Risk Management Disclosures

Financial Year ended 31 March 2020

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1. INTRODUCTION

According to the Cyprus Securities and Exchange Commission ("CySEC") Directive DI 2014-144-14 & 14A for the Prudential Supervision of Investment Firms (the "Directive"), the firms that fall under consolidated supervision have an obligation to disclose information on a consolidated basis relating to risks and risk management on an annual basis at a minimum, in accordance with Part Eight of Regulation (EU) No. 575/2013 (the "CRR"). Axia Ventures Group Ltd (the "Company") and its subsidiaries fall under Consolidated Supervision ("CS") at the level of Axia Financial Group Ltd, a financial holding company registered in the UK.

Companies that fall under CS

The Group entities considered to fall under Consolidated Supervision at the date of publication of this document, are the following:

Name of Company	Country of incorporation	Regulated / Non-Regulated	Basis of Consolidation for regulatory purposes	Principal activity
Axia Ventures Group Ltd	Cyprus	Regulated entity	Full Consolidation	Investment Company
Axia Financial Group Ltd	UK	Non-Regulated entity	Full Consolidation	Holding Company
Axia Capital Markets Holdings, Inc	US	Non-Regulated entity	Full Consolidation	Holding Company
Axia Capital Markets, LLC	US	Regulated entity	Full Consolidation	Capital Acquisition Broker

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Axia Ventures Group'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 Axia Ventures Group's 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 March 2020.

3. GOVERNANCE ARRANGEMENTS

The Group implements and maintains risk management policies and procedures within each Group entity which identify and manage the risks relating to its activities, processes and systems, and where appropriate, set the level of risk tolerated by the Group. The Group has adopted arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

Group entities' risk management framework is based on the same risk architecture, strategy and principles which are then adapted to fit the applicable regulation, business model and surrounding risk. It is therefore ensured that all different types of risks assumed by the Group are in compliance with the applicable regulatory framework and the obligations of the Group under that framework, and that all the necessary procedures relating to risk management are in place. Risk within the Group is managed according to common principles and policies.

The Board considers that the risk management arrangements and internal controls in place throughout the year under review have been effective and adequate to safeguard the interests of the Group's stakeholders, their investments and the Group's assets.

In view of the above, the Board of Directors considers that the risks faced by the Group throughout the year have been adequately managed and retained within the Group's acceptable risk tolerance limits.

Reporting and Control

In order for the Group to have in place procedures which will allow it to monitor its exposure in risky areas, it undertakes certain reporting requirements towards the top management where the decision-making is being carried out. All the supervisory functions within the Group (i.e. Compliance, AML Compliance, Internal Audit and Financial Control functions where these are formed) have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that these will be resolved through the guidance of the management body.

Board of Directors Recruitment Policy

The recruitment process of Board Members combines an assessment of both technical capability and competency skills. Criteria shall include, as relevant:

- Good repute;
- Skills, knowledge and expertise.

All Group Board members were selected on a basis of well-known individuals, of good repute, have a strong educational background and possess sufficient knowledge, skills and experience which empower

the understanding of the Group's activities, including principal risks. All members are University graduates.

These characteristics are matched against the Group's framework and used to assess their applicability.

The Group must ensure that it devotes adequate human and financial resources to the induction and training of the members of the Board of Directors. The purpose of this training is to facilitate the new member's clear understanding of his or her role and the Group's structure, business model, risk profile and governance arrangements.

Diversity Policy

The Group recognizes the benefits and necessity of an adequately diverse Board of Directors throughout the Group entities which includes and utilizes all the differences in certain characteristics and skills of the Directors. The Group aims to promote a balanced working environment where the educational and professional background, skills, experience, qualities, professionalism and other backgrounds, such as the temperament and perspective of the Directors, irrespective of gender, age, race, ethnicity and other discriminating criteria, enable each of them to contribute individually.

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition.

Risk Appetite Statement

Managing risk effectively in an adverse, complex and continuously changing risk environment requires a strong risk management culture. To this end, the Group has established an effective risk oversight structure within the separate entities of the Group and monitored by the necessary internal organizational controls to ensure that it identifies and manages risks adequately, establishes the appropriate policies and procedures, sets the relevant limits and complies with the relevant legislation.

The Group strives to have an appropriate control environment and sufficient capital in place to mitigate the level of risk it assumes in its business.

The Board within each Group entity communicates the Risk Appetite throughout the group through a number of key Risk Appetite measures which define the level of risk acceptable across the below categories and is applied individually to the Group entities:

- **Financial:** Market, business, liquidity and credit risks;
- **Reputational:** Regulatory, political and external reputational risk;
- **Operational:** The risk associated with the failure of key processes or systems as well as the risk of human error and natural disasters.

4. OWN FUNDS

Composition of Own Funds and Capital Adequacy Ratio

Own Funds components	31 March 2020
	€'000
Common Equity Tier 1 Capital before deductions*	**2.166**
Deductions from Common Equity Tier 1 Capital	
Intangible Assets	(3)
ICF Contribution	(91)
Total Deductions	**(94)**
Common Equity Tier 1 Capital after deductions	**2.072**
Additional Tier 1 Capital	-
Tier 2 Capital	-
Total Own Funds	**2.072**
Capital Requirements	
Credit risk	308
CVA Risk	-
Market Risk	13
Operational Risk	1.170
Additional capital requirements for the large exposure excess in the Trading Book	-
Total Capital Requirements	1.491
Capital Adequacy Ratio	**11,12%**

* Common Equity Tier 1 Capital includes Share Capital, Share Premium, Retained Earnings, Audited profit/(loss) for the period.

Own Funds disclosure template under the transitional and fully-phased-in definition

At 31 March 2020	Transitional Definition €'000	Fully - phased in Definition €'000
Common Equity Tier 1 capital: instruments and reserves		
Common Equity Tier 1 (CET1) capital before regulatory adjustments*	**2.166**	**2.166**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(3)	(3)
Investors Compensation Fund	(91)	(91)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(94)**	**(94)**
Common Equity Tier 1 (CET1) capital	**2.072**	**2.072**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**2.072**	**2.072**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**2.072**	**2.072**
Total Risk Weighted Assets	**18.628**	**18.628**
Capital ratios and buffers		
Common Equity Tier 1	11,12%	11,12%
Tier 1	11,12%	11,12%
Total capital	**11,12%**	**11,12%**

* Includes Capital instruments and the related share premium accounts, Retained earnings

5. PILLAR III REGULATORY FRAMEWORK

The CRR is directly applicable as a Single Rule book by all Member State institutions, whereas the Directive 2013/36/EU has been transposed by all member state regulatory authorities into local legislation. The transposed Directive of CySEC is Directive DI144-2014-14 & 14A ("the Directive"). In addition, CySEC has issued Directive DI144-2014-15 which includes some national discretions arising from the Regulation.

The disclosures included in this document are prepared on a consolidated basis and reflect the consolidated Pillar I regulatory submissions of the Group as at 31 March 2020.

The regulatory framework consists of three Pillars:

- **Pillar I** sets out the minimum capital requirements;
- **Pillar II** requires an assessment of the capital requirements in light of any specific risks not captured, or not adequately captured, in the Pillar I calculations; and
- **Pillar III** seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management practices.

To this respect, the Group prepares the present Pillar III Disclosures report with the purpose of setting out both quantitative and qualitative information required in accordance with Part Eight of the Regulation (Articles 431 to 455).

The Regulation provides that an entity may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Group has considered a disclosure to be immaterial, it has stated so in this document.

The Regulation also permits an entity to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The European Banking Authority ("EBA") defines proprietary as "…if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable." Information is considered as confidential "if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality." Where the Group has omitted information for either of these two reasons, it has stated this in the relevant section together with the reasons for this.

Basis and Frequency of Disclosure

This document represents the disclosures of Axia Group, in accordance with the Pillar III requirements. These disclosures are made mainly in order to give information on the risks faced by the Group and how these are dealt with, as well as the basis of calculating the Group's capital requirements.

The Group's policy is to publish the Pillar III disclosures on an annual basis on its website. The report can be found at: (http://www.axiavg.com)

All disclosures made, prior to being published, were reviewed and verified by the Board of Directors which has the ultimate responsibility of the Pillar III disclosures. These Pillar III disclosures are based on information as at 31st of March 2020, Axia Group's financial year.

During the year the decision was taken by the Group to change the Financial year end from 31 December to 31 March.

Scope of Application

The Group's management, in accordance with the provisions of Part Eight of the CRR for the prudential supervision of investment firms, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The information provided in this report is based on policies and procedures followed by the Group to identify and manage risks for the year ended 31 March 2020, as well as additional information.

The Group is preparing the disclosures on a consolidated basis.

This information has been prepared for the purpose of explaining the basis on which the Group has determined and disclosed certain capital requirements and information about the management of risks relating to those requirements and for no other purpose. This document does not constitute any form of financial statement on the Group, nor does it constitute any current or future record or opinion of any business within the Group and must not be relied upon in making any judgement about the Group.

6. 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, as well as in the US.

B) Counterparty Concentration Risk – The Group mitigates this risk by closely monitoring important clients on which a great portion of its income depends. In addition, the Group will continue diversifying its exposure to its main banker (Eurobank Group) by monitoring the performance, credit rating and overall financial position of all counterparties on an ongoing basis and make sure that client and own funds are only held with third parties of high credit standing and good reputation, as indicated by its internal policy.

C) Cyclicality & Economic Risk – The Group has put in place enhanced due diligence processes and has deep knowledge of the market conditions and the economic situation in all the countries it operates. In addition, the Group is committed to continue to regularly monitor and assess developments in the market and the local and global economy in general.

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.

Credit risk and Impairment risk

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Expected credit loss allowance

The Group follows the guidance of IFRS 9 in calculating the expected credit loss allowance for financial assets, trade and other receivables and cash and cash equivalents. In making this judgment, the Group evaluates the key assumptions in determining the loss rate to be used.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain

Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors)

The table below outlines the Group's exposures by asset class net of any specific provisions and before applying Credit Risk Mitigation:

Asset Classes – 31 March 2020	Original exposure amount, net of specific provisions	Average exposure
	€'000	€'000
Institutions	768	630
Corporates	2.844	5.219
Exposures in default	40	61
Equity	15	21
Other Items	777	430
Total	**4.444**	**6.361**

The table below outlines the Group's exposures by asset class and geographic area of the counterparty, net of any specific provisions and before applying Credit Risk Mitigation:

Exposures per Asset Class per region of Counterparty– 31 March 2020	Monaco	Greece	Cyprus	Other	Total
	€'000	€'000	€'000	€'000	€'000
Institutions	305	335	26	101	768
Corporates	-	630	1.635	579	2.844
Exposures in default	-	40	-	-	40
Equity	-	-	-	15	15
Other Items	-	86	658	33	777
Total	**305**	**1.092**	**2.319**	**728**	**4.444**

Exposures by asset class

The table below outlines the Group's exposures by asset class and industry area net of any specific provisions and before applying Credit Risk Mitigation:

Exposures by Asset Class by Industry Segment – 31 March 2020	Banking/Financial services	Other	Total
	€'000	€'000	€'000
Institutions	768	-	768
Corporates	-	2.844	2.844
Exposures in default	-	40	40
Equity	15	-	15
Other Items	-	777	777
Total	**783**	**3.661**	**4.444**

The table below outlines the Group’s exposures by asset class and residual maturity net of any specific provisions and before applying Credit Risk Mitigation:

Allocation of exposures by residual maturity – 31 March 2020	Up to 3 months	More than 3 months	Total
	€'000	€'000	€'000
Institutions	655	113	768
Corporates	-	2.844	2.844
Exposures in default	-	40	40
Equity	-	15	15
Other Items	-	777	777
Total	**655**	**3.788**	**4.444**

Credit Risk 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 Quality Step – 31 March 2020	Exposure values before Credit Risk Mitigation	Exposure values after Credit Risk Mitigation
	€'000	€'000
CQS 1	183	183
CQS 2	1	1
CQS 3	208	208
CQS 4	2.360	2.360
CQS 5	1.092	1.092
CQS 6	-	-
Unrated	600	600
Total	**4.444**	**4.444**

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 (“CQS”) 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%

Countercyclical Capital Buffer

As set out in the CRDIV, an institution-specific countercyclical buffer is calculated as the product of the institution’s total risk exposure amount, and the institution-specific countercyclical capital buffer rate, which consists of the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the institution are located.

The geographical breakdown of the risk weighted exposures used for the calculation of the Group’s institution-specific Countercyclical Capital Buffer rate, is presented in the table below:

Countries	General Credit Exposures		Trading Book Exposure		Own Funds Requirements			Own Funds Requirements Weights	Countercyclical Buffer Rate
	SA	IRB	SA	IRB	General Credit Risk Exposures	Trading Book Exposures	Total		
	(€’000)							%	
Cyprus	184	-	-	-	183	-	183	62,14%	0,00%
Greece	67	-	-	-	62	-	62	20,94%	0,00%
Monaco	5	-	-	-	-	-	-	0,00%	0,00%
USA	4	-	-	-	2	-	2	0,85%	0,00%
BVI	24	-	-	-	24	-	24	7,97%	0,00%
Great Britain	6	-	-	-	6	-	6	2,19%	0,00%
Italy	15	-	-	-	15	-	15	5,01%	0,00%
Portugal	3	-	-	-	2	-	2	0,83%	0,00%
Total	**308**	**-**	**-**	**-**	**295**	**-**	**295**	**100,00%**	

Further information on the total risk exposure amount and the institution-specific countercyclical buffer rate and capital requirement, is provided by the table below:

Amount of institution-specific countercyclical capital buffer (€'000)	Amount (€'000)
	31 March 2020
Total risk exposure amount	18.628
Institution specific countercyclical buffer rate	0,001%
Institution specific countercyclical buffer requirement	0,1401

Leverage Ratio

The Basel III framework introduced a simple, transparent, non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements. The Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the total exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014, amending the Regulation with regards to the Leverage Ratio. The Leverage Ratio is calculated at the end of each quarter.

The minimum requirement for the purposes of Leverage Ratio is currently assessed at 3%. The Group's Leverage ratio as at 31st of March 2020 was 46,42%.

The table below, provides a reconciliation of accounting assets and Leverage Ratio exposures:

Summary reconciliation of accounting assets and Leverage Ratio exposures	
31 March 2020	Applicable Amounts €'000
Total assets as per consolidated financial statements	4.340
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-
Other adjustments	104
Total Leverage Ratio exposure	**4.444**

The table below provides a breakdown of the exposure measure by exposure type:

Leverage Ratio common disclosure	
31 March 2020	Leverage Ratio exposures €'000
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4.538
(Asset amounts deducted in determining Tier 1 capital)	(94)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**4.444**

Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off-balance sheet)	
Capital and total exposures	
Tier 1 capital	2.072
Total Leverage ratio exposures	**4.444**
Leverage ratio	
Leverage Ratio	**46,62%**

The table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class:

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
31 March 2020		**Leverage Ratio exposures €'000**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**4.444**
EU-2	**Trading book exposures**	-
EU-3	**Banking book exposures, of which:**	**4.444**
EU-7	Institutions	768
EU-10	Corporate	2.844
EU-11	Exposures in default	40
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	792

Description of the processes used to manage the risk of excessive leverage

The Leverage Ratio is monitored at least on a quarterly basis to ensure it always remains well above the suggested minimum limit of 3%.

Factors that had an impact on the Leverage Ratio during the period

The Leverage Ratio of the Group over the financial year 2020 ranged between 51,96% to 64,50%. The reason for this fluctuation is the fluctuation of the Group's exposure measure and Tier 1 capital throughout the period.

7. MARKET RISK

Currency Risk

Currency Risk 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 Risk Management Department monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The Group's exposure to this risk is minimal as the majority of bank balances, as well as

other assets and liabilities, are maintained in its reporting currency (Euros). As at 31 March 2020, the Currency Risk exposure of the Group related to some balance sheet items that were denominated in USD and GBP.

The Group's management closely monitors such developments in order to take any proactive measures to reduce/eliminate such risks.

The Standardized Approach is used for measuring Market Risk. The table below shows the Capital Requirements for Market Risk as at 31st March 2020:

Risk Type – 31 March 2020	RWA	Minimum capital requirement
	€'000	€'000
Market risk		
of which FX market risk	160	*13*
Total	**160**	**13**

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.

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 Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

8. 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 and other external events.

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 2020, materialization of this risk has been further minimized and is categorised as 'low' due to the following actions:

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

b) 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.

c) The "Cisco Ironport Antispam" was added to AXIA's network infrastructure in order to make it even more secure.

d) A "Hybrid Cloud" Microsoft Exchange Server was created by AXIA's IT department in cooperation with our IT associates which is located in the UK, that minimizes even further the downtime of AXIA's Network in case of systems failure.

The Group's systems are evaluated, maintained and upgraded continuously in order to minimize its exposure to this risk. The Group's Management has implemented effective controls and procedures so as to minimize this risk to "Low".

Capital requirements for Operational Risk

The Group uses the Basic Indicator Approach for measuring its minimum capital requirements for Operational Risk. Under the Basic Indicator Approach, the capital requirement for Operational Risk is equal to 15% of the average total net income from activities over three years. As a result, the Group's capital requirements for Operational Risk as at 31st of March 2020 amounted to €1.170 thousand and the RWAs amounted to €14.624 thousand.

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 and/or revenue, and/or in legal cases against the Group. To this end, the Group's management will remain very cautious with reputational issues in order to minimize the likelihood of penalties and fines and avoid losing customers' 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.). The Group is also dedicated to continuously enhance and implement policies and procedures and ensure that clients' information remains confidential and to guarantee the recovery of that information in case of system failure. Despite the mitigating measures taken by the Group's management, due to the inherent element of this risk, the risk rating remains "Medium" even after the controls that are currently in place.

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 unfavorable political circumstances. Political risk refers to external factors which are beyond the control of the Group, such as sovereign developments and government actions taking place specifically in Cyprus, Greece, Portugal, Italy and the EU, in general, as well as in the US, which may adversely affect the operations of the Group, its strategy and vision. More specifically, this risk may result in lower volume of transactions or loss of clients and also in an increase of bad debts. The Group is committed to continue the ongoing monitoring of the political situation in Greece and other important markets and, in case there are indications for an adverse impact on its business or the business of its related entities, the Group is committed to take proactive measures to mitigate or eliminate the effect of this impact.

Research on the economic, political, sovereign and market forecasts is conducted with a view to minimizing the Group's exposure to Political & Sovereign and Business Risks. These 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. However, despite the mitigating measures taken by the Group's management, due to the largely and inevitably inherent element of this risk, the risk rating remains "High".

Capital Management Risk

This is the risk that the Group will not comply with capital adequacy requirements, or be unable to raise capital when unexpectedly required. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern at both Solo and Consolidated level, 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 Management Risk. Specifically, it is required to test both the amount of its capital and the level of its CAD Ratio against regulatory requirements and ensure that they both remain above the minimum regulatory thresholds at Solo and Consolidated level , as well as any additional capital requirements that may result from its ICAAP.

Moreover, the Group is required to report to CySEC the results of its Pillar I capital adequacy calculations on a quarterly basis (Solo and Consolidated). Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. 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 ICAAP report on an annual basis. As previously discussed, 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.

This ultimately ensures that the Group will continue as a going concern. Due to these mitigating factors, this risk type is decreased to “Low”.

The ICAAP process is currently ongoing as of the date of this report and will be updated at least on an annual basis and will be presented and analysed in an ICAAP report.

Legal and Regulatory/Compliance risk/Corporate Governance/AML

This is the risk that Group face 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, approved practices, accounting or ethical standards. Moreover, Regulatory Corporate Governance Risk is the risk of failing to comply with regulatory expectations regarding internal governance. If materialized, these risks could trigger the effects of Reputation and Strategic Risk. More specifically, they 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 based on the latest regulatory requirements issued by CySEC. The Group is dedicated to continuously enhance and implement policies and procedures in order to remain at all times compliant with CySEC requirements and expectations. Compliance with these rules will continue to be assessed on a constant basis by the Compliance Officer, as well as by the Internal Auditors of each regulated entity, who evaluate and test the effectiveness of the Group’s control framework annually. The Group will continue to have policies in place and periodically enhance them so as to make sure that its corporate governance is structured in a way that ensures regulatory compliance and meets CySEC’s expectations. Through these measures, the Group considers that it manages to mitigate this risk to a degree that its profile becomes “Medium”.

Please refer to the detailed internal procedures and policies implemented by the Group and reviewed by its Internal Auditors, KPMG Ltd as set out below:

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) The Group received 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. In addition, the Group's regulated subsidiary in the USA, Axia Capital Markets, LLC, implements a series of policies, procedures and controls in order to ensure that it complies at all times with the regulatory requirements to which it is subject.

Regulatory AML Risk is the risk of failing to identify and report money laundering activities and/or being used as an instrument for money laundering. The Group is very strict and demanding with regards to Money Laundering and Terrorist financing regulations. 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, to specifically apply to certain circumstances and enhanced to be more complete and comprehensive..
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'.

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.

9. 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 pursuant to Part Eight of the CRR ("Disclosure By Institutions"). Basel III 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 and Evaluation Process (the ''SREP'')

The SREP 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 that is either not fully addressed, or not addressed at all in Pillar I, and may include but not be limited to, Country Concentration Risk, Reputation Risk, Regulatory Compliance Risk, Business and Strategic Risk.

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/Group if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the CIF/Group. The CIF/Group 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 activities and maximize 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.

Under the CRR and the Directive, the Company shall retain a Capital Adequacy Ratio that exceeds at all times the Regulatory Minimum requirement of 8% plus the Combined Buffer requirement which consists of (a) the Capital Conservation Buffer, (b) the Institution-specific Countercyclical Capital Buffer and (c) the Systemic Risk Buffer (when applicable) – at both Solo and Consolidated levels. As of 31st of March 2020 the Capital Conservation Buffer stood at 2,50% and the Institution-specific Countercyclical Capital Buffer was calculated at 0,001%, while the Company/Group was not subject to a Systemic Risk Buffer, thus the minimum required threshold for the Company's and the Group's CAD Ratio was 10,501% (lower than its actual CAD Ratio). As at 31st of March 2020, the Group's Capital Adequacy Ratio stood at 11,12%, and therefore exceeded the minimum required threshold of

10,501%. Throughout the year under review, the Group has fully complied with all externally imposed capital requirements.

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.

10. REMUNERATION POLICY

The Group designs and applies a set of remuneration policies and practices within each entity of the Group in order to comply with the requirements of the European and national legislation. The Remuneration Policy is designed in such a way so as to contribute to the achievement of the strategic goals and the mission of the Group and ensure its productivity and long-term interests. At the same time, the Remuneration Policy aims at promoting appropriate and efficient risk management while ensuring the avoidance of excessive risk-taking and the creation of conflicts of interest. The Board of Directors of each separate entity within the Group is responsible for the design and application of the Remuneration Policy.

The Remuneration Policy is applicable to both fixed and variable remuneration for the entirety of the Croup's employees covering all levels of its organizational structure and, specifically, the employees whose professional activities have a material impact on the Group's risk profile, such as the top management, taking into consideration the qualitative and quantitative criteria of the Regulation 604/2014/EU.

The total remuneration is mainly shaped on the basis of the fixed remuneration ensuring the appropriate balance between fixed and variable remuneration. In all cases, while determining the variable remuneration, the following, among others, are taken into account; a multiannual framework for the performance assessment, the time period over which the variable remuneration is spread over based on the underlying business activity cycle of the Group and its business risks, as well as the current and future risks relating to the underlying performances by placing emphasis on the cost of capital and the required liquidity and by ensuring that the ability of the Group to strengthen its capital base is not limited. Furthermore, such variable remuneration shall be provided only if it is sustainable based on the financial situation of the Group as a whole and justified on the basis of the performance of the Group, the concerned business department and the specific employee. Moreover, the Group establishes internal arrangements regarding a potential deferral or return of the variable remuneration, as well as appropriate mechanisms in order for the remuneration practices in general to be adjusted to potential changes affecting the Group and to ensure the avoidance of potential conflicts of interests.

Aggregate information on remuneration, broken down by senior management and other members of staff whose actions have a material impact on the risk profile of the Group

31 March 2020 (€' 000)				
Position/Role	**No. of Beneficiaries**	**Fixed Remuneration**	**Variable Remuneration**	**Aggregate Remuneration**
Senior Management (incl. Executive & Non-Executive Directors) & Other Staff	10	1.650	30	1.680
Other Staff	4	222	-	222
Total	**14**	**1.872**	**30**	**1.902**

Aggregate information on remuneration broken down by business area

The table below provides a breakdown of aggregate remuneration by business area, for those categories of staff whose activities have a material impact on the risk profile of the Group:

31 March 2020 (€' 000)	
Business Line	**Aggregate Remuneration**
Executive & Non-Executive Directors	1.022
Control Functions	90
Quality Control & Accounting & Back office and Support Departments	100
Reception & Transmission, Portfolio Management and Investment Advice Departments	690
Total	**1.902**

The above table shows the emoluments/number of people whose professional activities have a material impact on the risk profile of the Group. As decided by the Board of Directors, during the year under review the Group did not offer any entitlements to shares and/or options as a form of variable remuneration. In addition, for the year ending 31 March 2020, the Group did not pay or award any deferred remuneration, severance or sign-on payments. All the variable remuneration paid within 2020 was in the form of cash.