	(10,515,917)
Expenditure on adjustments for impairment	-	(3,912,645)	5,489,150	1,851,312
Net profit on sale of assets	1,282,416	(2,150,991)	(2,189,901)	(55,302,792)
(Net gain) / Net loss from financial assets at fair value through profit and loss	14,950,272	(30)	140	672,551
Dividend income	(110,224,602)	(81,469,412)	(101,624,336)	(34,072,103)
Interest income	(4,399,872)	(3,277,959)	(5,314,722)	(6,461,141)
Expense with / (income from) other provisions and adjustments	-	202,512	458,984	(12,605)
Exchange rate differences financial assets	(10,086)	-	-	-
Benefits granted in equity instruments	2,380,000	-	-	-
Tax on profit	3,705,890	2,938,216	2,938,778	13,019,922
Changes in assets and liabilities related to operating activities				
Changes in other assets	17,207	(114,865)	(2,546,555)	(2,019,926)
Changes in other liabilities	(2,083,394)	1,096,503	1,535,469	(9,741)
Tax on profit paid	(25,588,823)	(962,378)	(1,851,725)	(2,246,889)
Net cash (used in) / from operating activities, of which:	(42,584,693)	(18,896,551)	(21,682,180)	(19,517,403)
Investing activities				
Payments for purchase of shares	(247,001,150)	(187,000,444)	(152,658,954)	(36,895,424)
Proceeds from the sale of shares	172,710,266	85,805,053	3,784,252	73,114,113
(Investments) / Proceeds from deposits with term longer than 3 months	(1,200,000)	36,072,333	108,181,106	(92,790,943)
Net proceeds/(payments) from sale of assets at fair value through profit and loss	23,466,399	-	-	18,656,690
Proceeds / (payments) for purchase of investments held recorded at amortized cost	-	(160,893)	27,013,833	16,016,606
Payments for purchases of tangible assets	(58,870)	440,757	(49,939)	(125,531)
Proceeds from sale of property and assets held for sale	-	(462,162)	-	-
Dividends received	106,528,122	79,528,077	102,603,588	30,477,215
Interest received	6,274,164	4,497,211	4,850,262	6,421,949
Net cash (used in) / from investing activities	60,718,931	18,719,932	93,724,148	14,874,676
Financing activities				
Dividends paid	-	(3,450,000)	(3,970,007)	(30,944,403)
Repurchase of own shares	(224,045)	(1,425,254)	(53,177,886)	-
Net cash (used in) / from financing activities	(224,045)	(4,875,254)	(57,147,892)	(30,944,403)
Increase / (decrease) in net cash and cash equivalents	17,910,193	(5,051,873)	14,894,076	(35,587,129)
Cash and cash equivalents at January 1st	11,320,217	16,372,090	1,478,015	37,065,143
Cash and cash equivalents at December 31st	29,230,410	11,320,217	16,372,090	1,478,015

In 2018, the investment activity generated cash from dividends collected (RON 106.5 million), the sale of shares (RON 111.6 million) and government bonds denominated in RON (RON 62.2 million). Most of the cash was directed to investment recorded as financial assets at fair value through profit and loss (fund units: RON 140.5 million, shares in subsidiaries: RON 5.8 million) respectively by other items of comprehensive income (shares in subsidiaries: RON 40.1 million, listed shares: RON 60.6 million). Structurally, the cash surplus of the investment activity was used to finance the cash requirement of the operating activity (RON 42.5 million – tax on profit, operating expenses),

the surplus being directed to short-term money investments, a decision explaining the increase in *Cash and cash equivalents* as at December 31, 2018 as compared to the beginning of the financial year.

4.4 Implementation of Budget for 2018, summary statement

Implementation of Budget for 2018	Result for 2017	Provisions for 2018	Result for 2018	+/- vs. provisions	+/- vs. 2017
Total revenues	85,397,242	95,430,200	114,876,610	20.4%	34.5%
Net gain on investments	3,308,815	-	(16,053,869)	n/a	n/a
Operating expenses	16,214,647	21,840,600	17,930,623	-17.9%	10.6%
Profit before tax	72,491,410	73,589,600	80,892,118	9.9%	11.6%
Tax on profit (including tax on gross dividends due)	2,938,215	3,358,000	3,705,890	10.4%	26.1%
Net profit for the year	69,553,195	70,231,600	77,186,227	9.9%	11.0%
Other comprehensive income, of which>	268,866,118		(83,198,128)		
- Net gain recognized in retained earnings			63,846,369		
- Changes in fair value FVTOCI	268,866,118		(147,044,497)		
Total comprehensive income for the year	338,419,313	70,231,600	(6,011,901)	n/a	n/a

Total revenues achieved is 20.4% above the budgetary provisions of 2018, up 34.5 the result for the year 2017.

Total revenues amounting to RON 114.8 million include mainly dividend income in the amount of RON 110.2 million and interest income in the amount of RON 4.4 million, both significantly higher than in the previous year.

Net gain on investments recognized in profit or loss account was negatively impacted by the recording of change in the value of the assets measured at fair value through profit or loss (FVTPL), in addition to the recognition of the gain on transactions for most of the investments directly listed in equity, on the basis of the retained earnings, as per IFRS 9.

Sale transactions with financial assets measured at fair value through other comprehensive income (FVTOCI) in 2018 amounted to RON 111.6 million, generating a **net gain recognized in retained earnings amounting to RON 63.8 million**.

Impairment of fair value of the portfolio of listed financial assets at fair value through other comprehensive income (FVTOCI) (shareholdings in banks and energy companies), mainly in December 2018, generated unfavourable value differences in the amount of RON 147 million.

Operating expenses of 2018 are 17.9% below budgeted provisions and 10.6% above the previous year's. Excluding the positive impact in 2017 on operational expenditure (by reversal of certain value adjustments), operating expenses of the company are also below the previous year's, by 7.9%, mainly as a result of saving on wage costs and granted remunerations.

The gross result, in the amount of RON 80.9 million, 9.9% above the budgetary provisions for 2018, as a result of the recording a higher income than projected, from dividend and interest, as well as of the savings in operating expenses.

The net result for the year, amounting to **RON 77.2 million**, is 9.9% above the budgetary provisions for 2018, and 11% higher than last year's result.

5. OTHER SIGNIFICANT INFORMATION

Information concerning the implementation of AIFM Law

In the process of implementing the legal provisions concerning alternative investment fund managers (Law no. 74/2015) SIF Banat-Crișana has revised the provisions of its articles of incorporation, procedures and internal regulations to align them with the provisions of Law no. 74/2015 and has taken all necessary measures to comply with the AIFM Law.

In March 2018, the course of authorizing the Company as Alternative Investment Fund Manager (AIFM) by the Financial Supervisory Authority was completed, as well as the authorization of the persons holding the key functions of risk management and compliance officer. At the same time, the Company's Articles of Association have been endorsed in accordance with the AIFM legislation.

On March 9, 2018, the Financial Supervisory Authority 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);
- Endorsement no. 76/09.03.2018 approving the amendments to the SIF Banat-Crișana's Articles of Association;
- 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.

Amendments to the constitutive documents

By Endorsement no. 76 / 09.03.2018, ASF approved the amendments made in the Articles of Association, according to the EGM Decision no. 2 of 25.04.2016, regarding the completion of the object of activity of the company for the authorization of SIF Banat-Crișana as AIFM;

By Endorsement no. 99 / 04.04.2018 ASF approved the amendments made in SIF Banat-Crișana's documents (including the Articles of Association) following the appointment of Mr. Ciucioi Ionel Marian as provisional administrator.

On October 25, 2018, SIF Banat-Crișana informed the investors that the Financial Supervisory Authority communicated to the company the Authorization no. 245/25.10.2018 approving the changes in SIF Banat-Crișana's documents following the change in the composition of company's management, by the appointment of Mr. Ionel Marian Ciucioi as administrator (member of the Board of Directors) of SIF Banat-Crișana, as per Resolution of the OGM no. 2 of 26.04.2018.

Following this authorization, the composition of SIF Banat-Crișana's Board of Directors was the following: Mr. Bogdan-Alexandru Drăgoi – Chairman and CEO, Mr. Radu Răzvan Străuț – Vice-Chairman, Deputy General Director, Sorin Marica – non-executive member; Marcel Heinz Pfister – non-executive member; Ionel Marian Ciucioi – non-executive member.

The buyback programs approved by EGM of April 26, 2018

The EGM of April 26, 2018 approved the execution of two buyback programs, in compliance with the applicable legal provisions and having the following main characteristics:

Program I

The Company will repurchase shares under the Program to reduce its share capital; the maximum number of shares that may be repurchased is of 17,460,724 shares at most; the minimum price

per share: RON 1; the maximum price per share: RON 4.81; the duration of the: maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; the shares acquired under the Program I will be paid from sources permitted by law. During 2018 there were no repurchase of shares under Program I.

Program II

The Company will repurchase shares under the Program II for the distribution free of charge to the members of the Company's management (administrators, directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors; the maximum number of shares that may be repurchased: 1,400,000 shares at most; the minimum price per share: RON 1; the maximum price per share: RON 4.81; the duration of the program: maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; the shares acquired under the Program II will be paid from sources permitted by law.

The EGM of April 26, 2018 approved the use of the shares purchased under Program II for the redemption of own shares for their distribution free of charge to members of company's management (administrators, directors) in a "Stock Option Plan", in compliance with applicable law, the Board of Directors being empowered to take all necessary measures and to fulfil all the formalities required for the approval and implementation of the "Stock Option Plan".

On May 21, 2018, the company announced by means of a current report and a "Disclosure document" prepared according to CNVM Regulation no. 1/2006 (Annex no. 21), that the Board of Directors approved the "Stock Option Plan", by which 1,400,000 SIF1 shares were offered to the Company's administrators and directors.

The vesting (transfer of shares) will be made when the conditions in the "Stock option plan" are met and the option is exercised by each beneficiary, after a term of 12 months has passed since the signing of the payment agreements.

On September 28, 2018, SIF Banat-Crişana informed on the commencement, starting October 2, 2018 of repurchase of own shares under Buyback Program II, through daily transactions in the market, according to the resolution of the EGM no. 2 art. 2 of 26.04.2018 (published in Part IV of the Official Gazette no. 1893 / 17.05.2018). The company has designated SSIF Swiss Capital SA to provide brokerage services.

The execution of the buyback program complied with the derogating conditions laid down in the market abuse legislation that allows transactions to be made within the issuer's closed periods (Article 5 par. (1) of EU Regulation 596/2014 and Article 4, paragraph 2) of the EU Delegated Regulation 1052/2016).

Between October 2 and 26, 2018, 89,656 shares were repurchased through direct market transactions, at the average price of RON 2.4927 / share.

On October 25, 2018, SIF Banat-Crişana informed the shareholders that, starting with October 29, 2018, the execution of the buyback program by daily transactions in the market launched on October 2, 2018, was suspended.

The reduction of the share capital

The EGM of SIF Banat-Crişana, held on April 26, 2018 approved the reduction of the share capital of SIF Banat-Crişana, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.4, following the cancellation of 2,539,276 own shares acquired by the company, in the buyback programs. Subsequently to the reduction, the share capital of SIF Banat-Crişana will have a value of RON 51,746,072.4, divided into 517,460,724 shares with a value of RON 0.10/share.

The Article 3 par. (1) of Company's Articles of Association shall be amended as a result of the reduction of the share capital and shall read as follows: *"The share capital of the company amounts to RON 51,746,072.4 and is divided into 517,460,724 shares of RON 0.10 each, allotted to shareholders as it results from the records entered in the shareholders' register."*

The Company submitted, within the legal term, to the approval of the Financial Supervisory Authority the operation of share capital reduction approved by the EGM of April 26, 2018.

On September 20, 2018, SIF Banat-Crişana informed the investors that, by Authorization no. 236/19.09.2018, the Financial Supervisory Authority authorized the changes in SIF Banat-Crişana's Articles of Association as a result of the share capital reduction from RON 52,000,000 to RON 51,746,072.4, as per Resolution no. 1/26.04.2018 of the Extraordinary General Meeting of SIF Banat-Crişana's Shareholders.

On October 10, 2018 SIF Banat-Crişana informed the investors that the Financial Supervisory Authority has issued the Registration Certificate of Financial Instruments under the number AC-168-4/10.10.2018 regarding the reduction of the company's share capital.

The share capital of the company was reduced from RON 52,000,000 to RON 51,746,072.40, divided into 517,460,724 shares with a nominal value of RON 0.10, following the cancellation of 2,539,276 own shares, as per Resolution no. 1/April 26, 2018 of the Extraordinary General Meeting of SIF Banat-Crişana's Shareholders.

The Company registered the operation of share capital reduction at the Trade Register Office and accomplished the operations of registering the share capital reduction at the capital market institutions.

Protection of personal data

Starting May 25th, 2018, Regulation (EU) 2016/679 (GDPR) on the protection of natural persons regarding the processing of personal data and on the free movement of such data is applied by all EU Member States.

To comply with the new legal provisions, SIF Banat-Crişana has updated its protection of personal data policy, made public on Company's website, www.sif1.ro, in *Protection of personal data*. This policy primarily describes what personal data the Company collects, the reason for their process and the rights of natural persons whose data are being collected and processed.

SIF Banat-Crişana safeguards the confidentiality of the information brought to its knowledge. Under this obligation, the Company undertakes to protect and make appropriate use of the personal data made available by the data subjects or a third party.

SIF Banat-Crişana lawfully processes the personal data to which it has access (e.g. on the basis of a consent of the natural person, a contract, legal obligations, legitimate interests of the Company), in order to ensure the access to the Company's website and the submission of Company's replies to the requests of the visitors of the Company's website, in compliance with the provisions of Regulation (EU) no. (EEC) no. 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

The processing of personal data is performed by automated and manual means, in compliance with the legal requirements and under conditions that ensure the security, confidentiality and respect of the rights of the data subjects.

The company will ensure compliance with all the principles laid down in Regulation no. 2016/679 on the processing of personal data to which it has access.

6. EVENTS AFTER THE REPORTING PERIOD

Transaction regulated under art. 82 of Law 24/2017

On January 28, 2019, SIF Banat-Crișana informed the shareholders about the acquisition of 7,500 unlisted corporate bonds with a nominal value of 2,000 Euro, issued by the company SIFI BH RETAIL S.A. Bucharest, a transaction regulated under the provisions of Article 82 of Law 24/2017.

The company SIFI BH RETAIL SA was established in 2014, having as main shareholder the company SIF IMOBILIARE PLC, subsidiary of SIF Banat-Crișana, that holds 99.9% of its share capital.

Preliminary financial results for 2018

On February 28, 2019, SIF Banat-Crișana announced the preliminary financial results for the year ended December 31, 2018, prepared according to IFRS, communicating to the market (BVB) and publishing on Company's website, www.sif1.ro

Announcement concerning asset valuation methods

On March 1, 2018, SIF Banat-Crișana informed the investors that, as per the provisions of the ASF Regulation no. 10 / 2015 (article 19) and the EU Regulation 231/2013 (articles 69-70), for reasons of stability and coherence, will maintain throughout the year 2019 the valuation policies and methods approved and implemented in the year 2018 according to the European and national regulations.

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, 2018 prepared pursuant to International Financial Reporting Standards adopted by the European Union and ASF Rule 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, 2018.

The Board of Directors proposes for the approval of the Ordinary General Meeting of Shareholders the appropriation of net profit for 2018 in one of two options:

Option I:

Appropriation of the net profit for the financial year 2018, in the amount of **RON 77,186,227** on the following destinations:

- **Dividends RON 26,903,295.54, representing a gross dividend of RON 0.052 /share,**

Approval of the date of October 11, 2019 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 50,282,931.46.**

In case of the approval of this distribution of profit, it becomes obsolete and it is removed from the agenda of the EGM convened for April 22 (23), 2019, the proposal for the approval a buyback program for the reduction of company's share capital (Program I), included on item 1 of the agenda of the said meeting.

Option II:

Approval of appropriation of the entire net profit for the year 2018, in the amount of RON 77,186,227 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 15,000,000 shares, to reduce the share capital by the cancelation of the 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 0.1;
- Maximum price per share: RON 4.38;
- 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 EGM convened for April 22 (23), 2019 the resolution of item 1 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 2018.

This report is accompanied by the following annexes:

ANNEX 1	Financial statements as at December 31, 2018, prepared pursuant to International Financial Reporting Standards adopted by the European Union and ASF Rule no. 39/2015
ANNEX 2	Statement of SIF Banat-Crişana assets and liabilities as at December 31, 2018 and the detailed statement of investments (as per Annexes no. 16 and 17 to Regulation no. 15/2004)
ANNEX 3	Amendments to the Articles of Association in 2018
ANNEX 4	Status of compliance with the Code of Corporate Governance issued by BVB
ANNEX 5	Statement on the compliance with the principles of corporate governance as per ASF Regulation no. 2/2016

The version prepared in Romanian of the Annual Report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crişana in the meeting held on March 15, 2019, revised and approved in final form in the meeting held on March 22, 2019.

Bogdan-Alexandru DRĂGOI

Chairman of the Board of Directors