Risk Management Disclosures 2018

1. INTRODUCTION

According to the Cyprus Securities and Exchange Commission ("CySEC") paragraph 32(1) of Part II of the Directive DI 2014-144-14 (the "Directive") for the Prudential Supervision of Investment Firms, **Axia Ventures Group Ltd** (the "Company") and its subsidiaries (the "Group") has an obligation to disclose information on a consolidated basis relating to risks and risk management on an annual basis at a minimum as per Part Eight of regulation (EU) No 575/2013 "Disclosure By Institutions".

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements of the Company incorporate the results, position and cash flows of the Company's Branches "Axia Ventures - Athens Branch" which is registered and operates in Greece and "Axia Ventures (Group) Ltd - Lisbon Branch", which is registered and operates in Portugal.

The financial statements are the separate financial statements of the Company. The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a medium sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2018.

3. CREDIT RISK (Country Concentration Risk/Counterparty Concentration Risk/Cyclicality & Economic Risk)

In the ordinary course of business, the Group is exposed to credit risk, which is monitored through various control mechanisms. Credit risk arises when a failure of parties to discharge their obligations could reduce the amount of future cash inflows from financial assets at the reporting date.

A) Country Concentration Risk - The Group is dedicated to continuously diversify its funds in a number of countries limiting its concentration to any specific country. The Group will continue to monitor closely the financial and political situation in Greece and in the broader (European) region.

B) Counterparty Concentration Risk – The Group will continue diversifying its exposure to its main bank (Eurobank Group) by monitoring the performance, credit rating and overall financial position of its main bank but also of all other counterparties on an ongoing basis and making sure that clients' and own funds are only held with third parties of high credit standing and good reputation in line with the Group's internal policy. It must be noted here that the Group's research department monitors the banking system in Greece and Cyprus very closely as evidenced by the various research reports it prepares. This information is also received and reviewed by the Risk Manager in order to assess possible risks and impacts on the Group. Furthermore, the Group has established long-term relationships with all its banks and has direct communication with their top management.

C) Cyclicality & Economic Risk – The Group is looking forward to enhancing its due diligence processes, and its deep knowledge of the market conditions and the economic situation in all the countries it operates. In addition, the Group will be regularly monitoring and assessing any developments in the market, as well as the local and global economy.

The above measures have ensured that the Group has very successfully managed to retain active banking accounts in Cyprus and Greece without affecting its operational capacity and its capability to carry out stock exchange trades for its clients in both countries (Cyprus and Greece) in line with best execution principles.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk.

Capital requirement for Credit Risk under the Standardised Approach for 31 December 2018(*€'000)*					
Asset Class	**RWA**	**Capital Requirement**	**Less than 1 Year**	**Over 1 Year**	**Undefined**
Institutions	352	28	302	50	-
Corporates	4.398	352	4.398	-	-
Default	160	13	80	80	-
Equity	25	2	-	25	-
Other Items	493	39	255	-	238
Total	***5.428***	***434***	***5.035***	***155***	***238***

The maturity of fixed assets is classified as undefined. The investments in available for sale financial assets and the deposits in relation to the joint guaranteed fund are classified as over 1 year.

Exposures by asset class

Exposures by asset class for 31 December 2018 (€000)						
Type / Asset Class	**Institutions**	**Corporates**	**Default**	**Equity**	**Other Items**	**Total**
Property, plant and equipment	-	-	-	-	238	238
Investments	-	-	-	25	-	25
Other non-current assets	50	-	-	-	-	50
Trade and other receivables	-	4.237	160	-	255	4.652

Loans receivable	-	161	-	-	-	161
Cash and cash equivalent	302	-	-	-	-	302
Total	*352*	*4.398*	*160*	*25*	*493*	*5.428*

Credit Risk Hedging and Mitigation Policies

The table below presents exposure values before credit risk mitigation, per credit quality step. The Credit Quality Step (the ''CQS'') is based on the asset class and the credit quality rating of the counterparty. In cases where there is no credit quality rating available for a specific counterparty, the credit quality rating of the relevant country is taken into consideration. The values before credit risk mitigation represent the initial exposure value net of provisions.

Credit Risk Hedging & Mitigation Policies for 31 December 2018 (€000)						
Risk Weight	Institutions	Corporate	Default	Equity	Other Items	Total
CQS 1	32	169	-	25	-	226
CQS 2	-	-	-	-	-	-
CQS 3	99	1.388	-	-	349	1.836
CQS 4	181	2.666	160	-	144	3.151
CQS 5	-	-	-	-	-	-
CQS 6	-	-	-	-	-	-
N/A	40	175	-	-	-	215
Total	*352*	*4.398*	*160*	*25*	*493*	*5.428*

Fitch's external credit ratings have been used for the determination of the counterparties' and countries' credit quality ratings. The general External Credit Assessment Institutions (''ECAI'') association with each credit quality step complies as follows:

ECAI credit quality steps					
CQS	Fitch	Institutions		Sovereigns Risk Weight	Corporate Risk Weight
		Maturity up to 3 months	Maturity more than 3 months		
1	AAA to AA-	20%	20%	0%	20%
2	A+ to A-	20%	50%	20%	50%
3	BBB+ to BBB-	20%	50%	50%	100%
4	BB+ to BB-	50%	100%	100%	100%
5	B+ to B-	50%	100%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

Geographical Breakdown

The Geographical distribution of the Group's credit exposure is shown in the below table:

Geographical breakdown of Credit Risk as at 31 December 2018 (€'000)	
Type	**Amount**
Domestic Exposures	1.935
Non-Domestic Exposures	4.656
Total	***6.591***
CY	1.935
GR	3.827
MC	199
US	191
VG	165
GB	89
PT	48
NO	4
IT	50
KY	11
FR	32
BE	40
Total	***6.591***

Leverage Ratio

The Group's leverage ratio is shown in the table that follows:

Leverage Ratio as at 31 December 2018	
Type of Leverage Ratio	**%**
Fully phased-in definition of Tier 1	61,47
Transitional definition of Tier 1	61,47

4. MARKET RISK

Currency Risk

The Group is exposed to currency or foreign exchange risk which is the risk that the value of financial instruments will fluctuate due to changes in exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than the currency in which the Group operates. The Group is exposed to currency risk arising from transactions in different currencies. To minimise the exposure to currency risk, the Group has adequate cash in banks, both in EUR and in USD, to perform its transactions without the need to exchange currencies. Transactions in other currencies, such as GBP, are very few in number and irrelevant in value therefore there is immaterial currency risk on such transactions for the Group.

At any instance, the Risk Management Department monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The table below shows the Group's exposure to Currency Risk (Market Risk).

Exposure to Currency risk for 31 December 2018 €000			
	Assets (Long)	Liabilities (Short)	**Overall Net FX Position**
USD	281	31	**281**
Total	**281**	**31**	**281**
Foreign exchange risk			**281**
Capital Base			***4.052***
2 % Capital Base			**81**
Market Risk (8% of total foreign exchange risk)			***23***

Cash Flow and Fair Value Interest Rate Risk

Interest rate risk is the risk that the value of financial measures will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than cash at bank, which attracts interest at normal commercial rates, the Group has no other significant interest bearing financial assets or liabilities.

At 31 December 2018, a 10% strengthening or weakening of the Euro against foreign currencies would have (decreased)/increased profit or loss by €26K, assuming that all other variables, in particular interest rates, remain constant.

The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Liquidity Risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. When the maturities are unmatched, this potentially enhances efficiency but may also increase the risk of losses.

The Risk Management Department has implemented procedures to minimize related losses such as maintaining sufficient cash and other assets with high liquidity and maintaining an adequate amount of committed credit facilities.

As at 31 December 2018, the Group's exposure to liquidity risk is limited only to financial liabilities that are comprised of trade and other payables and bank overdrafts of €1.538.295 which have an average maturity term of approximately 90 days. The Group has no long term debt such as bank loans and overdraft facilities.

5. OTHER RISKS

Operational Risk (IT & Control Systems)

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters.

Information Technology risk is associated with various aspects of IT including cyber risk, weak IT infrastructure and out of date technology. Exposure to such risks could increase as a result of inadequate IT and processing, or arise from an inadequate IT strategy and policy, inadequate maintenance or inadequate use of the Group's IT. In addition, the Group has in place a Business Continuity Plan (thereafter the ''BCP'') which is reviewed and updated on an annual basis by the Group's IT Systems Administrator. A summary of the BCP is posted on the Group's website at the following e-address:
http://www.axiavg.com/images/pdf/AXIA_IT%20Business%20Continuity%20Framework.pdf

The Group's BCP addresses the consequences of IT risk. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. During 2018, materialization of this risk has been further minimized and is categorised as 'low' due to the following actions:

a) We have replaced AXIA's primary Network equipment with new one in our GR and CY Data Centers. The new equipment offers more stability, greater capabilities and minimizes downtime.

b) AXIA's Internet line has been upgraded in GR, CY and PT office, offering better redundancy between sites and faster data transferring.

c) Websites www.axiavg.com and www.axiavg.gr have been redesigned using the latest stable and secure version of WordPress CMS (Content Management System) that provides enhanced security against cyber-attacks.

The Group's systems are evaluated, maintained and upgraded continuously in order to minimize its exposure.

Reputation Risk

Reputation risk is the risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) which may result in a reduction to its clientele, reduction in revenue and/or legal cases against the Group.

The Group's management will remain very strict with reputational issues in order to minimize likelihood of penalties and fines and avoid losing customer and other counterparties' confidence. In addition, the Group will continue to cooperate with a marketing company whose aim is to monitor and take actions on behalf of the Group with respect to any adverse publicity that may arise (TV, web, newspapers, etc.). Also, the Group is dedicated to continuously enhance and implement policies and procedures and ensure that clients' information remains confidential and ensure the recovery of that information in case of system failure.

Strategic Risk

This could occur as a result of adverse business decisions, improper long-term planning and/or direction, incorrect implementation of decisions or lack of responsiveness to changes in the business environment. The Group's exposure to strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Group.

Business Risk (including Political and Sovereign Risk)

Business risk is the current or prospective risk to earnings and capital arising from changes in the business environment, including the effects of deterioration in economic conditions due to political risk. Political risk refers to external factors which are beyond the control of the Group, such as political developments and government actions specifically in Cyprus, Greece, Portugal, Italy, the EU and the United States, which may adversely affect the operations of the Group, its strategy and prospects.

Research on the economic, political, sovereign and market environments is conducted with a view to minimizing the Group's exposure to business risk. The relevant factors are analyzed and taken into consideration when implementing the Group's strategy and day-to-day actions.

More particularly, the Group's management monitors the developments in Cyprus, Greece, Portugal, Italy, the EU and the United States very closely and, when required, the Group's management acts proactively in all cases and takes the necessary actions in order to minimize any possible impacts on the Group, including making assessments for possible impacts to the credit institutions where the Group's and clients' funds are deposited.

Capital Management Risk

This is the risk that the Group will not comply with capital adequacy requirements. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Group is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures that the Group will continue as a going concern. Such procedures are explained in detail in the Policy and Internal Operations manual of the Group.

The Group is further required to report on its capital adequacy on a quarterly basis and has to maintain at all times a minimum capital adequacy ratio which is set at 8,00% plus Capital Conservation buffer ratio which is set at 1,875% as at 31/12/2018. The capital adequacy ratio expresses the capital base of the Group as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to ensure that the specific regulatory requirements are met. This is achieved through the preparation on a monthly basis of consolidated accounts to monitor the financial and capital position of the Group.

Furthermore, the Group is required to prepare and update its Internal Capital Adequacy Assessment Process (the ''ICAAP'') report on an annual basis. As the name of the report indicates, the ICAAP is an internal tool which allows the Group to assess its position and determine the amount of internal capital it needs to hold in order to be covered against all the risks it is facing or against the risks to which it may be exposed in the future.

The ICAAP falls under the scope of Pillar 2, which can be described as a set of relationships between the CySEC and the CIF, the objective of which is to enhance the link between an investment firm's risk profile, its risk management and risk mitigation systems, and its capital.

Legal and Regulatory/Compliance risk/Corporate Governance/AML

This is the risk the Group faces by not complying with applicable Laws and Directives issued by the relevant competent authorities. This risk could arise as a result of breaches or non-compliance with agreements or ethical standards. If materialized, this risk could trigger the effects of reputation and strategic risk. More specifically, this risk may result in the imposition of penalties from the regulatory authorities which may further lead to loss of clients due to bad publicity.

The Group's management has implemented effective controls and procedures and is dedicated to continuously enhance and implement policies and processes based on the latest regulatory requirements issued by the CySEC. Compliance with these rules will continue to be assessed on a constant basis by the Group Compliance Officer, the Anti-Money Laundering Officer, as well as by the Group's Internal Auditors who evaluate and test the effectiveness of the Group's control framework annually.

Please refer to the detailed internal procedures and policies implemented by the Group and reviewed by its Internal Auditors, KPMG Ltd. Specifically the following are in place:

a) The Group has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the CySEC; these can be found in the Group's Internal Operations Manual. Compliance with these procedures and policies is assessed and reviewed on a constant basis by the Group's Compliance Officer and is further assessed and reviewed by the Group's Internal Auditors who evaluate and test the effectiveness of the Group's control framework annually. Suggestions for improvement by the Internal Auditors are implemented by management. Therefore, the risk of non-compliance is moderate.
b) The structure of the Group is such so as to promote clear coordination of duties.
c) The management team consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Group's strategic targets and goals.
d) The Board of Directors holds meetings to discuss such issues and any suggestions for improvements are implemented by management.

e) During 2018 the Group receives advice from a number of legal firms in order to minimise its exposure to legal and regulatory/compliance risk.

All of the above measures taken by the Group have ensured that, as of today, there have been no incidents of non-compliance.

Regarding the AML risk, the Group is being very strict and demanding with regards to Money Laundering and Terrorist financing regulations, as listed in its Internal Operations handbook. Specifically, the items which are in place include but are not limited to the following:

a) All relevant procedures will be continuously adjusted/updated according to the relevant Laws and Directives issued by the CySEC.
b) The existing KYC procedures will be continuously followed.
c) The Group will strictly follow the risk-based approach for its Customer Due Diligence as defined by the CySEC.
d) The Group will retain its standard practice to always receive any clients' cash through banking institutions and not directly by the clients. In case of a cash deposit, the Group has in place adequate procedures to assess the situation accordingly and therefore mitigate any risks emanating from this.

The Group's management has implemented effective controls and procedures so as to minimize these risks to 'medium'.

On January 3rd 2018, MiFID II came into effect. MiFID II has and will continue to have a significant impact on the Financial Markets Ecosystem and it presents a set of both strategic and commercial challenges. Cyprus legislation was updated on 7th July 2017 with the publication in the Official Gazette of Cyprus of Law 87(I)/2017.

Furthermore, on May 25th 2018, the EU's General Data Protection Regulation (''GDPR'') came into effect. This regulation is the most important change in data privacy regulation in the last 20 years and will fundamentally reshape the way in which data is handled.

The Group took all necessary measures so as to update and amend its internal procedures, policies, systems and the Internal Operations handbook to comply with the provisions of the two new regulations. Material changes to the Group's internal regulations and other key documents were approved by the board of directors on the 11th of May and the 23rd of November 2018 respectively.

The main updates of the Internal Procedures as regards to MiFID II include but are not limited to general amendments of the internal procedures, enrichment of the competences and obligations of the employees affected as per the legislation, enhancement of the procedures as regards the investor protection, introduction of new procedures or concepts, addition of new rules as regards the protection of the customers' assets and other necessary changes.

In the context of incorporating the amendments emanated from the MiFID II but also from the GDPR, the necessary changes have been made to the contracts between the Group and its clients. Retail clients, who receive investment advice services, have signed the new investment advice agreement, have completed the relevant questionnaire and they received the required statutory information from the Group as required by MiFID II.

The Internal Auditors of the Group have independently evaluated the effectiveness of the Internal Procedures of the Group. According to their report, there were only two low-risk recommendations against which the Group will take the required actions.

With respect to corporate governance, the Group ensures that the relevant framework is implemented as follows:

a) Wherever applicable, explicit and implicit contracts are made between the Group and the stakeholders for the distribution of responsibilities, rights and rewards.
b) Procedures are in place for reconciling the sometimes potentially conflicting interests of stakeholders in accordance with their duties, privileges and roles.
c) Procedures are in place for proper supervision, control and information-flows to serve as an internal control mechanism.
d) The Group continuously evaluates its personnel needs to ensure that each position (either vacant or filled) has its job description, objectives and that the employee's knowledge, skills and expertise are sufficient for the specific position. In case of a vacant position, use of the above information is made for the selection of the new employee.
e) The Group has a Risk Manager that continuously assesses all possible risks and presents to the Group's Board of Directors at least on an annual basis his report in relation to the evaluation of the Company's risk management policies, arrangements and procedures.

6. CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored by reference to the rules established by the Basel Committee as adopted by CySEC. The Group is subject to compliance with paragraph 32(1) of Part II of the Directive DI 2014-144-14 (the "Directive") for the Prudential Supervision pursuant to Part Eight of regulation (EU) No 575/2013 "Disclosure By Institution". Basel II consists of three pillars: (i) minimum capital requirements, (ii) supervisory review process and (iii) market discipline.

Pillar I – Minimum Capital Requirements

The Group adopted the Standardised approach for Credit and Market risk and the Basic Indicator approach for Operational risk.

According to the Standardised approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, after the consideration of various mitigating factors, according to the exposure class to which they belong. For exposures with institutions, the risk weight also depends on the term of the exposure (more favorable risk weights apply where the exposure is under three months). The categories of exposures the Group is exposed to with regards to credit risk are deposits with banks, other assets and fixed assets.

For operational risk, the Basic Indicator approach calculates the average, on a three year basis, of net income to be used in the risk weighted assets calculation. This includes the average over a three-year period of net brokerage commission, income from provision of investment banking and other financial services, interest income and fees from research services.

Pillar II – The Supervisory Review Process (the ''SRP'')

The SRP provides rules to ensure that adequate capital is in place to support any risk exposures of the Group in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Group.

Pillar II connects the regulatory capital requirements to the Group's ICAAP and establishes a process of prudential interaction that complements and strengthens Pillar I by promoting an active dialogue between the regulator and the Group such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the Group, are identified and managed effectively through the enforcement of additional controls and mitigating measures.

The ICAAP comprises all the measures and procedures adopted by the Group, with the purpose of ensuring:

a) The appropriate identification and measurement of risks,
b) An appropriate level of internal capital in relation to the Group's risk profile, and
c) The application and further development of suitable risk management and internal control systems and tools.

Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Group, as well as the results of the calculation of minimum capital requirements, together with concise information as to the composition of original own funds. In addition the results and conclusions of ICAAP are disclosed.

According to the Directive, the risk management disclosures should be included in either the financial statements of the CIFs if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the CIF. The CIF is responsible to submit its external auditors' verification report to CySEC. The Group includes its risk management disclosures on its website www.axiavg.com as it does not publish its financial statements. Verification of these disclosures are made by the Group's external auditors Messrs. Deloitte Ltd and submitted to CySEC within the stipulated timeframe.

Capital Requirements

The primary objective of the Group's capital management is to ensure that the Group complies with externally-imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8,00% plus 1,875% for Capital Conservation Buffer. CySEC may impose additional capital requirements for risks not covered by Pillar I.

Throughout 2018, the Group has fully complied with all externally imposed capital requirements as shown in the table below.

Pillar 1 Capital requirements for 31 December 2018 (€'000)		
Risk Type	**RWA**	**Capital requirements**
Credit Risk	5.428	434
Market Risk	281	23
Operational Risk	13.966	1.117
Total	*19.675*	*1.574*
Capital Adequacy Ratio – Pillar 1		**20,59%**
Own Funds – Capital Base		4.052
Minimum CAD ratio		**8,00%**
Capital Conservation Buffer ratio		**1,875%**
Capital Surplus		**2.478**

Under the Directive, Own Funds consist mainly of paid up share capital, share premium and other reserves less any proposed dividends, revaluation reserves and un-audited current year losses. Current year profits are not added to own funds unless these are audited.

7. RETURN ON ASSET RATIO

The Group's return on asset ratio is shown in the below table:

Return on Asset Ratio as at 31 December 2018	
	%
Return on Asset Ratio	-36

8. REMUNERATION POLICY

As part of the Group's human resources policy, its focus on performance management and its commitment to the retention and ongoing development of its staff, the Group operates an annual Performance Appraisal Program for all its employees.

The main purpose of the annual Performance Appraisal Program, which is managed by the Group's Human Resources Department, is to ensure that, at least once a year, employees and their managers meet to discuss individual and team performance, development and other issues, as well as elaborate on and discuss various pertinent subjects in a formal manner.

Following the completion of the annual Performance Appraisal, the managers of the individual departments make recommendations to the Group's Managing Directors, who are responsible for the approval of salary levels and bonuses. Changes in salaries and bonuses lie at the absolute discretion of the Group Managing Directors, all three of whom have to approve and authorize them before they can be processed.

The remuneration for 2018 is presented in the table below.

	Investment banking (€000)	Brokerage (€000)	Other (€000)	Total (€000)
Senior management – fixed remuneration	747	277	390	1.414
Senior management – cash remuneration	100	51	130	281
Total	**847**	**328**	**520**	**1.695**
Ratio Cash Vs Total	12%	16%	25%	17%
Number of employees	3	4	4	11

The above table shows the emoluments/number of people whose professional activities have a material impact on the risk profile of the Group as defined by CySEC and Part Eight of regulation (EU) No 575/2013 “Disclosure by Institutions”.