PERFORMANCE RONNARU COMPANY LTD

DISCLOSURE AND MARKET DISCIPLINE 2017

May 2018

The Company's services and all relevant information are addressed only to institutional clients. The Company does not solicit nor onboard retail clients.

TABLE OF CONTENTS

1. Introduction

PERFORMANCE RONNARU COMPANY Ltd (hereinafter called the “Company”) obtained its license as an Investment Firm regulated by the Cyprus Securities and Exchange Commission (the “CySEC”), License no. 253/14, and has been operating since 12/2015.

The report is prepared in accordance with the requirements of Directive DI144-2007-05 and relevant regulations of the Cyprus Securities and Exchange Commission for the Capital Requirements of Investment Firms. The said Directive is based on three pillars:

1. Pillar I has to do with the standards that set out the minimum regulatory capital requirements

2. Pillar II covers the Supervisory Review Process which assesses the internal capital adequacy processes.

3. **Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to their risks, their capital and the risk management structures, policies and procedures they have in place.**

The Company makes this report available publicly on its website annually. This report relates to the year ended **31/12/2017** (The “Reporting reference date”), and to the Pillar III of the said Directive. Finally, the disclosures in this report are verified on a sample basis by the external auditor of the Company, Anthimos Leonidou and Partners LTD (www.leonidco.com).

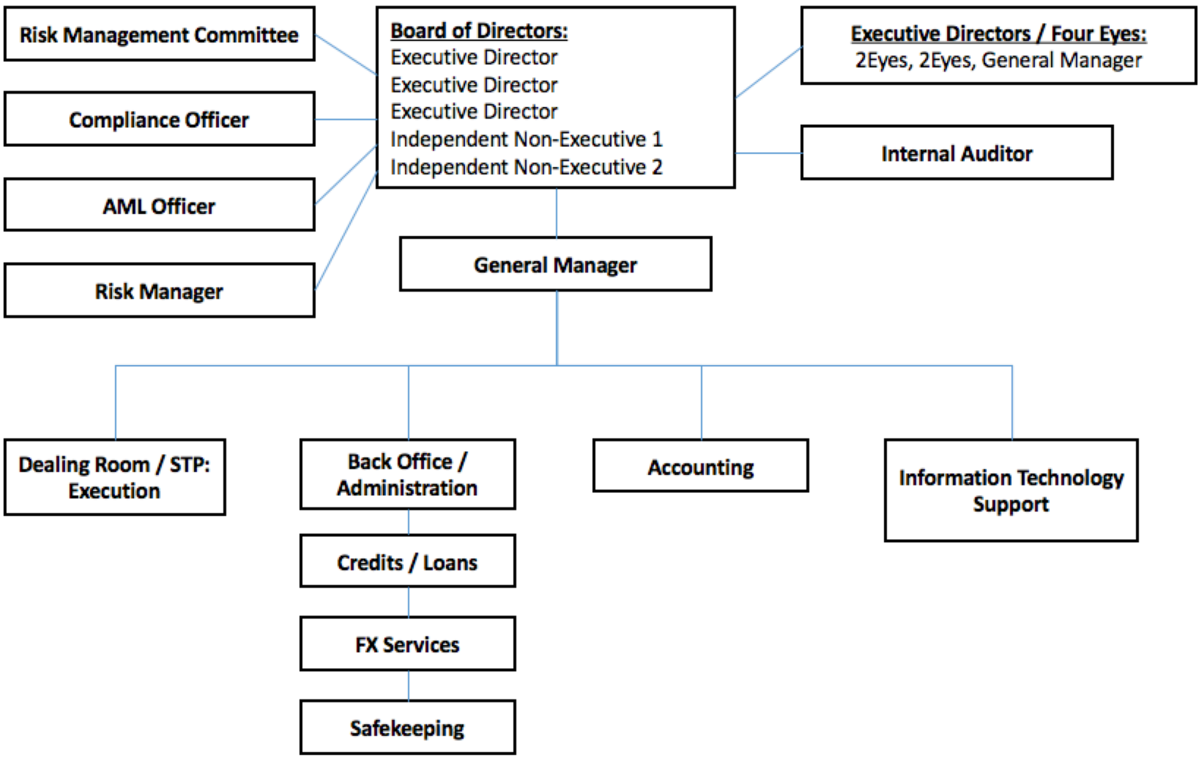
The Company’s services and all relevant information are addressed only to institutional clients. The Company does not solicit nor onboard retail clients / retail investors. The Company only onboards Eligible Counterparties.

Any information not contained in this report was either not applicable based on the Company’s business and activities, or such information is considered as proprietary to the Company. Sharing such information with the public would possibly undermine the Company’s competitive position.

2. Company services and brief Organizational structure

The Company offers a trading facility in financial instruments as a Market-Risk-LESS Principal (Straight-Through-Processing) model. More specifically, the Company's investment services comprise of Execution of Orders in a wide range of financial instruments, mainly over-the-counter contracts for difference and derivative contracts with underlying currency rates. The Company services only Institutional Clients / Eligible Counterparties.

General Organizational Chart



3. Risk Management Structure

The Company is exposed to a variety of risks referred to below in this present report. The Company actively manages the risks it is exposed with the involvement of a series of functions within, so as to protect both investor and Company interests.

From the level of Board of Directors & Senior Management, and their relevant Risk Management Committee, to the independent Internal Audit function, and down to the additional defense line of the Risk Management function, the Company identifies, assesses, manages and monitors risks taking into account the nature, scale and complexity of the activities undertaken in the course of business.

4. Board of Directors & Senior Management in place:

Is ultimately responsible for overlooking and directing the operations of the Company and approve objectives and strategic directions, as detailed in the Company's approved Internal Operations Manual (the "IOM").

5. Risk Management Committee in place:

Is composed as required by members of the Company's control functions, Senior Management and Board of Directors, to oversee the overall risk management system in place, establish relevant policies, and direct key risk management related decisions, as detailed in the Company's IOM.

6. Risk Management Function in place:

Is covered by the necessary expertise and follows the required processes as detailed in the Company's IOM for implementation and monitoring of Risk Management policies and needs. The Company operated its risk management function for the year of 2017 with an in-house risk management function.

7. Compliance Function in place:

Is covered by the necessary expertise and follows the required processes as detailed in the Company's IOM. Specifically, it is implementing a compliance monitoring program to ensure the overall compliance of the Company with laws and relevant directives imposed by the CySEC. The Company operated its compliance function for the year of 2017 with an outsourced expert service arrangement.

8. Internal Audit Function in place:

Is covered by the necessary expertise and follows the required processes as detailed in the Company's IOM. Specifically, it is implementing an internal audit program to independently review the Company's functions and activities and their adherence to processes, controls, and requirements.

9. Risk Management related policies for mitigating risk

The Company has various policies, embedded in its documentations and governing its operations, which aid to mitigate risks; the main being:

- Internal Procedures Manual
- Additional Departmental Manuals/Procedures
- Anti- Money Laundering and Terrorist Financing Manual
- On Information Security, Access/Password Protection, Backup
- Business Continuity Plan
- On Employees' Personal Transactions
- On Customer Complaint Handling
- ICAAP: Internal Capital Adequacy Assessment Process (finalized in 2017)

10. Capital Adequacy & Capital Management

A fundamental objective of the Company's management of capital is to ensure that the Company complies with regulatory/externally imposed capital requirements and that the Company maintains such compliant/healthy capital ratios at all times/continuously.

According to applicable legislation of the CySEC regarding Capital Adequacy of Investment Firms, the Company is obliged to submit to CySEC quarterly capital adequacy reports.

The CySEC may revise- or impose additional capital requirements for risks not covered by Pillar I.

As at the Reporting reference date and based on audited figures:

11. Capital Adequacy Ratio & Risk Weighted Assets

The Company's capital adequacy ratio as of end of year was as follows and the Company's Risk Weighted Assets were concentrated on the categories a., b., c. below:

Eligible Own Funds (I, II, III) & Capital Requirements /Risk Weighted Assets (a, b, c, d)	EUR '000
I. Original Own Funds (Tier 1 Capital)	186
II. Applicable Deductions	0
III. Total Eligible Own Funds	**186**
a. Risk Weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	26
b. Total Risk exposure amount for position, fx, and commodities risk	0
c. Additional Risk exposure amount due to fixed overheads (fraction of annual fixed overheads expenditure)	593
d. **Total Risk Exposure Amount**	**619**
Minimum Capital Adequacy Ratio [CySEC: min required for the Company is: 8%]	**30.05%**

12. Company Own Funds - Capital base

The composition of the capital base of the Company as of end of year was as follows:

As at the Reporting reference date:

Capital (Original Own Funds): Tier 1 (none of Tier 2)	'EUR 000
Share Capital	1
Share Premium	299
Reserves (Retained Earnings) / Audited Losses	(85)
Total Original own funds (before deductions)	215
Deduction Article 3 CCR (ICF contribution)	**(29)**
Total Own Funds [CySEC: min required for the Company is: 125]	**186**

13. Credit Risk

Credit Risk arises mainly from the inability of counterparties to honor contractual obligations or change in the credit premium that the market demands as an effect of the market perception of increased default risk.

Banks, Custodian-type third parties and Trading counterparts of the Company have been risk-assessed on creditworthiness. To minimize potential risks, the Company was using, for its own purposes/funds, reliable (EU &/or investment-grade) and diversified financial institutions in the EU region. The Company did not have any own financial instruments/positions.

As at the Reporting reference date:

Credit Risks (Standardized Approach) per Counterparty type EU (on-Balance Sheet):	'EUR 000
Public Sector Entities	0
Institutions	26
Corporates	0
Retail	0
Total Risk Weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**26**

14. Market Risk

Market Risk is the risk of losses in on- and off-balance-sheet positions arising from changes in market prices / adverse changes in market factors.

The Company mitigates such risk, as it operates a market-risk-LESS model of straight through processing / setting-off of transactions, and by closely monitoring same as part of its capital adequacy monitoring and reporting.

The Company follows the Standardized Approach for calculating the minimum capital requirements for market risk.

The main such risks are detailed below:

14.1. Currency Risk

Foreign Exchange Market risk is the risk that results from adverse movements in the rate of exchange. Foreign Exchange risk arises from positions (transactions, and recognized assets and liabilities; on- and/or off- balance sheet items) in currencies other than the Company's currency of operation, EUR.

>The Company mitigates such risk, as it operates a market-risk-LESS model of straight through processing / setting-off of transactions, and by closely monitoring same as part of its capital adequacy monitoring and reporting.

14.2. Interest Rate Risk

Interest Rate Market risk is the risk that arises from adverse movements in interest rates that affect the Company's on- and/or off- balance sheet items.

>The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The Company did not have any own position in securities meaning that its income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2017 the Company had no other interest bearing financial assets or liabilities than cash at bank, with interest at normal commercial rates.

14.3. Market-Asset Liquidity Risk

Market –Asset Liquidity Risk is the risk that the Company's tradable market assets become illiquid.

> The Company's management monitors on a continuous basis and acts accordingly. The Company did not have any own financial instruments/positions (securities), other than its cash-form capital, therefore was not exposed to such risk of asset illiquidity.

15. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Operational risk is one of the major risks that the Company is facing where errors, fraud or disruptions to service can have monetary or reputational cost.

>Particularly, the Company mitigates such risk as it applies the Four Eyes Principle as a risk mitigation factor of broad human error. It has also established procedures which ensure business continuity and disaster recovery. Furthermore, the Company applies transaction recording mechanisms, segregation of duties where feasible, and verification as necessary.

The Company follows the Fixed Overhead approach for the relevant risk measurements.

15.1. Operating-Cash Flow Liquidity Risk

Operating-Cash Flow Liquidity Risk is the risk that the Company will not be able to meet its financial obligations, and may arise, among others, when the maturity of assets and liabilities does not match.

>The Company closely monitors cash-flow in real time and aims to be aware, as far as possible, regarding future own financial obligations, to ensure to meet its liabilities when they are due.

15.2. IT Risk

IT risk is the business-impact risk associated with the ownership & operation, as well as involvement with, Information Technology.

>The Company mitigates this risk with adequate arrangements in place regarding back-up procedures, software maintenance, hardware maintenance, use of the internet-, and anti-virus- safety/safeguarding procedures.

15.3. Reputational Risk

Reputational risk occurs when negative publicity arising from customers, counterparties, shareholders or regulators regarding the Company's business practices affects the Company.

>The Company, in this respect, employs the following mitigation strategies:

- Strive to keep its customers satisfied
- The Company maintains good communication channels with customers
- The Company ensures that engagements with customers are governed by appropriate agreements and clear terms

- Information provided to customers is ensured to be fair, clear and not misleading. The Company reviews and approves any advertising and other material before they are being published.
- Prioritizes compliance with applicable regulations
- Maintains good relationships with counterparties

15.4. Remuneration Risk and Policy

Remuneration Risk is the risk that the remuneration structure/policy of the Company provides incentives to take risks that exceed the general level of risk tolerated by the Company, or to willingly act against interests of clients, therefore exacerbating excessive risk-taking behavior and giving rise to conflicts of interest with clients.

The Company set the Company-wide remuneration policy, approved by the Board of Directors.

>The Remuneration policy is maintained in line with regulatory requirements, the business strategy, objectives, values and long-term interests of the Company, such as sustainable growth prospects, and consistent with the principles relating to the protection of clients/investors in the course of services provided as required. In this way, the Company mitigates remuneration risk to the extent required and feasible.

The remuneration of the Directors and Senior Management of the Company is also governed by the aforesaid policy.

The policy enforces that, the remuneration offered by the Company to all relevant parties is a fixed one without any variable component; hence it does not entail practices which may carry high risk of creating conflicts of interest detrimental to the CIF's clients.

The remuneration of Executive Directors and Senior Management of the Company, as well as all staff, for the period referenced, comprised of fee/salary which had a fixed form and no variable element.

The remuneration of the Non-Executive Directors of the Company comprises of a fixed annual fee.

16. Communication / Enquiries

For any enquiries regarding this report and its contents of this report, please feel free to contact the Company at the website's contact details seen in the footer below, as well as at prc@cytanet.com.cy.

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