ADMIRAL MARKETS

AS Admiral Markets

Annual Report 2016

Admiral Markets AS

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Main area of activity	Investment services
Activity licence no.	4.1-1/46
Beginning and end date of financial year	1 January to 31 December
Members of the Management Board	Aleksandr Ljubovski Dmitri Lauš Sergei Bogatenkov
Chairman of the Supervisory Board	Alexander Tsikhilov
Members of the Supervisory Board	Anatolii Mikhalchenko Anton Tikhomirov Juri Kartakov
Auditor	PricewaterhouseCoopers AS

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1. Management report

AS ADMIRAL MARKETS was founded in 2003. In 2009, the Estonian Financial Supervisory Authority granted Admiral Markets AS the activity licence no. 4.1-1/46 for the provision of investment services. The Company is part of an international group which operates under a joint trademark – Admiral Markets. The parent company of Admiral Markets AS is Admiral Markets Group AS.

Objectives and business activities

The main activity of Admiral Markets AS is provision of investment services (trading with derivative products) to private persons and companies. The Company's activities are primarily targeted at experienced traders, and therefore, the Company focuses on the improvement of general trading skills and training of new enthusiasts. In addition to provision of other support services, under White Label agreements Admiral Markets AS, being the administrator and developer of the platform, provides all sister companies that are part of the same consolidation group also the possibility to use the investment platform. In line with the Group's strategy, sister companies of Admiral Markets AS hedge the risks arising from their clients' transactions in Admiral Markets AS, who is also their sole liquidity provider. The Company's strategic objectives include expansion of the range of products and services facilitating provision of investment services to a larger audience. Under the trademark of Admiral Markets, clients are offered Forex and leveraged Contract for Difference (CFD) products in the over-the-counter market.

The investment companies that are part of the same consolidation group as Admiral Markets AS include Admiral Markets UK Ltd, Admiral Markets Pty Ltd, Admiral Markets Cyprus Ltd and Admiral Markets Chile SpA. Admiral Markets UK Ltd is the main investment company that provides services to retail customers in Europe. The reason for this preference is primarily the high reputation of the United Kingdom business environment and the existence of a broader investor protection (Financial Services Competition Scheme - FSCS). Admiral Markets AS has the role of a significant intra-group service provider. Since Admiral Markets AS and other investment companies that are part of the same consolidation group use the same joint trademark, the reputation of the trademark of Admiral Markets has a major direct impact on the financial indicators as well as business success of Admiral Markets AS. In order to protect the company's reputation from negative consequences, in 2016 when Admiral Markets OOO, the subsidiary of Admiral Markets Group AS, was dissolved, all of its assets and liabilities were transferred to the Group's strongest entity, i.e. Admiral Markets AS. Admiral Markets OOO ceased providing investment services from 1 January 2016 and, until the transfer of assets and liabilities to Admiral Markets AS, Admiral Markets OOO allowed its existing customers only to pay out funds present in their client accounts.

According to the change in the Group's strategy, Admiral Markets UK Ltd. opened a number of branches in the European Union, as a result of which the Supervisory Board of Admiral Markets AS decided to close branches of Admiral Markets AS in Latvia, Lithuania and Bulgaria in 2016. As of 31.12.2016, Admiral Markets AS has 3 active branches: Romania, Poland and Czech branches.

In 2016, Admiral Markets focused on increasing the efficiency of the security and transparency of its customers as well as the Company itself. To this end, several major innovations were launched in 2016. One of the innovations of Admiral Markets included the launch of a new innovative volatility protection configuration for customers, which helps to better manage risks through automation of typical risk hedging techniques. Statistics of performance of transactions of Admiral Markets was also made available on the web page in order to ensure the availability and transparency of information related to the performance of transactions. Admiral Markets will continue enhancing the security and transparency of its activities also in 2017.

In 2016, Admiral Markets continued to expand the list of instruments that are available to retail customers. New CFDs for commodities and precious metals, CFDs on indices and CFDs on popular United States corporate equities were added. In addition, in 2016 Admiral Markets enhanced customer trading terms and conditions: the Company increased the maximum transaction volume of all index CFDs, reduced minimum contract volumes of several more popular index CFDs and reduced average spreads of stocks, commodities and several other CFDs. For improved trading management and order sizes matching, the Company created lot fractions - Minilots - also for index CFDs.

At the beginning of 2016, the Company launched a new web-based trading platform MetaTrader 4 WebTrader. This platform enables trading in all operating systems (Mac, Windows, Linux), as a result of which customers no longer have to download additional software. In addition, MetaTrades 4 makes the use of Admiral Markets services even more convenient for customers. Customer feedback to WebTrader has been positive.

In 2016, one of the largest investments was made to the web app TR3 (Trader's Room 3). TR3 is a new generation of Admiral Markets Trader's Room web application that is set to replace TR2 Trader's Room. The clients of Admiral Markets use Trader's Room to register themselves as users, open demo or real accounts, transmit applications for deposits and withdrawals, approve and amend personal information, and submit documents required for the know-your-customer or KYC procedures. The objective behind the development of TR3 is to remain competitive by adding new functions to the web application that cannot be easily added to TR2. TR3 also includes a new billing system, single log-on service to all the services offered by the Company, and easier and faster implementation of new functions as compared with TR2. TR3 also means better quality, since the development team can use continuous integration, and a variety of development, testing and production environments. TR3 service is not yet available to customers, and investments and development work will also continue in 2017.

Admiral Markets continues to carry out its trader training programme which includes both paid and free courses. Training courses are carried out both as classical teaching arrangements and webinars, in the course of which Admiral Markets introduces its services, teaches how to use the trading platform and, in addition, develops skills for analysing the economic situation and explains trading-related capital and risk management.

In 2016, Admiral Markets organised a series of new training courses. For the first time, an exclusive training course targeted at experienced traders was carried out. This training course is aimed at experienced traders who wish to keep up with today's financial world, build up knowledge and, with the help of practical examples, start trading. In addition, in 2016 the Company launched a new training programme "From Zero to Hero", which is primarily targeted at new traders. A free live web training course "Trading in Forex markets and practical training sessions" was launched. In web sessions, professionals will explain different trading-related topics from basic knowledge to sophisticated trading strategies. In addition, different indicators and analysis methods as well as preparation of a trading strategy are showcased.

In 2016, Admiral Markets won a number of prestigious awards. At the local level, the German research institute Deutsches Kundeninstitut (DKI) named Admiral Markets the best CFD broker in 2016 and for the second consecutive year, the readers of the German portal OnlineBroker-Portal.de chose Admiral Markets as the "Leserwahl 2016 Best Broker". Admiral Markets is the first broker who has won the FxCuff Award twice in a row. The FxCuff Award focuses on the quality of service, and in 2016 recognised Admiral Markets for its high-level customer service, flexibility and competitiveness as well as its contribution to traders' knowhow. In Expo Börsentag trade fair in Berlin, Admiral Markets won the "Best Forex Broker 2016" and "Best CFD Broker 2016" award. In 2016, Admiral Markets was recognised as the best Forex Trainer at United Kingdom Forex Awards. It is one of the most prestigious award ceremonies which recognises companies operating in the United Kingdom Forex market. On the Fxstreet.com website, Admiral Markets was nominated as the best facilitator of financial instruments' sales analysis and came in second.

Management

Admiral Markets AS is managed by a four-member Supervisory Board and a three-member Management Board. The members of the Supervisory Board and the Management Board participate actively in the Company's daily business operations and have clear responsibilities. In 2016, the remuneration of the management including social security taxes totalled EUR 386,619 (2015: EUR 248,603).

Organisation

The Company's management is responsible for the organisational structure and technical organisation of Admiral Markets AS.
To manage its activities, the Company mainly uses specialists and experts employed under employment contracts, but it also outsources services from professionals in compliance with the terms and procedures laid down in the legislation, relevant guidelines and established internal procedures on the basis of the decisions made by the Supervisory Board and the Management Board.

At the end of 2016, the Company had 119 employees (2015: 122 employees). In 2016, the employees were allocated between Admiral Markets AS and its branches as follows: Admiral Markets AS - 100 employees, the Romanian branch - 7 employees, the Polish branch - 8 employees and the Czech branch - 4 employees. In the reporting period, remunerations paid to employees including social security taxes amounted to EUR 4,097,259 (2015: EUR 2,737,263).

1.1 Economic environment

Global economy

The International Monetary Fund (IMF) forecasted a 3.4% and 3.6% growth rate for 2017.

After the global financial crisis in 2008-2009, the slowest growth rate was recorded in 2015, but according to the estimation of the Economic and Social Research Institute, in 2016 the global economic growth remained below the IMF's forecast, being slightly less than 3%. On the other hand, the World Bank announced that the global economic growth forecast for 2016 had been the lowest after the global financial crisis, i.e. only 2.3%.

In 2016, GDP growth slowed down due to subdued economic activity in the United States in the first half of the year. This period included the United Kingdom's referendum on leaving the European Union, paving the way for Brexit. The IMF made an attempt to argue that the results of the United Kingdom referendum were contained, but after recovering from the initial shock of the Brexit vote, financial markets started to regularly re-arrange prices in the financial markets. Since negotiations between the European Union and the United Kingdom are still to be launched, it is believed that the economic growth of developed countries slowed to 1.6% in 2016. Therefore, the 2017 GDP growth forecast could be lowered again.

Despite the IMF's fears about global commodity exporters, China's data for the first 11 months of 2016 showed that they imported the largest ever quantity of iron ore and coal. It was of great help for the dry cargo sector. In the shadow of the United States elections, China accelerated its "One Belt One Road" (OBOR) initiative for linking Eurasian countries, while at the same time Donald Trump threatened to break up the Pacific Transatlantic Partnership (TPP), which could cripple United States influence in Asia, but China consolidated its position as the global leader in the LTE area, as the number of the country's 4G mobile users grew by 84% to 762 million people, surpassing the corresponding global growth rate (64%). In August 2016, Japanese Prime Minister Shinzo Abe launched a comprehensive economic recovery plan because the country's economic growth had slowed to 0.7% in the second quarter of 2016.

In Europe, the unemployment rate has also continued to fall since mid-2013, and this decline continued also in 2016 when it reached 8%. In 2016, the opponents of integration and inward-looking policy platforms received a boost which may cause further political dissatisfaction.

Significant financial events in 2016

In 2016, the major events that influenced financial markets and the operations of Admiral Markets were the oil price slump, Brexit, policy of the Bank of Japan and United States presidential elections.

In 2016, oil prices fell significantly. By the end of January 2016, Brent fell to a record low and stood at USD 27.10 per barrel. This was accompanied by a massive sale of bonds and energy shares.

In the same month, the Bank of Japan announced the policy of negative interest rates, which prompted investors to immediately sell the bank's shares, and go for higher yields, such as European Union, United States and United Kingdom bonds. In addition, the central bank left its government bond and exchange-traded fund purchase program unchanged.

In 2016, another important financial event was undoubtedly the Brexit vote. Since most polls predicted that the United Kingdom would remain a member of the European Union, the Brexit vote result came as a shock for financial markets. At the same time many traders had actually traded with the event itself, which was extremely risky, but also potentially highly profitable, provided that they were at the right side of the price movement during the event. Vote results arrived by the hour, constantly influencing the exchange rate of the GBP currency basket. During the Brexit vote, 500-point price jumps in the GBP currency basket were common. Analysts of Admiral Markets covered the period before and during the vote in the blog, in webinars, and in Twitter, and correctly predicted that in case of a "no" vote the GBP exchange rate would fall significantly against the United States dollar.

The markets were also shocked by the United States presidential elections. After the initial shock from the victory of Donald Trump, investors quickly changed their attitude, adopting a positive attitude to the tax cuts, fiscal incentives and possible protectionism promised by Trump. Before the United States presidential elections we primarily argued that Trump's victory would affect negatively the national currency of all eleven members of the Trans-Pacific Partnership (TPP), because Trump had promised to abolish or amend the agreement. Our analyst and professional trader Nenad Kerkez won the prestigious award of Fxstreet.com website for the best podcast on United States Presidential Elections in 2016 and their impact on currency and financial markets, in which he made excellent and accurate forecasts that could be used as the basis for trading.

The referendum in Italy also had a short-term impact on exchange rates. The constitutional referendum was held on 4 December 2016. 59.1% of those voting in the referendum said 'no' to amending the Constitution, while 40.9% were in favour of the reform. After the results of the vote were announced, the euro exchange rate against the United States dollar moved initially sharply downwards.

This trend, however, remained short-lived, and robust increase recovered strongly afterwards.

Estonian economy

According to the second estimate of Statistics Estonia, in the third quarter of 2016 Estonia's gross domestic product (GDP) increased 1.3% as compared to the same period of the previous year. Sectors that contributed most to Estonia's GDP growth included transport, trade and energy.

In the third quarter, GDP amounted to EUR 5.2 billion in current prices. Seasonally and working-day adjusted GDP increased in the third quarter by 0.2% as compared to the second quarter 2016 and 1.3% as compared to the third quarter 2015.

The added value of the manufacturing sector, which contributes the most to the Estonian economy, had a positive effect on the GDP, particularly manufacturing of motor vehicles and electrical equipment. The biggest decline was recorded in the production of mineral products, electronic appliances, food and beverages.

In the third quarter of 2016, the second estimate showed that Estonia's GDP growth was mostly influenced by the added value in the transport sector.

The other two sectors that contributed strongly to GDP growth were trade and energy. Among trade activities, retail sales generated the highest added value and also wholesale increased. Although natural gas production in the energy sector decreased, production of all other energy sources increased.

In the third quarter 2016, GDP growth was most inhibited in agriculture, forestry and fisheries, construction and real estate sectors. Although the value added in the real estate sector increased at current prices, the price rise in this sector resulted in a decrease in the value added at constant prices.

Gross national income is the final value of the country's annual income in United States dollar, which is divided by the population size. This reflects the national average income of the country's citizens. In this regard, Estonia is in the upward trend.

1.2 Financial results

in EUR million	**2016**	**2015***	**2014**	**2013**	**2012**
Net income from trading	18.0	16.5	13.2	14.1	13.5
Operating expenses	12.5	19.4	11.3	11.7	8.1
Net profit	5.9	-2.5	2.2	3.6	5.4
Cost-to-income ratio	69%	118%	86%	83%	60%
Total assets	24.1	20.4	21.9	20.9	14.8
Equity	22.8	17.3	19.8	17.6	14.0
Cash and cash equivalents	18.0	15.6	17.8	17.9	14.3
Off-balance sheet assets	4.4	7.8	15.5	12.8	9.6

**Due to changes in the Swiss franc rate, operating expenses and net income were EUR 9.4 million and EUR 7.5 million respectively without the extraordinary allowance for doubtful receivables.*

In 2016, net income from trading and commissions increased by 9% to EUR 17,952,840 as compared to 2015 (2015: EUR 16,485,220) and the net profit in 2016 was EUR 5,887,801 (2015: loss of EUR 2,516,772). On 15 January 2015, the Swiss National Bank announced that it would terminate its ceiling where one euro equalled 1.20 francs that had been in place for 3 years. In the foreign exchange market the decision created unprecedented volatility (i.e. a sequence of sudden price changes), which led to an almost instant loss of highly leveraged Swiss franc investments for the customers who had bet on the franc's weakening and a record profit for the customers who had been sceptical about the policy of the Swiss National Bank and the information disclosed at the press conferences. As a result, the accounts receivable of Admiral Markets AS increased in 2015. In the 2015 Annual Report part of the receivables was deemed to be uncollectible with a decision of the Management Board. In 2016, decisions were made to recognise all receivables related to the Swiss franc as doubtful receivables in 2015. In connection with this, the 2015 profit of Admiral Markets AS decreased by EUR 3.4 million and the adjusted loss for 2015 was EUR 2,516,772.

In 2016, personnel expenses made up the majority of total expenses. As compared to the previous period, personnel expenses increased mainly due to the growth in the number of employees, and the implementation of strategic decision made by the Group in 2016 when, among other activities, three branches of Admiral Markets AS were closed and branches of Admiral Markets UK Ltd were established in the same countries, which created certain additional expenses.

As at 23.02.2016, the owners of Admiral Markets AS were paid dividends in the amount of EUR 160,000. As at 01.08.2016, additional dividends in the amount of EUR 300,000 were paid out.

In 2016, the major events for investment service providers included the United Kingdom referendum on maintaining European Union membership and the United States presidential elections. Since the events were expected to have a major impact on currency markets and difficulties in predicting trends, the Company implemented preventive measures, which is why they did not have a significant impact on Admiral Markets, and the Company continued to operate under normal conditions.

Main financial ratios

Indicatior	2016	2015
Net profit in the accounting period, in thousands of EUR	5,888	-2,517
Net profit per share, in EUR	14.5	-6.2
Return on equity, % (ROE)	29.4	-13.5
Equity ratio	1.1	1.1
Return on assets, %	26.4	-11.9
Short-term liabilities current ratio	17.0	6.3

Equations used for the calculation of ratios:

Net profit per share, in EUR = net profit / average number of shares
Return on equity (ROE), % = net profit / average equity * 100
Equity ratio = average assets / average equity
Return on assets (ROA), % = net profit / average assets * 100
Current ratio = current assets / current liabilities

The ratios are calculated as an arithmetic average of closing balance sheet figures of the previous and current reporting period, and the indicators of the income statement are shown as at the end of the reporting period.

One important event that took place during the preparation of financial statements that is not reflected in financial statements but that can significantly influence the results of following financial years is the development of the new Floating Leverage system. Unlike before, the choice of leverage is no longer binded/limited to the account status, but is now tied to the open position (or planned order volume of a new trade). Hence, Admiral

Markets limited the maximum potential leverage available to customers in the last trading hours before the weekend (or trading holidays), because in these time periods individual customers usually engage in major speculative and aggressive trading strategies culminating in great losses, and sometimes even negative balances. As a result of limiting leverage to a maximum of 1:50 in the last hour, there has been an 80% decrease in negative account balances already in the first weeks of 2017 as compared to the past.

1.3 Risk management and capital adequacy

Risk Management is part of the internal control system of Admiral Markets AS, and its objective is to identify, assess and monitor all of the risks associated with Admiral Markets in order to ensure the credibility, stability and profitability of Admiral Markets.

The Supervisory Board has established risk identification, measurement, reporting and control policies in the risk management policies. Risk control is responsible for risk management on a daily basis. Risk management is based on three lines of defence. The first line of defence, i.e. business units is responsible for risk taking and risk management. The second line of defence includes risk control and compliance control, which are independent of business operations. The third line of defence is the internal audit function.

For calculating capital requirements for credit and market risk, Admiral Markets uses the standardized approach and a base method for calculating the capital requirement for the operational risk.

An internal capital adequacy assessment process (ICAAP) aimed at identifying the possible need for capital in addition to the regulatory capital requirements is carried out once a year. A detailed overview of risks taken by Admiral Markets AS is provided in Note 5 of the annual report.

As of 31.12.2016, the own funds of Admiral Markets amounted to EUR 15.4 million (31.12.2015: EUR 16 million). At the end of the reporting period, Admiral Markets was well capitalised, the capital adequacy level was 19% (31.12.2015: 21.1%).

Own funds

in EUR	**31.12.2016**	**31.12.2015**
Paid-in share capital	2,585,600	2,585,600
Statutory reserve capital transferred from net profit	258,550	258,550
Retained earnings of previous periods *	12,694,780	13,395,371
Intangible assets	-128,538	-216,487
Total Tier 1 own funds	**15,410,392**	**16,023,034**
Total own funds	**15,410,392**	**16,023,034**

Capital requirements

in EUR	**31.12.2016**	**31.12.2015**
Credit institutions and investment companies under standard method	4,852,019	4,924,397
Retail claims under standard method	3,419,414	0
Other assets under standard method	3,513,367	7,956,433
Total credit risk and counterparty credit risk	**11,784,800**	**12,880,830**
Foreign currency risk under standard method	24,377,500	30,036,119
Equity portfolio risk under standard method	10,473,073	3,532,947
Commodities risk under standard method	3,810,895	1,863,177
Total market risk	**38,661,468**	**35,432,243**
Credit valuation adjustment risk under standard method	6,172	0
Operational risk under base method	30,572,948	27,713,046
Total risk position	**81,025,388**	**76,026,119**
Capital adequacy	**19.0%**	**21.1%**

*Own funds of 2016 are adjusted by dividends paid to shareholders in February 2017 (Note 24) and own funds of 2015 are adjusted according to circumstances disclosed in Note 23.

1.4 Governance of the entity

Supervisory Board

Alexander Tsikhilov

Founder and Chairman of the Supervisory Board

Has been involved in several entrepreneurial projects, including an internet service provider. Founded Admiral Markets in March 2001. Obtained MBA in 2006 and PhD in Business Administration in the Swiss Business School in 2015.

Anton Tikhomirov

Member of the Supervisory Board

Has been working in the industry since 1999, managing a financial broker firm. Joined Admiral Markets during the Company's merging with the local Russian broker. Has been developing Admiral Markets' business activity in Spain and Latin America. Currently responsible for the supervision of the regional structure as well as research and development of KPIs and other critical business metrics.

Juri Kartakov

Member of the Supervisory Board

Obtained a degree in Finance from International University Concordia Audentes. Joined Admiral Markets in July 2009. Has been responsible for APAC as well as Oceania and South Asia regions. Played an integral part in formation of Admiral Markets Pty in Australia and obtained the forex license of the region.

Anatolii Mikhalchenko

Member of the Supervisory Board

Obtained a degree from ITMO University in Saint-Petersburg. Joined Admiral Markets in 2004 as IB manager. After moving to Tallinn in 2011, has been working as a Member of Supervisory Board for Admiral Markets AS.

Management Board

Sergei Bogatenkov

Chairman of the Management Board

Obtained a bachelor's degree in Economics and a master's degree in Corporate Finance from the Tallinn University of Technology. Took management courses from Leipzig Graduate School of Management (HHL). Joined Admiral Markets in 2014. Has over 10 years of experience in the consulting, banking and asset management. Held various positions in the Swedbank, Versobank, Ernst&Young, and Bank of Estonia.

Aleksandr Ljubovski

Member of the Management Board

Obtained a degree in Logistics, Materials and Supply Chain Management from TTK University. Joined Admiral Markets as a customer service manager in March 2010. Continued to support the company as a director of operations and later as an Admiral Market Group head of risk and compliance.

Dmitri Lauš

Member of the Management Board

Obtained a bachelor's degree from the Estonian Business School. Together with Alexander Tsikhilov, founded Admiral Markets headquarters in Estonia. With a background in financial technology, played an integral part in the company's technological development.

1.5 Corporate Governance Report

Admiral Markets AS (hereinafter AM) pursues its business activities observing the Company's articles of association, national legislation, the instructions and recommendations of the Financial Supervision Authority, and the rules of good governance practices described in the internal rules of AM. AM's management must in particular adhere to the interests of AM and provide sufficient opportunity for the management supervision of the investors and other interested parties. Disclosure and governance requirements of AM must ensure equal treatment of shareholders. AM adheres to good corporate governance practices, with the exception of cases outlined in this report.

1. General meeting

AM's highest governing body is the general meeting of shareholders through which the shareholders of AM carry out their rights in the procedure and to the extent laid down in the legislation and articles of association of AM.

If the investment company has only one shareholder, the decisions of shareholders of the investment company shall be made in writing in accordance with § 305 of the Commercial Code. Consequently, the rules established in good corporate governance for convening the general meeting, information published for shareholders, participation in the general meeting of shareholders and its conduct shall not be applied until AM has only one shareholder.

The sole shareholder of AM is Admiral Markets Group AS, registry code 11838516. The shareholders of Admiral Markets Group AS are:

1. Admiral Markets Group AS (69,375 shares, representing 2.775% of the total number of shares);
2. Alexander Tsikhilov (1,909,375 shares, representing 76.375% of the total number of shares);
3. Anatolii Mikhalchenko (25,000 shares, representing 1.0% of the total number of shares);
4. Anton Tikhomirov (25,000 shares, representing 1.0% of the total number of shares);
5. Dmitri Lauš (446,250 shares, representing 17.85% of the total number of shares);
6. Juri Kartakov (25,000 shares, representing 1.0% of the total number of shares).

In 2016, the general meeting of the shareholders of AM made six decisions.

On 22 February 2016, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Dmitri Lauš, decided to pay out dividends in the amount of EUR 160,000 to the company's shareholders from retained earnings for the year 2014.

On 29 April 2016, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Alexander Tsikhilov, decided to approve the 2015 annual report of AM and transfer the profit for 2015 to retained earnings.

On 24 May 2016, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Alexander Ljubovski, decided to extend the mandate of Anatolii Mikhalchenko, the member of the Supervisory Board, by five years.

On 25 May 2016, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Sergei Bogatenkov, decided to change the remuneration of the members of the Supervisory Board Anatolii Mikhalchenko and Anton Tikhomirov.

On 25 July 2016 Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Alexander Tsikhilov, decided to pay EUR 300,000 as dividends from the retained earnings for the year 2015.

On 6 December 2016, Admiral Markets Group AS, shareholder of AM, represented by the member of the Management Board Sergei Bogatenkov, decided to nominate audit company PricewaterhouseCoopers as its auditor for the 2016 financial year.

2. Supervisory Board

The members of the Supervisory Board are elected at the general meeting of AM. Persons who have sufficient knowledge and experience for participating in the work of the Supervisory Board are elected as members of the Supervisory Board. In electing a member of the Supervisory Board, characteristics of the activities of the Supervisory Board and AM, potential risk of conflict of interests, and if necessary, the person's age are taken into account.

Not more than two (2) former members of the Management Board who were members of the Management Board of AM or an entity controlled by AM less than three (3) years ago shall be simultaneously members of the Supervisory Board.

Supervisory Board of AM:

- plans the operations of AM in collaboration with the Management Board,
- organises the management of AM (including participation in making important decisions in relation to operations of AM)
- supervises the activities of the Management Board in accordance with the procedures and extent established by the legislation, inter alia regularly evaluates the Management Board's actions in implementing AM's strategy, financial condition, risk management system, legality of the activities of the Management Board and whether essential information about AM is disclosed to the Supervisory Board and to the public as required, and
- determines and regularly reviews AM's strategy, its general action plan, risk management policies and annual budget.

The Supervisory Board may set up committees. When setting up committees by the Supervisory Board, AM publishes on its website information about the existence, functions, composition and location of committees in the AM structure. In case of a change in circumstances related to committees, AM shall publish the content and time of implementation of the amendment in the same procedure.

It is expected that the Supervisory Board sets up at least the following committees: Credit Committee, Remuneration Committee, Risk Management and Audit Committee and Nomination Committee.

The mandate of the members of the Committees shall be valid for a maximum of five (5) years.

On the basis of the decisions of AM general meetings the Supervisory Board members of AM are:

- Anatolii Mikhalchenko, term of office 21.05.2021;
- Anton Tikhomirov, term of office 14.05.2017;
- Juri Kartakov, term of office 17.12.2020;
- Alexander Tsikhilov, Chairman of the Supervisory Board, term of office 21.05.2019.

In addition to the activities prescribed by the law and internal rules of AM, in 2016 the Supervisory Board gave its consent to the Management Board in issues that were outside the daily business operations and in issues described in law that require the consent of the Supervisory Board. The Supervisory Board has adopted 39 resolutions, including having organized 24 meetings. 15 resolutions were adopted without calling a meeting, in compliance with Subsection 323 (1) of the Commercial Code, pursuant to which the Supervisory Board has the right to adopt resolutions without calling a meeting if all members of the Supervisory Board agree with the decision. Pursuant to subsection (6) of the same article, a Supervisory Board resolution can be drawn up without the statutory notice and record of vote if all members of the Supervisory Board agree to the resolution and sign it.

In the framework of regular meetings, the Supervisory Board received regular reviews of operational and financial results of AM and investment companies which are part of the same consolidation group.

The member of the Superviosry Board Anton Tikhomirov was absent from eleven (11) Supervisory Board meetings. Alexander Tsikhilov and Anatolii Mikhalchenko were both absent in two (2) meetings of the Supervisory Board. Juri Kartakov was absent from nine (9) Supervisory Board meetings.

After the end of the financial year, the Supervisory Board has set up four committees, whose responsibilities and structure is presented below.

Credit Committee

The Credit Committee develops and makes a proposal to the Management Board for establishing the limits of the credit offered to clients. The Credit Committee shall evaluate, no less often than one (1) time year and each time when applicable legislation is amended, the implementation of the limits of credit and, where necessary, makes a proposal for updating the limits of credit and prepare a corresponding draft resolution.

The Credit Committee has 2-5 members.
The Credit Committee consists of the Chairman of the Management Board of AM, who shall not be the Chairman of the Credit Committee and cannot chair a meeting of the Credit Committee in the absence of the Chairman, as well as of appointed members from the Supervisory Board of AM.

The Members of the Credit Committee receive no fee for membership in the committee.

Remuneration Committee

The Remuneration Committee is responsible for evaluating the implementation of the remuneration principles (incl. the reward system) in AM and in companies that belong to the same consolidation group as AM, and the impact of remuneration-related resolutions on compliance with the requirements laid down about risk management and prudential requirements.

The Remuneration Committee exercises supervision of the remuneration (incl. rewarding) of the members of the Management Board and the employees of companies that belong to the same consolidation group as AM, no less often than one (1) time a year evaluates the implementation of the remuneration principles and, where necessary, makes a proposal for updating the remuneration principles and prepares draft resolutions on remuneration to the Supervisory Board (concerning the remuneration of the members of the Management Board) and to the Chairman of the Management Board (concerning the remuneration of employees), respectively.

The Remuneration Committee has 2-5 members.

The members of the Remuneration Committee are appointed from among the members of the Supervisory Board of AM. The Members of the Remuneration Committee receive no fee for membership in the committee.

Risk and Audit Committee

Responsibilities of the Risk and Audit Committee:

- to evaluate the implementation of the risk management principles in Admiral Markets AS and in companies that belong to the same consolidation group as Admiral Markets AS, following the risk management principles of Admiral Markets AS and applicable legislation;
- upon occurrence of unexpected events that may have a significant impact on Admiral Markets AS and/or on a company that belongs to the same consolidation group as Admiral Markets AS, to ensure the implementation of the procedure that ensures the continuity of activities and, where necessary, to develop, without delay, a more detailed or additional action plan in order to prevent or at least minimise an adverse impact on Admiral Markets AS and on companies that belong to the same consolidation group as Admiral Markets AS;
- to evaluate, no less often than one (1) time a year, the implementation of the risk management principles and the principles of ensuring the continuity of activities and make proposals, where necessary, for updating these principles and prepare, where necessary, proposals for amendment;
- to advise the Supervisory Board on exercising supervision of accounting, auditing and internal control, establishment of the budget as well as lawfulness of activities;
- to monitor and analyse processing financial information to the extent that is necessary for preparing interim and annual reports, efficiency of risk management and internal control, the process of auditing annual accounts or a consolidated report and independence of an audit firm and a sworn auditor that represents it on the basis of law as well as the compliance of their activities with the requirements of the Auditors Activities Act;
- to make proposals and recommendations to the Supervisory Board for appointing or recalling an audit firm, appointing or recalling an internal auditor, preventing or removing problems and inefficiency in the organisation and for compliance with legislation and good professional practice.

Risk and Audit Committee has 2-5 members.
Members of the Risk and the Audit Committee are appointed from the members of the Supervisory Board of AM.

Members of the Risk and Audit Committee receive no fee for membership in the committee.

Nomination Committee

The responsibility of the Nomination Committee is to make proposals to a corresponding management body of Admiral Markets AS or of a company that belongs to the same consolidation group for appointing members of a lower level management body.

The Nomination Committee finds suitable candidates, assesses their background and compliance with the requirements provided in the legislation and in the internal rules of entities belonging to the AM consolidation group, and at least two weeks prior to the appointment of the corresponding member of the management body submits its own proposals, together with the reasons for it.

The Nomination Committee has 2-5 members. The members of the Nomination Committee are selected from among the members of the Supervisory Board of AM.

The members of the Nomination Committee receive no fee for membership in the committee.

3. The Management Board

The Management Board manages and represents AM and organizes daily operations of AM in the conditions and procedure laid down in the legislation, AM articles of association and decisions of the Supervisory Board or the Management Board, acting in the most economical manner and adhere to AM's best interests.

Members of the Management Board are elected by the Supervisory Board. The Management Board of AM must have at least two members. If the Management Board has more than two members, the Supervisory Board shall designate one of them as Chairman of the Management Board. Member of the Management Board of AM must meet, inter alia, the following requirements:

- must have an university degree or equivalent education and experience necessary for managing an investment company;
- may not be at the same time member of the Management Board of more than two (2) entities whose securities are listed on the stock exchange (the issuer), or Chairman of the Supervisory Board of another issuer. Member of the Management Board may be Chairman of the Supervisory Board of the issuer that belongs to the same group as AM.

The Supervisory Board specifies the area of responsibility of every member of the Management Board, limiting the tasks and powers of every member of the Management Board as accurately as possible. Also the basis of cooperation between members of the Management Board is determined. The Chairman of the Supervisory Board or a person authorized by the Supervisory Board concludes a contract of service with the member of the Management Board for fulfilment of his or her functions. Specific responsibilities and tasks of every member of the Management Board can be set out in the job description added to his or her contract of service. In addition, the Management Board:

- makes daily management decisions independently, leaving aside personal interests and/or interests of the controlling shareholder;
- undertakes to ensure the sustainable development of AM accordance with set objectives and strategies;
- does its best to ensure that AM and all entities belonging to the same group as AM observe effective legislation in their operations.

In 2016, the Management Board of AM consisted of three members in accordance with the resolutions of the Supervisory Board adopted in previous years:

- Sergei Bogatenkov, term of office 17.12.2018;
- Aleksandr Ljubovski, term of office 31.08.2019; and
- Dmitri Lauš, term of office 01.08.2017.

On 07.04.2017 Sergei Bogatenkov was appointed as Chairman of the Management Board of AM.

All these members of the Management Board have higher education and work experience necessary for managing an investment company. No member of the Management Board mentioned herein is Chairman of the Supervisory Board of any listed issuer or another issuer.

Functions of the member of the Management Board Sergei Bogatenkov are, according to the contract of service concluded with him:

- financial management;
- organization of financial accounting and book-keeping;
- organization of audits and other financial reporting;
- investment management;
- fulfilment of individual obligations of a member of the Management Board arising from the Commercial Code and other laws.

Functions of the member of the Management Board Dmitri Lauš are, according to the contract of service concluded with him:

- to develop and plan information technology solutions;
- to coordinate marketing activities;
- fulfilment of individual obligations of a member of the Management Board arising from the Commercial Code and other laws.

Functions of member of the Management Board Alexander Ljubovski are not specifically described in the contract of service concluded with him, but in accordance with the work organization he is responsible for the operation and development of the internal control system (compliance control) and risk management.

4. Remuneration of the Management Board and the Supervisory Board

Remuneration of the members of the Management Board and the Supervisory Board, including the reward system, must be such that it motivates the person to act in the best interest of AM and refrain from acting in his or her own or another person's interest.

AM does not disclose remuneration of individual members of the Management Board, since according to the contract concluded with them, it is confidential information.

Due to the contracts concluded with the members of the Supervisory Board, the latter do not receive a separate salary during the performance of their functions. AM estimates that payment of a fee to members of the Supervisory Board is not necessary for motivation, since members of the Supervisory Board are shareholders of the Company's shareholder Admiral Markets Group AS.

The total management remuneration disclosed as aggregate amount is set out in the annual report.

The severance fee of a member of the Management Board is linked to the member's earlier work performance and shall not be paid out if it would clearly undermine the interests of AM.

Of the existing member of the Management Board contracts, the member of the Management Board contract of Aleksandr Ljubovski includes provisions under which:

- if the Supervisory Board recalls a member of the Management Board and the Company does not offer him an equivalent position with an equivalent remuneration under an employment contract on the territory of the Republic of Estonia for at least a period which is necessary for the creation of entitlement to unemployment insurance benefits, the Company shall be obliged to pay him or her compensation in the amount which is equal to the total amount of fees, bonuses, compensations and other benefits paid to the person in the last two months, and
- If a member of the Management Board term of office ends upon the expiration of the term of office and the Supervisory Board does not extend the term of office of the member of the Management Board or does not offer him or her an equivalent position with an equivalent fee under an employment contract on the territory of the Republic of Estonia for at least a period which is necessary for the creation of entitlement to unemployment insurance benefits, the Company shall be obliged to pay him or her compensation in the amount which is equal to the total amount of fees, bonuses, compensations and other benefits paid to the person in the last two months.

5. Disclosure of information

AM has a website which includes a specially developed subsite for investors. This website is available in both Estonian and English.

The website of AM contains annual reports (along with the report of the CGR), interim reports, articles of association, composition of the Management Board and Supervisory Board and the information about the auditor. Since 2016, the annual report will also be published in English.

AM neither discloses the financial calendar, information concerning the Annual General Meeting, information disclosed to financial analysts or other persons, nor times and locations for meeting analysts, investors and the press, as these are not necessary considering the current activities of AM and high awareness of the parent company of AM as the sole shareholder.

AM discloses the total amount of fees paid to members of the Management Board in the note of the financial statement. AM does not disclose remuneration of individual members of the Management Board, since according to the contracts concluded with them, it is confidential information.

6. Financial reporting and auditing

AM prepares and publishes the annual report of the financial year and the interim report on its website. The annual report is subject to an audit.

Considering the proposals of the Management Board and the auditor's consent, under the resolution of the Annual General Meeting of AM held on 06.12.2016, the Company's auditor for the 2016 annual report will be auditing company AS PricewaterhouseCoopers, registry code 10142876. Upon agreement with the auditing company, the fee to be paid to the auditor is not subject to disclosure and is treated as confidential. AM estimates that the disclosure of the audit fee paid to the auditor will not add value to assessing the quality of auditing service, as a result of which AM considers non-disclosure of the audit fee founded.

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Kuupäev/date 28.06.2017
PricewaterhouseCoopers, Tallinn

2. Financial Statements

Statements of Financial Position

(in EUR)	**Note**	**31.12.2016**	**31.12.2015 *adjusted**
ASSETS			
Current assets			
Cash and cash equivalents	7	18,018,135	15,585,116
Financial assets at fair value through profit or loss	8	2,421,927	97,516
Short-term loans, receivables and prepayments	9,10	2,822,597	3,650,936
Total current assets		**23,262,659**	**19,333,568**
Non-current assets			
Long-term loans	10	492,560	485,638
Tangible assets		239,069	378,678
Intangible assets		128,537	216,487
Total non-current assets		**860,166**	**1,080,803**
TOTAL ASSETS		**24,122,825**	**20,414,371**
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit and loss	8	51,782	122,186
Liabilities and prepayments	11	1,075,312	2,741,315
Provisions	14	244,000	226,940
Total current liabilities		**1,371,094**	**3,090,441**
TOTAL LIABILITIES		**1,371,094**	**3,090,441**
EQUITY			
Share capital	17	2,585,600	2,585,600
Statutory reserve capital	17	258,550	258,550
Retained earnings		19,907,581	14,479,780
TOTAL EQUITY		**22,751,731**	**17,323,930**
TOTAL EQUITY AND LIABILITIES		**24,122,825**	**20,414,371**

* Some balances are presented with adjusted amounts; for more information refer to Note 23.

Notes on pages 27 to 62 are an integral part of the Financial Statements.

Statements of Comprehensive income

(in EUR)	**Note**	**2016**	**2015 adjusted***
Net profit from trading of financial assets at fair value through profit or loss with clients and liquidity providers		24,852,520	20,571,885
Brokerage fee income		653,267	473,931
Brokerage and commission fee expense		-7,325,048	-3,775,773
Other trading activity related expenses		-227,899	-784,823
Net income from trading	**18**	**17,952,840**	**16,485,220**
Other income		163,433	247,067
Interest income		70,567	37,820
Gains from foreign exchange rate changes		391,350	333,540
Other financial income and expenses		-16,675	-206,243
Personnel expenses	19	-4,483,878	-2,985,866
Operating expenses	20	-7,751,332	-16,131,025
Depreciation of fixed assets		-308,156	-280,517
Profit (loss) before income tax		**6,018,149**	**-2,500,004**
Income tax	15	-130,348	-16,768
Profit (loss) for the accounting period		**5,887,801**	**-2,516,772**
Other comprehensive income for the accounting period		0	0
Comprehensive income (loss) for the accounting period		**5,887,801**	**-2,516,772**
Basic and diluted earnings (losses) per share		14.57	-6.23

* Some balances are presented with adjusted amounts; for more information refer to Note 23.

Notes on pages 27 to 62 are an integral part of the Financial Statements.

Statements of Cash Flows

(in EUR)	Note	2016	2015 *adjusted
Cash flow from operating activities			
Profit for the accounting period		5,887,801	-2,516,772
Adjustments for:			
Depreciation of fixed assets		308,156	280,517
Gains on the sale of property, plant and equipment		-11,191	-24,995
Changes in provisions	14	17,060	25,000
Net interest income		-70,567	-37,720
Allowance for doubtful receivables	9	421,157	10,093,780
Other adjustments		39,620	93
Adjusted operating profit		**6,592,036**	**7,819,903**
Change in receivables and prepayments relating to operating activities		-476,994	-10,870,330
Change in restricted cash balance		178,370	2,460,256
Change in payables and prepayments relating to operating activities		-1,687,669	1,097,974
Interest received		40,438	4,593
Interest paid		0	-100
Corporate income tax paid		-122,368	-10,701
Net cash from operating activities		**4,523,813**	**501,595**
Cash flow from investing activities			
Disposal of tangible and intangible assets		37,353	48,500
Purchase of tangible and intangible assets		-146,378	-289,682
Loans granted		-1,450,000	-1,572,099
Repayments of loans granted		113,272	1,560,732
Net cash used in investing activities		**-1,445,753**	**-252,549**
Cash flow from financing activities			
Dividends paid	17	-460,000	0
Finance lease payments		0	-7,579
Net cash used in financing activities		**-460,000**	**-7,579**
TOTAL CASH FLOWS		**2,618,060**	**241,467**
Cash and cash equivalents at the beginning of the period	**7**	**15,165,375**	**14,918,373**
Change in cash and equivalents		**2,618,060**	**241,467**
Effect of exchange rate changes		**-6,671**	**5,535**
Cash and cash equivalents at the end of period **	**7**	**17,776,764**	**15,165,375**

* Some balances are presented with adjusted amounts; for more information refer to Note 23.

** Except restricted cash; for more information refer to Note 7.

Notes on pages 27 to 62 are an integral part of the Financial Statements.

Statements of Changes in Equity

(In EUR)	**Share capital**	**Statutory reserve capital**	**Retained earnings**	**Total**
Balance as at 01.01.2015	**2,585,600**	**258,550**	**16,996,552**	**19,840,702**
Loss for the accounting period*	0	0	-2,516,772	-2,516,772
Other comprehensive income for the accounting period	0	0	0	0
Total comprehensive loss for the accounting period *	**0**	**0**	**-2,516,772**	**- 2,516,772**
Balance as at 31.12.2015 *adjusted	**2,585,600**	**258,550**	**14,479,780**	**17,323,930**
Balance as at 01.01.2016	**2,585,600**	**258,550**	**14,479,780**	**17,323,930**
Dividends paid	0	0	-460,000	-460,000
Profit for the accounting period	0	0	5,887,801	5,887,801
Other comprehensive income for the accounting period	0	0	0	0
Total comprehensive income for the accounting period	**0**	**0**	**5,887,801**	**5,887,801**
Balance as at 31.12.2016	**2,585,600**	**258,550**	**19,907,581**	**22,751,731**

* Some balances are presented with adjusted amounts; for more information refer to Note 23.

For more information of share capital refer to Note 17.

Notes on pages 27 to 62 are an integral part of the Financial Statements.

3. Notes to the Financial Statements

1. General information

AS ADMIRAL MARKETS (hereinafter "Admiral Markets", "Company", "AM" or "AM AS") is an investment company since 05.06.2009. The Company's head office is located at Ahtri 6a, Tallinn, Estonia. The annual report for the year ending 31 December 2016 was approved for publication on 27.06.2017 in accordance with the management's decision. The Company's shareholders have a legal right to approve these financial statements or leave them unapproved and require management to compile new ones. The annual report approved by the Management shall be authorized for approval by Supervisory Board and shareholders. Shareholders have the right not to approve the financial statements. The Supervisory Board does not have that right.

2. Accounting policies and estimates used in preparing the financial statements

The financial statements of Admiral Markets AS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. In addition to the information complying with international Financial Reporting Standards, financial statements include information on risk management, own funds and capital adequacy that must be disclosed pursuant to §110[1] of the Securities Market Act that is presented in Note 5. The financial statements contain the financial results of Admiral Markets AS and its branches. These financial statements are not consolidated since Admiral Markets AS has no subsidiaries.

The key accounting policies used in the financial statements are outlined below. These policies have been used consistently in all of the years presented, unless otherwise stated. These financial statements have been prepared under the historical cost convention, except for the cases when described otherwise in the following accounting policies.

An overview of new standards and amendments to certain standards and interpretations that have been published by the time of preparation of these financial statements, as well as the assessment of the Company's management on the effect of adoption of new standards and interpretations is disclosed in Note 4.

The preparation of the financial statements requires making estimates. Estimates are based on the information about the Company's status, intentions and risks at the date of preparing the financial statements. The final result of economic transactions recognised in the financial year or in previous periods may differ from the current period estimates.

The financial year started on 1 January 2016 and ended on 31 December 2016. The Company's functional currency is the euro. The annual financial statements are presented in euros and integers, unless otherwise stated.

Recognition of foreign currency transactions and financial assets and liabilities denominated in foreign currencies

a) Functional and presentation currency The Company's functional currency is the euro.

b) Transactions and balances in a foreign currency

Foreign currency transactions are recorded at the official currency exchange rates quoted by the European Central Bank on the transaction day. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the official foreign currency exchange rates quoted by the European Central Bank prevailing at the balance sheet date. The fair value of derivatives is measured by the exchange rate quoted by the European Central Bank prevailing at the balance sheet date. Gains and losses on translation from assets and liabilities are recognised in the statement of profit or loss under "Gains from foreign exchange rate changes."

Financial assets

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Financial assets are initially recognised at cost, being the fair value of the payment made or received for the financial asset. The acquisition cost includes all transaction expenses directly related to financial assets, except financial assets at fair value through profit or loss.

Financial assets are derecognised from the statement of financial position when the Company loses the right to receive cash flows from the financial asset or assigns to a third party cash flows arising from the assets and significant risks and rewards connected to the financial assets.

Purchases and sales of financial assets are consistently recognised at the settlement date, i.e. at the date when the Company becomes the owner of a financial asset or loses its ownership of the financial asset that has been sold.

I. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:

A) financial assets held for trading in trading accounts
B) Derivatives, including currency pairs

Financial assets are recognised in the statement of financial position at fair value (change in value recognised through profit or loss).

Financial instruments measured at fair value are assessed at each balance sheet date to their current fair value, without deducting any transaction costs related to disposal of the financial instrument.

Fair value gains/losses arising from financial assets and derivatives held for trading are recognised as profit or loss in the statement of profit or loss on line "Trading and brokerage fee income".

Derivatives

A derivative is a financial instrument or other contract, which has the following characteristics:

- its value changes in response to changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, price or rate index, credit rating or credit index, or other variable, provided that in case of non-monetary variable the variable is not specifically associated with the party to the contract;
- it is settled in the future.

Derivatives are futures contracts, forward contracts, swap contracts, options contracts and other instruments of similar nature that are related to the change in underlying assets. A derivative usually has a nominal amount, which is the amount of money, number of shares, number of weight or volume units or other units specified in the contract. Financial assets held for trading include open:

- foreign exchange net spot positions
- net forward positions
- rolling spot forex contracts
- Contracts for Differences (CFDs)

Derivatives (e.g. futures, forward, swap and option contracts) are recognised in the statement of financial position at their market value. If derivatives are quoted in an active market, the fair value shall be the market value on the balance sheet date. Subsequently, reporting a revaluation is made and the result is recognised in the statement of profit or loss line "Trading and brokerage fee income".

Derivatives are recognised in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet only when the Company has a legally enforceable right to set off the recognised amounts and the Company intends to set them off on a net basis, or to realise the asset and settle the liability simultaneously. Legally applicable right may not be dependent on the upcoming events and must be applied to the ordinary course of business, and in case of breach of contract, insolvency and bankruptcy of the Company or transaction partner.

The Company does not use special hedge accounting rules when accounting for derivatives.

Assessment of fair value

The Company assesses financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the amount at the valuation date for which an asset can be exchanged or a liability can be settled in the normal course of business between independent parties.

Fair value is determined based on the assumption that the asset is sold or liability is settled:

• under the conditions of the primary market of the asset or liability, or;
• in case of absence of such primary market in the most favourable market condition for the asset or liability.

The Company must have access to the primary or the most favourable market. In assessing the fair value of the asset or liability, it is expected that market participants are pricing the asset or liability based on the determination of their economic interests.

The Company uses fair value valuation techniques that are appropriate in the circumstances and for which there is sufficient data to estimate the fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets and liabilities that are valued at fair value or disclosed in the financial statements, are classified in accordance with the fair value hierarchy, which is described below and are based on the lowest level input that is essential to the fair value measurement:

Level 1 – Quoted prices (unadjusted) for identical assets and liabilities on an active market;

Level 2 - Valuation techniques for which the lowest level of significant inputs are directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level of significant inputs are not observable directly or indirectly.

The Company assesses at the end of each reporting period whether the assets and liabilities, which are recorded in the financial statements throughout different periods require reclassification between levels (based on the lowest input, which is important for estimating the fair value).

II. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are recorded until they are repaid or written off. After initial recognition, the Company recognises loans and advances at amortised cost (less the repayment of principal and, where appropriate, possible discounts), and in the following periods accounts for interest income from the receivable using the effective interest rate method.

Customer receivables arise from the provision of the service to clients and they are initially measured at fair value including transaction costs and they are subsequently measured at amortized cost, using the effective interest rate method (less any refunds and write-down from impairment).

Impairment losses of financial assets are recognised in the statement of profit or loss during the period when the loss event (or events) occurs after the asset's initial recognition and that loss event (or events) has an impact on the future cash flows of financial asset or group of financial assets that can be reliably estimated. The Company assesses the risks, taking into consideration all known information on the solvency of the debtor and whether there is objective evidence of impairment (buyer's financial difficulties, bankruptcy or inability to meet its obligations to the Company).

Trade receivables

Trade receivables are receivables arising in the Company's ordinary course of business. Trade receivables are recognised at amortized cost (i.e. nominal value less any impairments, if necessary).

Accounts receivables are valued in the statement of financial position on the basis of the amounts collectible. This includes an assessment of each customer's outstanding receivables separately, considering the information available on the solvency of the customer. Any impairment losses related to doubtful receivables are recognised in operating expenses. Uncollectible receivables are written off from the statement of financial position. Receipts of previously impaired uncollectible receivables are recorded as a reduction of cost of uncollectible receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, short-term (with maturity of less than three months) bank deposits, which have no material market value change risk.

Cash in trading accounts in banks and investment companies also contains restricted cash. Cash and cash equivalents in the cash flow statement do not contain such cash balances with restricted use.

According to customer agreements, cash balance held in client accounts as a technical reserve belongs to Admiral Markets AS and can be transferred at any time to AM's bank account and is therefore recognised as a cash equivalent.

Recognition of off-balance assets

Customer funds are held in custody in the bank accounts of Admiral Markets. These instruments are accounted for off balance sheet.

Property, plant and equipment

Property, plant and equipment are recorded in the statement of financial position at cost less any accumulated depreciation and impairment losses.

The Company depreciates items of property, plant and equipment under the straight-line method. The following useful lives are generally assigned to items of property, plant and equipment:

Group of property, plant and equipment	Useful life
Vehicles	3-4 years
Other tangible assets	3 years

The depreciation methods, useful life and residual value of items of property, plant and equipment are reviewed at least once at the end of each financial year and, if estimates differ from previous estimates, the changes are recorded as changes in accounting estimates, i.e. prospectively.

If costs incurred for an item of property, plant and equipment are such that meet the definition of proprety, plant and equipment, these costs are added to the acquisition cost of the item of property, plant and equipment. Ongoing maintenance and repair costs are expensed as incurred.

Intangible assets

Intangible assets are initially recognised and subsequently measured in the statement of financial position on the basis of the same principles as applied to items of property, plant and equipment.

Intangible assets are amortised using the straight-line method. The following useful lives are generally assigned to intangible fixed assets:

Group of intangible asset	Useful life
Licenses, software	5 years

If there is doubt that the value of the intangible asset may have decreased, an impairment test will be carried out on the same basis as for property, plant and equipment.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company's management assesses whether there are signs that may indicate that the asset may be impaired. If there are doubts that the asset's value may have fallen below its carrying amount, an impairment test will be carried out. The recoverable amount is equal to the higher of the asset's fair value (less costs to sell) or value in use based on the discounted cash flow. If the test reveals that the recoverable amount is lower than its carrying amount, the non-current asset is written down to its recoverable amount. If an impairment test cannot be carried out in respect of an individual asset, then the recoverable amount is determined for the smallest group of assets (cash-generating unit) to which the asset belongs. Asset impairments are recognised as loss in the accounting period.

If as a result of the impairment test of a previously impaired asset, the asset's recoverable value exceeds its carrying amount, the earlier impairment loss is reversed and the carrying amount of the asset is increased.

The maximum limit is the carrying amount of the asset that would have been recognized using regular depreciation over the years.

Accounting for financial liabilities

Financial liabilities include trade payables, as well as short and long-term debt. Financial liabilities are initially recognised at cost, i.e. at the fair value of the payment made or received for the financial liability. Trade payables are recognised in the statement of financial position at amortized cost. The amortized cost of short-term financial liabilities generally equals their nominal value. Non-current financial liabilities at amortized cost are initially recognised at fair value (net of transaction costs) and the interest expense for subsequent periods is accounted by using the effective interest method.

Liabilities with maturity more than one year from the balance sheet date are recognised in the statement of financial position as non-current liabilities, and the rest as current liabilities.

Payables to employees

Payables to employees include the calculated but unpaid salaries and vacation pay liabilities as of the balance sheet date. Vacation pay liabilities are recognised together with social and unemployment insurance taxes in the statement of financial position under provisions and in the statement of profit or loss under labour costs.

Leases

Finance lease

A finance lease is a lease relationship where substantial risks and rewards related to the ownership of the asset are transferred to the lessee. Other lease agreements are treated as operating leases.

Company as the lessee

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Provisions and contingent liabilities

The Company establishes provisions for obligations of uncertain timing or amount. The amount and timing of the provision is determined on the basis of management or expert estimates.

A provision is recognised when the Company has a present legal or constructive obligation contingent on its activity, the realization of the provision in the form of outflow of resources is likely (over 50%) and the amount of the provision can be reliably determined.

Costs related to the realization of the provision are estimated at the balance sheet date and the amount of the provision is revalued at each balance sheet date. If the provision is likely to be realized in more than one year, it is recorded at discounted present value. Discounting is based on market interest rates for similar liabilities.

Provisions include potential litigation costs, fines and other obligations, the realization of which is possible and known to the management.

Contingent liabilities are liabilities whose probability of settlement is less than 50% or whose amount cannot be reliably estimated. Contingent liabilities are recognized off- balance sheet.

Corporate income tax

According to the current Income Tax Act, the profits distributed as dividends are taxed at the rate of 20/80 from the net dividend paid. Corporate income tax on dividends is recognised as an income tax expense in the statement of comprehensive income in the period when the dividend is declared, regardless of the period for which they are announced or when the dividends are paid out. The income tax liability and expense accounted from unpaid dividends as at the balance sheet date are adjusted according to the income tax rate in force in the new accounting period.

Admiral Markets has three branches in various European Union Member States and a representative office in the

Russian Federation. Although the main activity of the branches and the representative office is to offer support services to the head office, and the branches and the representative office do not generate direct operating income, Admiral Markets allocates revenues between the branches and the representative office according to the transfer pricing policy developed at the Company. The profit generated in the distribution of income is taxed separately in each country according to local regulations. More information is provided in Note 15.

The maximum income tax liability that could arise on a dividend distribution is provided in Note 15.

Revenue and expenses

Revenue and expenses are recognised on an accrual basis. Revenue from the sale of goods is recognised when there is a reasonable expectation that the benefits resulting from the transaction will flow to the Company, the income can be reliably measured and the services are provided by the Company. Revenue is recognised at the fair value of the consideration received or receivable. Revenue from provision of the service is recognised in the same period when the services were provided.

Trading income includes market value changes of tradeable derivatives and other financial assets recognized at fair value through profit or loss.

Commission and brokerage fee income and expenses include the consideration received or receivable and consideration paid or payable at fair value for mediation of the service during the Company's ordinary course of business.

The bonus recognised as a result of client trading is recorded as a reduction of net trading income in the period when the bonus is granted. Bonus points can be redeemed within one calendar year.

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments that are carried at amortized cost, using the effective interest rate method. The effective interest rate is the interest rate which when used for discounting the cash flows arising from financial asset or liability will result in the current carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all payable or receivable transaction costs, premiums or discounts related to the financial asset or liability.

Other service fee income and other income are recognised on an accrual basis when the transaction occurs.

Statutory reserve capital

According to the Commercial Code of the Republic of Estonia, the Company transfers at least 5% of the net profit of the current year to the statutory reserve until the reserve is at least 10% of the share capital. The statutory reserve cannot be distributed as dividends, but it can be used to cover losses if the losses cannot be covered from unrestricted equity. The statutory reserve can also be used to increase the Company's share capital.

Cash flow statement

The cash flow statement has been prepared using the indirect method

- cash flows from operating activities are calculated by adjusting net profit by eliminating the impact of non-monetary transactions and changes in business related current assets and current liabilities.

Cash flows from investing and financing activities are recognised using the direct method.

Events after the balance sheet date

The financial statements reflect all significant facts affecting the assessment of assets and liabilities which occurred between the balance sheet date, 31 December 2016, and the date of preparing the report, but are linked to transactions that occurred during the reporting period or transactions of previous periods. More detailed information is provided in Note 24.

Off-balance sheet assets and liabilities

AS Admiral Markets acts as an intermediary of investment services and is responsible for depositing customer funds. Assets are considered as off-balance sheet assets, see Note 16.

3. Use and interpretation of new amended standards and new accounting principles

Certain new IFRS, amendments to existing standards and the interpretations of the standards have been published by the time of compiling these financial statements which became mandatory for the Company's reporting periods beginning on or after 1 January 2016. The overview of these standards and the potential impact of applying the new standards and interpretations are stated below.

a) Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Company from 1 January 2016.

Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016). The standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that have a material impact on the Company.

b) New accounting pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Company's annual periods beginning on or after 1 January 2017, and which the Company has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial

assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and to sell assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging

The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Company is currently assessing the impact of the new standard on its financial statements.

Revenue from Contracts with Customers - Amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the European Union).

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the European Union).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative - Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017; not yet adopted by the European Union).

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Company is currently assessing the impact of the new standard on its financial statements.

The company intends to apply the aforementioned standards and interpretations as of the date of entry into force, subject to them being adopted by the European Union.

4. Use of estimates, assumptions and judgements

Preparation of financial statements requires management to make decisions, assumptions and estimates that affect the total amount of income and expenses, assets and liabilities and contingent liabilities recognised during the accounting period. Uncertainty in these estimates and assumptions could lead to a situation where in the future periods it may be necessary to adjust the carrying amounts of assets or liabilities to a significant extent.

The main assumptions and estimates that may affect the future and have significant impact on the carrying amounts of assets and liabilities within the next financial year are described below. Although the Company uses facts that are known at the time of the report as the basis for making estimates and assumptions, future developments may give rise to changes in the market or in the circumstances that are outside the Company's control.

Such changes are taken into account in assessments at the time they occur.

Management estimates have been implemented in the valuation of receivables (Note 9).

5. Risk management, principles of calculating capital requirements and capital adequacy

Admiral Markets AS offers the service of trading with derivative products (trading platform) to private persons and companies, being the counterparty to client transactions. According to the risk management policies of Admiral Markets, risks arising from derivatives are partly hedged through counterparties (liquidity providers).

Risk is defined as a potential negative deviation from the expected financial result. The objective of the risk management of Admiral Markets is to identify, accurately measure and manage risks. Risks are measured according to their nature as follows: qualitatively (scale of impact and the probability of occurrence) or quantitatively (monetary or percentage impact). Ultimately, the objective of risk management is to increase the income of Admiral Markets through minimizing damages and reducing the volatility of results.

Risk management is part of the internal control system of Admiral Markets AS. Risk management procedures and basis of assessment are set out in the Company's internal rules and internal risk management policy. In accordance with the established principles Admiral Markets must have enough capital to cover risks. The risk management process is the responsibility of the risk manager.

Specifically, risk management is built on the principle of the three lines of defense. The first line of defense, i.e. business units is responsible for risk taking and risk management. The second line of defense, i.e. risk management, performed by the Risk Management Unit, is responsible for the development of risk methodologies and risk reporting. The third line of defense, i.e. internal audit, carries out independent supervision of the entire Company.

Quantitatively measurable

- Market risk, including foreign exchange, commodity and equity price risk;
- Credit risk, including counterparty risk, concentration risk, country risk;
- Liquidity risk;
- Operational risk, including control and management risk, legal risk, personnel risk, IT risk and model risk.

Qualitatively measurable

- Reputational risk;
- Business risk;
- Strategic risk.

The Management Board of Admiral Markets AS estimates that the main risks are related to credit, market, liquidity and operational risks. The exposure of Admiral Markets to these risks, management and mitigation of these risks is described in detail below.

The general principles of effective risk management are based on the differentiation of the customer base and instruments by risk categories and the determination of the operating rules of hedging for every individual group. In the framework of client-based risk management the client base is divided into groups according to the client profile (e.g., trading volumes and activity, etc.). In accordance with risk hedging principles the total net position of a certain client profile is hedged 100% through the counterparties (liquidity provider). However, for other client profiles, the total net position is generally not hedged through the counterparty, except if the portfolio as a whole exceeds total limits set by the risk manager. Therefore important part of risk hedging is setting limits for risk hedging, monitoring of limits set and in case of exceeding the limits immediately hedging the position that exceeds the limit.

In addition to client-based risk management, risks are managed also by instruments for which a list of instruments has been set which must be hedged through a counterparty. Instruments that are hedged through a counterparty are mostly less tradable instruments.

An important part of risk management is:

- Stop Out rate imposed on clients' trading accounts - rate of compulsory liquidation of transactions, i.e. the level of collateral in which transactions are automatically closed at current market prices;
- selection of counterparties (liquidity providers), which is made on the basis of a thorough market analysis and by observing certain rules and principles;
- ongoing monitoring of the risk limit set for the trading portfolio by the dealers of the Trading Department around the clock on all working days.

Capital management

The objective of Admiral Markets in managing capital is:

- to ensure the continuity of operations of Admiral Markets and its ability to generate a profit for the owners;
- to maintain a strong capital base that supports business development;
- to meet capital requirements laid down by the supervisory authorities.

The Management Board and risk manager of Admiral Markets AS is responsible for the overall business planning process in assessing capital requirements in relation to the risk profile and for presentation of a strategy for maintaining recommended capital levels. Capitalization of Admiral Markets must be forward-looking and in line with the Company's short- and long-term business plans, as well as with expected macroeconomic developments.

Equity of Admiral Markets must at any time be equal to or exceed the minimum amount of share capital of EUR 730 000 as required by the Securities Market Act. Admiral Markets must also comply with the equity requirements provided in the European Parliament and Council Regulation (European Union) No 575/2013 (hereinafter CRR) and maintain capital buffers provided in the Credit Institutions Act.

The CRR requires that in respect of its risk assets, all credit institutions and investment companies operating in the European Union shall hold up to 4.5% of Common Equity Tier 1 (CET1) and 6% of Tier 1 Capital (Tier 1). The total Capital Adequacy Requirement (CAD), which includes both Tier 1 and Tier 2 capital, is set at 8.0%. According to the Estonian Credit Institutions Act, Admiral Markets must hold an additional capital conservation buffer of 2.5% and the systemic risk buffer of 1% (until 1.08.2016: 2%).

The equity of Admiral Markets consists of only Common Equity Tier 1 (CET1 capital):

Own funds

(in EUR)	31.12.2016	31.12.2015
Share capital	2,585,600	2,585,600
Statutory reserves transferred from net profit	258,550	258,550
Retained earnings of previous periods *	12,694,780	13,395,371
Intangible assets	-128,538	-216,487
Total Tier 1 own funds	**15,410,392**	**16,023,034**
Total own funds	**15,410,392**	**16,023,034**

* 2016 equity has been adjusted by dividends paid to the owners in February 2017 (Note 24) and 2015 equity has been adjusted in accordance with circumstances highlighted in Note 23.

As of 31.12.2016, the own funds of Admiral Markets amounted to EUR 15.4 million (31.12.2015: EUR 16.0 million). At the end of the reporting period, Admiral Markets is well-capitalized, the capital adequacy ratio was 19.0% (31.12.2015: 21.1%), and Admiral Markets has complied with all regulatory capital requirements in 2016 as well as in the earlier period.

Credit risk

Credit risk arises from a probable loss that may arise from incorrect performance or non-performance of the obligations arising from the law of obligations, or other factors (including the economic situation).

Assets open to credit risk are primarily cash and cash equivalents, receivables, loans, financial assets recognised at fair value through profit or loss and receivables arising from other financial assets. Counterparty credit risk results from the derivatives positions opened in the trading portfolio with clients and trading counterparties.

Admiral Markets started to account for counterparty credit risk in 2016. Counterparty credit risk is limited mainly through leveraging clients' trading positions: the bigger the client's open position, the lower leverage for new opened positions of instruments is permitted.

Maximum exposure to credit risk

(in EUR)	**Note**	**31.12.2016**	**31.12.2015**
Cash and cash equivalents	7	18,018,135	15,585,116
Financial assets at fair value through profit or loss	8	2,421,927	97,516
Loans granted	10	1,887,560	545,750
Other financial assets	9	768,921	3,106,555
Total assets		**23,096,543**	**19,334,937**
Off-balance sheet client bank accounts	16	4,371,567	7,786,275

Cash and cash equivalents

Credit risk exposure from cash and cash equivalents, which are held in credit institutions and investment companies (liquidity providers). It mainly consists of demand deposits, which upon the first request could be moved to another credit institution, without limitation of time and that by their nature bear very low credit risk, as estimated by the management of Admiral Markets.

For assessing the risk level of credit institutions, the Company uses ratings issued by international rating agencies Moody's, Standard & Poor's or Fitch to credit institutions or their parent companies.
If a credit institution has not been issued such credit rating, the country rating is used. Generally, the credit institution must have a rating of at least AA-. The amount of demand deposits of credit institutions with lower ratings is limited.

Investment companies must have the operating permit of the supervisory authorities of their country of residence and a high reputation.

Twice a year, the ratings of credit institutions and investment companies are checked and publicly available information about potential problems is reviewed.

Due to the careful selection of investment companies and consistent monitoring, the management estimates that the credit risk arising from investment companies is low.

Rating (Moody's)

(in EUR)	**Credit institutions**	**Investment companies**	**Total 31.12.2016**	**Credit institutions**	**Investment companies**	**Total 31.12.2015**
Aa1 - Aa3	11,674,315	0	11,674,315	8,907,742	0	8,907,742
A1 - A3	2,129,918	0	2,129,918	210,204	0	210,204
Baa1 - Baa3	110,415	0	110,415	118,118	0	118,118
Ba1 - Ba3	2,744	0	2,744	0	0	0
Non-rated	13,228	3,533,267	3,546,495	0	5,308,255	5,308,255
Cash in transit	386,732	0	386,732	0	0	0
Total (Note 7, except cash on hand and cash on client)	**14,317,352**	**3,533,267**	**17,850,619**	**9,236,065**	**5,308,255**	**14,544,319**

Loans granted

Loans have been granted mainly to related parties and to the parent company, which is why the management assesses the credit risk to be low due to the Group's financial position.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of bonds and derivative positions opened at trading counterparties (liquidity providers).

The bonds are included in the liquidity management portfolio. Liquidity portfolio is part of the liquidity buffer of Admiral Markets and it consists of investments in pledgable and high liquidity bonds. Bonds must have a minimum rating of AA by Moody's.

Ratings of bonds

(in EUR)	**31.12.2016**	**31.12.2015**
AAA	1,434,017	0
AA1	948,683	0
Total	**2,382,700**	**0**

Counterparty credit risk is calculated for derivatives opened at trading counterparties. Counterparty (liquidity provider) credit risk is managed as described in the section on cash and cash equivalents.

The credit risk of clients' trading portfolio is mainly managed through leveraging derivatives and collateral rates. Generally, the leverage of clients and collateral depend on the whole position opened by them. The greater the contingent value of the open position, the lower the leverage that is permitted for them. Also, the so-called Stop Out rate is assigned to each client's trading account. If the value of the client's open position relative to the collateral on the account is reduced to a certain level, the open position will be automatically closed in accordance with the agreement concluded with the client.

In addition, collateral and leverage rates are reviewed before known high-risk events in order to prevent a sharp drop in the client's trading portfolio that exceeds the value of the collateral held by the Company and that could create a credit risk for the Company. For example, in 2016 client leverages were reduced before the Brexit vote and the United States presidential elections.

Other financial assets

This includes all other on-balance sheet financial assets. They primarily consist of receivables to partners and related parties.

Management estimates that these receivables bear in substance low credit risk. As at 31.12.2016 and 31.12.2015 there were no overdue receivables from partners.

Off-balance sheet client bank accounts

When clients open a trading account they transfer funds to the bank account indicated by Admiral Markets. Admiral Markets keeps these funds in separate bank accounts in credit institutions with a high credit rating and separates client assets from its own assets in accordance with the requirements of the Securities Market Act. Admiral Markets is not allowed to use these client funds in its economic activities, and therefore they are classified as off-balance sheet. Admiral Markets bears the credit risk associated with these accounts in case the credit institution is unable to fulfill its obligations. As at 31.12.2016 and 31.12.2015, off-balance sheet cash and cash equivalents in credit institutions were divided by ratings as follows:

Rating (Moody's)

(in EUR)	**31.12.2016**	**31.12.2015**
Aa1 - Aa3	3,638,298	7,164,138
A1 - A3	504,590	769,889
Baa1 - Baa3	319,412	664,760
Ba1 - Ba3	0	45,455
Caa2	53,238	3,705
Total	**4,515,538**	**8,647,947**
incl Admiral Markets' cash on client accounts (Note 7)	*160,455*	*1,039,578*
incl off-balance sheet client bank accounts (Note 16)	*4,355,083*	*7,608,369*

Market risk

Market risk of Admiral Markets is mainly due to assets on balance-sheet that are quoted in currencies other than the euro and derivatives related to currencies, equities and commodities in the trading portfolio. For managing the market risk, the Company has set an enterprise-level general limit. A separate limit has been set for the trading portfolio. The limit set for the trading portfolio is monitored in real time, five days a week. If the limit is exceeded, the excess risk is hedged with derivative positions opened at trading counterparties.

Counterparty credit risk that may occur in the realization of the market risk is limited primarily through leveraging clients' trading positions: the greater the client's open position, the lower the leverage for new opened positions of instruments is permitted. In addition, leverage and collateral rates are changed before known high-risk events in order to prevent a sharp drop in client's trading portfolio that would exceed the value of the collateral held by the Company and that could create a credit risk for the Company. For example, in 2016 client leverage was reduced before the Brexit vote and the United States presidential elections.

The market risk related to the business activities of Admiral Markets is divided into three parts: currency risk, equity risk and commodity risk.

Foreign currency risk

Foreign currency risk is the main part of market risk for Admiral Markets in respect of which a set of internal risk management principles have been set. Foreign currency risk is defined as the potential damage caused by unfavorable movement of exchange rates. The foreign currency net open position is calculated by taking into account all assets and liabilities that depend on the changes in exchange rates. The euro is not considered as a foreign currency. Foreign currency net open position is calculated separately for each currency. Admiral Markets has set a certain limit on the level of the foreign currency open position and holds an additional capital buffer to cover the foreign exchange risk. The currency risk is hedged by converting monetary funds into euros and by hedging positions arising from the transactions. The open foreign currency position is also continuously monitored and hedged by holding the net position resulting from foreign currency positions as low as possible.

Foreign currency risk arises mainly from derivatives consisting of currency pairs. In addition, clients are offered commodity and equity derivatives that are quoted in a currency other than the euro. Admiral Markets also has a number of foreign currency denominated assets, mainly in the form of demand deposits. Currency risk includes all assets that are not denominated in euros and trading portfolio derivatives linked to currencies and gold.

Below is a summary of the risk-bearing assets and liabilities of Admiral Markets:

(in EUR) 31.12.2016	Note	EUR	USD	JPY	AUD	Other currencies	Total
Cash and cash equivalents	7	13,046,136	4,085,490	0	0	886,509	18,018,135
Financial assets at fair value through profit or loss	8	0	2,382,700	0	0	0	2,382,700
Loans and other financial assets	9, 10	1,781,994	8,435	0	384,256	481,796	2,656,481
Total financial assets		**14,828,130**	**6,476,625**	**0**	**384,256**	**1,368,305**	**23,057,316**

(in EUR) 31.12.2016	Note	EUR	USD	JPY	AUD	Other currencies	Total
Financial liabilities at fair value through profit or loss	8	0	0	0	0	0	0
Other financial liabilities	11	438,266	100,989	0	0	24,487	563,742
Total financial liabilities		**438,266**	**100,989**	**0**	**0**	**24,487**	**563,742**
Long positions of trading portfolio		65,421,471	88,820,031	18,453,866	5,119,107	28,171,691	205,986,166
Short positions of trading portfolio		68,322,931	80,858,711	26,526,274	10,405,761	27,050,586	213,164,263
Net open foreign currency position		**11,488,404**	**14,336,956**	**-8,072,408**	**-4,902,398**	**2,464,923**	**15,315,477**

(in EUR) 31.12.2015	Note	EUR	USD	JPY	AUD	Other currencies	Total
Cash and cash equivalents	7	11,622,299	3,729,420	0	0	233,397	15,585,116
Financial assets at fair value through profit or loss	8	0	0	0	0	0	0
Loans and other financial assets	9, 10	2,290,218	200,086	0	362,778	799,223	3,652,305
Total risk-bearing assets		**13,912,517**	**3,929,506**	**0**	**362,778**	**1,032,620**	**19,237,421**
Financial liabilities at fair value through profit or loss	8	0	0	0	0	0	0
Other financial liabilities	11	1,982,441	307,749	0	0	175,627	2,465,817
Total financial liabilities		**1,982,441**	**307,749**	**0**	**0**	**175,627**	**2,465,817**
Long positions of trading portfolio		11,322,044	61,307,135	12,559,246	4,824,867	45,144,121	135,157,414
Short positions of trading portfolio		10,050,069	50,505,058	2,840,308	3,645,975	68,079,669	135,121,079
Net open foreign currency position		**13,202,051**	**14,423,834**	**9,718,938**	**1,541,670**	**-22,078,555**	**16,807,939**

In 2016, the currency with the largest position was USD and it can have the greatest impact on the profitability of Admiral Markets. The highest intraday fluctuation (4.7%) was recorded on the day of the Brexit vote. The EURUSD fluctuation exceeded 2% on five other days. The total intraday average EURUSD fluctuation was 0.83%.

Because of EURUSD intraday maximum fluctuations of 4.7%, which was the largest in recent years, the management has assessed it as a reasonable basis for the sensitivity analysis (5%).

The sensitivity analysis that was carried out shows the impact of fluctuations in exchange rates to statement of comprehensive income in euros if all other parameters are constant:

Impact on statement of comprehensive income:

(in EUR)	USD	JPY	AUD
Exchange rate change in relation to EUR +/- 5%			
2016	716,848	403,620	245,120
2015	721,192	485,947	77,083

Equity risk

Equity risk includes instrument risk related to equities and stock indices that for Admiral Markets is mainly due to clients' trading portfolio. Equity instruments must be hedged 100%, therefore only potential credit risk arises from them. Instruments related to stock indices must be hedged in accordance with the recommendations of the Company's Management Board and risk manager.

The following are the positions of derivatives bearing the equity position risk in the trading portfolio as at 31.12.2016 and 31.12.2015 (in EUR):

31.12.2016				31.12.2015		
Equity / Index	**Long positions**	**Short positions**		**Equity / Index**	**Long positions**	**Short positions**
[DAX30]	17,001,002	8,396,804		[DJI30]	6,129,161	5,658,493
[DJI30]	7,229,015	6,442,172		[DAX30]	470,448	1,956,636
[SP500]	1,025,918	366,390		[SP500]	1,228,649	47,262
[JP225]	414,857	737,181		[IBEX35]	181,621	181,545
[NQ100]	129,940	287,533		[NQ100]	212,529	0
Other equities and indexes	803,771	546,008		Other	128,191	308,600
Total	**26,604,503**	**16,776,089**		**Total**	**8,350,599**	**8,152,535**

The following sensitivity analysis identifies the impact of the largest stock index changes on the profit/loss arising from trading positions.

Similarly with the currency risk, the largest possible volatility was also analysed. The largest intraday fluctuation of the DAX30 index took place on the Brexit vote day, and was 9%. In addition, on one day the biggest daily fluctuation in a stock index was 5.6% and the year's average intraday fluctuation of the stock index was 0.92%. Accordingly, the management has estimated that the reasonable basis for the sensitivity analysis is the largest intraday fluctuation of ca 10%.

Impact on statement of comprehensive income:

(in EUR)	[DAX30]	[DJI30]	[SP500]
Change in stock index +/- 10%			
2016	860,420	78,684	65,952
2015	47,066	148,618	118,138

A possible credit loss caused by the realization of the equity position is managed according to the principles described at the beginning of this chapter.

Commodity risk

Commodity risk includes derivatives related to various raw materials (oil and gas) and precious metals (silver, platinum and palladium).

Below are the commodity related derivative positions (in euros) of the trading portfolio.

31.12.2016				31.12.2015		
Commodity	**Long positions**	**Short positions**		**Commodity**	**Long positions**	**Short positions**
BRENT	1,216,321	463,198		BRENT	364,620	4,545
Silver	414,949	944,260		Silver	63,498	381,052
WTI	801,233	541,473		WTI	13,160	163,609
Other commodities	272,645	396,048		Other commodities	0	0
Total	**2,705,148**	**2,344,979**		**Total**	**441,277**	**549,205**

The following sensitivity analysis is also based on the largest intraday fluctuation of ca 5%.

Impact on statement of comprehensive income:

(in EUR)	BRENT	Silver	WTI
Change in commodity price +/- 5%			
2016	37,656	26,466	12,988
2015	18,004	15,878	7,522

A possible credit loss caused by the realization of the equity position is managed according to the principles described at the beginning of this chapter on market risk.

Liquidity risk

Liquidity risk is related to the solvency of Admiral Markets contractual obligations in a timely manner due to differences in maturities between assets and labiliies. To manage the liquidity risk, probable net position of receivables and payables of different periods of time is monitored on a daily basis and by keeping at any time on the account adequate liquid assets, as well as the concentration of liabilities by maturity is monitored. As at 31.12.2016 and 31.12.2015, AM AS had no overdue payables.

(in EUR)	**31.12.2016**	**31.12.2015**	**Note**
Liabilities by contractual maturity dates			
Liabilities by contractual maturity dates (3-12 months)	563,742	2,465,817	11
Total liabilities	**563,742**	**2,465,817**	
Assets held for managing liquidity risk by contractual maturity dates			
Cash and cash equivalents (exept cash in trading accounts and cash in transit), demand deposits	14,098,136	10,276,862	7
Bonds (0-3 months)	948,683	0	8
Bonds (3-12 months)	1,434,017	0	8
Total assets	**16,480,836**	**10,276,862**	

Interest rate risk

In 2016 and 2015, Admiral Markets' exposure to interest rate risk was low due to very low interest rates in the current economic environment. Admiral Markets is exposed to interest risk:

(in EUR)	**31.12.2016**	**31.12.2015**	**Note**
Cash and cash equivalents	18,018,135	15,585,116	7
Bonds	2,382,700	0	8
Total	**20,400,835**	**15,585,116**	

Concentration risk

Concentration risk is defined as risk arising from a large exposure to a single counterparty or related counterparties, or counterparties whose risk is influenced by a common risk factor or whose risk is in a strong positive correlation (including concentration risk based on a single economic sector, geographic region or activities/ products).

Concentration risk is the ratio of Admiral Markets' risk exposure to Company's own funds. The activities of Admiral Markets are aimed at avoiding excessive concentration risks, both geographically and by individual counterparties. To this end, the Company's management has established limits on concentration risk. With regard to banks the limit is 100% of own funds. With regard to investment companies the counterparty concentration risk limit is 25% of own funds.

Cash (except cash on hand and cash in transit) and clients' bank accounts distributed by countries	31.12.2016		31.12.2015	
	Balance sheet balances	Off-balance sheet balances	Balance sheet balances	Off-balance sheet balances
Estonia	12,182,333	3,776,871	8,792,408	5,902,877
England	3,487,281	27,012	3,640,851	103,810
Switzerland	1,076,854	0	1,080,376	0
Poland	141,985	327,422	149,944	748,306
Czech Republic	193,020	77,112	260,633	77,112
Cyprus	0	0	1,296,439	0
Other countries	542,868	163,150	363,245	945,029
Total	**17,624,342**	**4,371,567**	**15,583,896**	**7,777,134**

Operational risk

Operational risk is the risk of loss from the activities of people (including employees, clients or third parties), internal procedures or systems not functioning as expected, or external events. Operational risk is expressed as the probability of damage, management and control mistakes, fraud, embezzlement by employees, damages caused by unprofessionalism, errors in the Company's internal systems and human errors. This includes IT risk, which could cause damage in case of unauthorized access to information or technological failure.

The main methods for managing operational risk are the personnel policy, implementation of various internal controls and business continuity plan. For managing operational risk on a daily basis, the Company uses systems of transaction limits and competence systems and in work procedures the principle of segregation of duties is implemented.

In assessment, monitoring and managing of operational risks, compliance and internal audit function have key role. The main task of the person performing compliance control is to define, in accordance with the Credit Institutions Act and the Securities Market Act, the risk of non-compliance of the activities of Admiral Markets with legal acts, voluntary guidelines of the Financial Supervision Authority and internal rules of Admiral Markets, taking into consideration the business scope and complexity of services rendered, and to arrange for their hedging or prevention.

For managing the operational risk, Admiral Markets uses the database of incidents and loss events of operational risks. Incidents are analyzed individually and together, in order to determine potential significant shortcomings in the processes and products of Admiral Markets. In addition, the Company is implementing key risk indicators in order to introduce various levels of operational risk in different areas.

Off-setting of financial assets and financial liabilities

31.12.2016	Gross amount in statement of financial position	Off-setting amount under agreement	Net amount
Financial assets			
Cash on trading accounts (Note 7)	3,533,267	0	3,533,267
Financial assets at fair value through profit and loss (Note 8)	39,227	32,214	7,014
Total	**3,572,494**	**32,214**	**3,540,281**
Financial liabilities			
Financial liabilities at fair value through profit and loss (Note 8)	51,782	32,214	19,588
Total	**51,782**	**32,214**	**19,588**

31.12.2015	Gross amount in statement of financial position	Off-setting amount under agreement	Net amount
Financial assets			
Cash on trading accounts (Note 7)	5,308,254	0	5,308,254
Financial assets at fair value through profit and loss (Note 8)	97,516	92,687	4,829
Total	**5,405,770**	**92,687**	**5,313,083**
Financial liabilities			
Financial liabilities at fair value through profit and loss (Note 8)	122,186	92,687	29,499
Total	**122,186**	**92,687**	**29,499**

6. Assessment of fair value

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2016:

		Assessment of fair value using			
	Notes	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets recognised at fair value:					
Bonds	8	2,382,700	2,382,700	0	0
Derivatives:					
Currency pairs	8	22,325	0	22,325	0
CFD derivatives	8	11,144	0	11,144	0
Indexes	8	3,595	0	3,595	0
Other derivatives	8	2,163	0	2,163	0
TOTAL		**2,421,927**	**2,382,700**	**39,227**	**0**
Liabilities recognised at fair value:					
Derivatives:					
Currency pairs	8	47,289	0	47,289	0
CFD derivatives	8	2,841	0	2,841	0
Indexes	8	904	0	904	0
Other derivatives	8	748	0	748	0
TOTAL		**51,782**	**0**	**51,782**	**0**
Assets and liabilities subject to fair value disclosure requirement:					
Loans granted *	10	1,887,560	0	0	1,887,560

* Loans granted are recognised at amortized cost. Future contractual cash flows were assessed by using current market interest rates and the resulting fair value does not significantly differ from the carrying amount.

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2015:

		Fair value estimation using			
	Notes	Total	Level 1	Level 2	Level 3
Assets recognised at fair value:					
Derivatives:					
Currency pairs	8	95,289	0	95,289	0
CFD derivatives	8	799	0	799	0
Indexes	8	0	0	0	0
Other derivatives	8	1,428	0	1,428	0
TOTAL		**97,516**	**0**	**97,516**	**0**
Liabilities recognised at fair value:					
Derivatives:					
Currency pairs	8	85,951	0	85,951	0
CFD derivatives	8	1,374	0	1,374	0
Indexes	8	31,059	0	31,059	0
Other derivatives	8	3,802	0	3,802	0
TOTAL		**122,186**	**0**	**122,186**	**0**
Assets and liabilities subject to fair value disclosure requirement:					
Loans granted *	10	545,750	0	0	545,750

* Loans granted are recognised at amortized cost. Future contractual cash flows were assessed, using current market interest rates and the fair value determined as a result does not significantly differ from the carrying amount.

Other financial assets and liabilities that are carried at amortized cost are short-term and the management estimates that their fair value is not materially different from their carrying amount.

Levels used in the hierarchy:

Level 1 - quoted price in an active market
Level 2 - valuation technique based on market data
Level 3 – other valuation methods with estimated inputs

Financial instruments on level 2
The value of trading derivatives is based on quotations received from counterparties (liquidity providers) and other public quotations.

Risks arising from client-related open positions are disclosed in Note 5.

7. Cash and cash equivalents

Type of cash	31.12.2016	31.12.2015
Cash on hand	7,061	1,220
Demand deposits	13,930,620	9,236,064
Cash on client accounts*	160,455	1,039,578
Cash on trading accounts**	3,533,267	5,308,254
Cash in transit	386,732	0
Total cash and cash equivalents	**18,018,135**	**15,585,116**

* Cash at bank which is held as a technical reserve until settlement with clients. According to client contracts, this cash belongs to Admiral Markets AS and it can be transferred to the bank account of AM at any time.

** Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 241,371 in restricted cash (2015: EUR 419,741). As at 31.12.2016, the balance of restricted cash has decreased due to the change in trading conditions.

8. Financial assets and liabilities at fair value through profit or loss

	31.12.2016		31.12.2015		
Instrument	**Asset**	**Liability**	**Asset**	**Liability**	**Note**
Bonds	2,382,700	0	0	0	6
Currency pairs	22,325	47,289	95,289	85,951	6
CFD derivatives	11,144	2,841	799	1,374	6
Indexes	3,595	904	0	31,084	6
Other	2,163	748	1,428	3,777	6
Total	**2,421,927**	**51,782**	**97,516**	**122,186**	

Risks arising from client-related open positions are disclosed in Note 5.

9. Short-term loans, receivables and prepayments

	31.12.2016	31.12.2015 *adjusted	Note
Financial assets			
Trade receivables**	10,763,309	10,913,378	
Doubtful receivables *	-10,763,289	-10,191,913	
Settlements with employees	3,072	444	
Loans and receivables from group companies	2,141,958	2,436,739	21
Short-term loans	0	5,000	10
Other short-term receivables	18,871	3,019	
Subtotal	**2,163,921**	**3,166,667**	
Non-financial assets			
Prepaid expenditure of future periods	228,559	170,028	
Prepayments to suppliers	43,712	3,954	
Prepaid taxes	386,405	310,287	12
Subtotal	**658,676**	**484,269**	
Total	**2,822,597**	**3,650,936**	

Information on doubtful receivables:	31.12.2016	31.12.2015 *adjusted
Doubtful receivables at the beginning of the accounting period	-10,191,913	-321,799
Receivables recognised as doubtful	-421,157	-9,870,962
Collection of previously recognized as doubtful receivables	17,178	848
Impact of exchange rate changes	-167,397	0
Doubtful receivables at the end of the accounting period	**-10,763,289**	**-10,191,913**

* Some balances have been presented in the adjusted amount for which information is presented in Note 23.

**On 15 January 2015, the Swiss National Bank announced that it will terminate its ceiling where one euro equals 1.20 francs that had been in place for 3 years. The decision resulted in unprecedented volatility (i.e. a sudden change in the price sequence) in the foreign exchange market, which led to a greater leverage on Swiss franc investments and virtually instant destruction for those who had contributed to the depreciation of franc or a record growth of those who were skeptical about the Swiss National Bank's policy and the information published in the press conferences. As a result, in 2015 customer receivables of Admiral Markets AS increased and receivables in the amount of EUR 9,870,962 were impaired in 2015 (see also Note 23).

10. Loans granted

	31.12.16	Distribution by maturity		Interest rate	Due date	Base currency	Interest receivable as at 31.12.2016	Note
		Kuni 1 aasta	**2-5. a**					
Loan 1	25,000	0	25,000	12 months Euribor 4%	03.2018	EUR	4,088	
Loan 2	0	0	0	-	-	-	0	
Loan 3*	0	0	0	6%	12.2018	AUD	40,797	21
Loan 4*	0	0	0	-	-	-	0	
Loan 5	0	0	0	-	-	-	0	
Loan 6	1,395,000	1,395,000	0	3-3,5%	12.2017	EUR	23,253	21
Loan 7	125,000	0	125,000	3%	12.2019	EUR	2,356	21
Loan 8	342,560	0	342,560	3%	02.2019	AUD	899	21
Total	**1,887,560**	**1,395,000**	**492,560**			**EUR**	**71,393**	

	31.12.15	Distribution by maturity		Interest rate	Due date	Base currency	Interest receivable as at 31.12.2015	Note
		1 aasta	2-5. a					
Loan 1	25,000	0	25,000	12 months Euribor + 4%	03.2018	EUR	2,942	
Loan 2	55,112	55,112	0	12 kuu Euribor + 3%	04.2016	USD	5,129	21
Loan 3*	335,638	0	335,638	6%	12.2018	AUD	27,140	21
Loan 4*	125,000	0	125,000	3,5%	12.2019	EUR	4,375	21
Loan 5	5,000	5,000	0	Fixed 140EUR	05.2016	EUR	77	
Total	**545,750**	**60,112**	**485,638**			**EUR**	**39,663**	

* Loan 3 and Loan 4 are subordinated loans.

As at 31.12.2015, the Company had a receivable in amount EUR 4,821,181, which was written down to EUR 280,000 and received in 2016.

11. Liabilities and prepayments

Type of liability	31.12.2016	31.12.2015	Note
Financial liabilities			
Liabilities to trading counter-parties	0	1,383,325	
Liabilities to trade creditors	401,060	427,616	
Liabilities to related parties	15,003	94,229	21
Other accrued expenses	147,679	560,647	
Subtotal	**563,742**	**2,465,817**	
Non-financial liabilities			
Payables to employees	138,280	150,458	
Taxes payable	373,290	125,040	12
Subtotal	**511,570**	**275,498**	
Total	**1,075,312**	**2,741,315**	

12. Tax liabilities

	31.12.2016		31.12.2015		
	Prepaid taxes	Tax payables	Prepaid taxes	Tax payables	Note
Value-added tax	0	209,304	0	54	
Corporate income tax	0	7,533	0	10,762	
Individual income tax	0	50,408	0	38,421	
Social security tax	0	94,071	0	70,329	
Unemployment insurance payments	0	5,442	0	3,181	
Contributions to funded pension	0	3,727	0	2,271	
Other tax receivables/liabilities in foreign countries	32,672	2,805	93,080	22	
Prepayments account	353,733	0	217,207	0	
Total	**386,405**	**373,290**	**310,287**	**125,040**	**9, 11**

13. Financial and operating lease

Tangible assets acquired under financial lease

As at 31.12.2016 and 31.12.2015, the company has no liabilities under financial lease.

Operating lease

The company leases office premises under operating lease.

	2016	2015	Note
Operating lease of premises	304,707	292,792	20
Operating lease of cars	0	8,477	

Non-cancellable operating lease payments in the future periods.

	31.12.2016	31.12.2015
During 12 months	18,935	2,105

14. Provisions

	31.12.2016	31.12.2015
Potential court dispute expenses	244,000	226,940
TOTAL	**244,000**	**226,940**

AM AS has ongoing litigation with a customer and a former employee, the results of which are not yet known by the date of the preparation of the annual report. As at 31.12.2014, the Management Board has set up provisions in the amount of the claims made against AM AS; in 2015-2016 the provision was increased by EUR 42,060, taking into account possible liabilities for overdue penalties.

15. Corporate income tax

According to Estonian laws, retained earnings are not taxed with corporate income tax, whereas paid-out dividends are taxed. Dividends paid to shareholders during the year 2016 amounted to EUR 460,000 and the accompanying income tax liability was in the amount of EUR 115,000 (2015: EUR 0).

In 2016, the corporate income tax withheld from the interest income received from Australia amounted to EUR EUR 5,749 (2015: EUR 0).

As a result of setting up branches, the Company had an income tax liability of EUR 9,599.

Income tax expense associated with profit earned in branches

2016	2015
9,599	16,768

In 2016, the income tax on corporate profits was paid by branches in Lithuania, Romania and Czech Republic.

2016:

Country	Latvia	Lithuania	Romania	Czech Republic	Total
Income tax rate in 2016	15%	15%	16%	19%	-
Profit before tax	0	23,713	16,581	17,837	58,131
Income tax expense	0	3,557	2,653	3,389	9,599
Effective income tax rate	**0**	**15%**	**16%**	**19%**	**-**

2015:

Country	Latvia	Lithuania	Romania	Czech Republic	Total
Income tax rate in 2015	15%	15%	16%	19%	-
Profit before tax	22,273	26,467	29,006	25,347	103,093
Amount of income tax	3,341	3,970	4,641	4,816	16,768
Effective income tax rate	**15%**	**15%**	**16%**	**19%**	**-**

Conditional income tax

As at 31.12.2016, the Company's retained earnings amounted to EUR 19,907,581 (2015: EUR 17,951,552). The maximum potential income tax liability that may incur if all retained earnings are paid out as dividends is EUR 3,523,642 (2015: EUR 3,590,310), therefore it is possible to pay out EUR 14,094,567 (2015: EUR 14,361,242) as net dividends, on the condition that the amount of the dividend and the income tax does not exceed the balance of retained earnings.

The tax authority has the right to inspect the Company's tax accounting for 5 years after the due date of submitting a tax declaration and in case of finding errors, to impose an additional tax amount, interest and fines.

The Company's management estimates that there are no circumstances, as a result of which the tax authority could impose a significant additional tax amount for the Company.

16. Off-balance sheet assets

Off-balance sheet assets are funds of these clients who use the trading systems mediated by Admiral Markets AS. Because of the specific feature of the system, AM AS deposits these funds in personalized accounts in banks and in other investment companies. The Company does not use client funds in its business operations and accounts for them off-balance sheet.

Off-balance sheet assets	**31.12.2016**	**31.12.2015**
Bank accounts	4,355,083	7,608,369
Interim accounts of card payment systems	16,484	168,765
Receivables from clients	0	9,141
TOTAL	**4,371,567**	**7,786,275**

17. Share capital

	31.12.2016	**31.12.2015**
Share capital	2,585,600	2,585,600
Number of shares (pc)	404,000	404,000
Nominal value of shares	6.4	6.4

Under the articles of association, the minimum share capital of the investment company is EUR 766,940 and the maximum share capital is EUR 3,067,759 in the range of which share capital can be increased and decreased without amending the articles of association. All issued shares are fully paid.

In 2016, owners were paid dividends in the total amount of EUR 460,000, i.e. EUR 1.14 per share. Each share grants one vote at the general annual meeting of shareholders of Admiral Markets AS.

18. Net trade income

	2016	2015 adjusted*
Net gain from trading of financial assets at fair value through profit or loss with clients	29,666,927	40,011,176
Net gain from trading of financial assets at fair value through profit or loss with liquidity providers	-4,814,407	-19,439,291
Brokerage income	653,267	473,931
Brokerage and commission fee expense	-7,325,048	-3,775,773
Other trading activity related expenses	-227,899	-784,823
Net income from trading	**17,952,840**	**16,485,220**

In 2016, the trading activity of clients was higher than in 2015 in connection with a one-off change in the Swiss franc, which increased profits with clients and losses with liquidity providers.

19. Personnel expenses

The remuneration for employees including social security taxes amounted to EUR 4,097,259 (2015: EUR 2,737,263) and the remuneration for the management amounted to EUR 386,619 (2015: EUR 248,603). The average number of employees was 119 persons (2015: 112 persons).

	2016	2015	Note
Employees (headquarters of Admiral Markets AS)	-3,129,333	-1,984,457	
Employees (branches)	-911,736	-760,299	
Remuneration of the Management Board and Supervisory Board	-386,619	-248,603	21
Vacation pay reserve	-56,190	7,493	
Total	**-4,483,878**	**-2,985,866**	

20. Operating expenses

Type of expense	2016	2015 *adjusted	Note
Marketing expenses	-2,696,358	-1,985,763	
IT expenses	-1,516,489	-1,383,350	
Other outsourced services	-724,639	-1,016,244	
Expenses of doubtful receivables*	-638,869	-9,927,082	
VAT expenses	-571,551	-312,757	
Office rent expenses	-304,707	-292,792	13
Legal and audit services	-192,019	-226,578	
Regulative reporting services	-122,350	-223,078	
Transport and communication costs	-106,278	-125,306	
Travelling expenses	-89,850	-84,700	
Office utilities	-67,794	-59,072	
Supervision fee of the Financial Supervision Authority	-47,502	-54,544	
Other operating expenses	-672,926	-439,759	
Total operating expenses	**-7,751,332**	**-16,131,025**	

* The expenses of doubtful receivables of 2015 are presented in adjusted amounts as described in more detail in Note 23. Expenses are related to the event described in Note 9.

21. Transactions with related parties

Transactions with related parties are transactions with the parent company, shareholders, members of the management, their close relatives and entitites that they control or over which they have significant influence.

The parent company of Admiral Markets AS is Admiral Markets Group AS. Mr. Alexander Tsikhilov has the ultimate control over the Company.

Revenue

	Relation	2016	2015	Note
Revenue from brokerage and commission fees*	Companies in the same consolidation Group	23,078,516	12,211,986	18
Services	Companies in the same consolidation Group	109,355	92,117	
Interest income	Companies in the same consolidation Group	21,569	34,584	
Interest income	Senior management and companies related to them	1,875	0	
Interest income	Parent company	23,253	0	
Sale of property, plant and equipment	Companies in the same consolidation Group	805	0	
Sale of non-current assets	Senior management and companies related to them	0	26,667	
Total transactions with related parties		**23,235,373**	**12,365,354**	

* The majority of clients have concluded trading contracts with the entities which are part of the same consolidation group that mediate their trading transactions with the entity and to whom the entity pays a commission fee (see the next table). In 2016, the income from trading and brokerage fees increased in connection with the growth in the trading volumes of the clients mediated by these entities.

Expenses

	Relation	2016	2015	Note
Commission fees	Companies in the same consolidation Group	6,722,953	2,885,368	18
Services	Companies in the same consolidation Group	449,605	619,826	20
Other services	Parent company	69,694	77,571	20
Total transactions with related parties		**7,242,252**	**3,582,765**	

Loans and receivables

	31.12.2016	31.12.2015	Note
Receivables from parent company (short-term)	1,529,206	91,432	9
Receivables from other companies in the same consolidation Group (short-term)	612,752	2,344,836	9
Receivables from parent company (long-term)	467,560	0	10
Receivables from other companies in the same consolidation Group (long-term)	0	460,638	10
Receivables from companies related to senior management	0	471	9
Total receivables from related parties	**2,609,518**	**2,897,377**	

The Company did not recognize any allowance for doubtful receivables from related parties during the year 2016 and 2015.

Liabilities

	31.12.2016	31.12.2015	Note
Liabilites to other companies in the same consolidation Group	15,003	94,229	11
Total liabilities to related parties	**15,003**	**94,229**	

Payments made and benefits granted to the management

	2016	2015	Note
Payments made and benefits granted to the management (gross)	386,619	248,603	19

As at 31.12.2016, there were no unpaid salaries which were accrued. No severance benefits were paid out in 2016. The Company incurs no liabilities in case of termination of the contract of service concluded with a member of the Management Board before the expiry of the term of office.

22. Segment reporting

The Management Board is responsible for the allocation of resources and assessment of the results of operating segments. In 2015 and 2016, the Management Board monitored the operations of the Company as one operating segment. The Company's' internal reports prepared for the Management Board are drawn up on the basis of the same accounting principles and in a form that has been used in this annual report.

23. Error corrections

In 2016, a significant error was discovered in calculating doubtful receivables for the previous year in the amount of EUR 3,441,181 (see Note 9). The error has been corrected retrospectively and the important information related to the adjustment has been disclosed in the tables below:

Impact of error correction on the statement of financial position:

Balance sheet line item	31.12.2015 adjusted	Impact of error	31.12.2015 before adjustments
Short-term loans, receivables and prepayments	3,650,936	-350,000	4,000,936
Long-term loans and receivables	485,638	-3,091,181	3,576,819
Retained earnings	14,479,780	-3,441,181	17,920,961

Impact of the error correction on the profit and loss statement:

Profit or loss line item	2015 adjusted	Impact of error	2015 before adjustments
Operating expenses	-16,126,391	-3,441,181	-12,685,210
Profit (loss) before income tax	- 2,500,004	-3,441,181	941,177
Profit (loss) for the accounting period	-2,516,772	-3,441,181	924,409
Basic and diluted earnings (losses) per share	-6.23		2.29

Impact of the error correction on the statement of cash-flows:

Cash flow statement line item	31.12.2015 adjusted	Impact of error	31.12.2015 before adjustments
Adjustments: Allowance for doubtful receivables	10,093,780	3,441,181	6,652,599

In this financial statement some essential items are disclosed in more detail in the statement of comprehensive income and some non-essential items are reported summarized and presentation of comparative data complies with the new presentation. In the statement of financial position the presentation from "Provisions" is adjusted to "Liabilities and prepayments".

24. Events after the balance sheet date

Pursuant to the Articles of Association of AM and the Commercial Code, in February 2017 the Company's management proposed to pay shareholders a dividend EUR 1,325,000, i.e. EUR 3.27 per share from retained earnings.

4. Signatures of the Management Board members to the 2016 Annual Report

The Management Board has prepared the Management Report and the Financial Statements of Admiral Markets AS for the financial year ended on 31 December 2016.

The Management Board confirms that Management Report of Admiral Markets AS on pages 5 to 22 provides a true and fair view of the Company's business operations, financial results and financial position.

The Management Board confirms that according to their best knowledge the Financial Statements of Admiral Markets AS on the pages 23 to 62 presents a true and fair view of the Company's assets, liabilities, financial position and financial results according to the IFRS as they are adopted by the European Union and contains description of the main risks and doubts.

Management Board:

„27" June 2017

Chairman of the Management Board:

Sergei Bogatenkov

Member of the Management Board:

Dmitri Lauš

Member of the Management Board:

Aleksandr Ljubovski

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Admiral Markets AS

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Admiral Markets AS (the Company) as at 31 December 2016 and 31 December 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We audited the Company's financial statements that comprise:
- the statements of financial position as at 31 December 2016 and 31 December 2015;
- the statements of comprehensive income for the years then ended;
- the statements of cash flows for the years then ended;
- the statements of changes in equity for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information contained in the annual report in addition to the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

Tiit Raimla	Verner Uibo
Auditor's certificate no.287	Auditor's certificate no.568

28 June 2017

6. Proposal for profit distribution

Retained earnings of previous periods	14,019,780
Net profit for 2016	5,887,801
Total retained earnings as at 31.12.2016:	**19,907,581**

The Management Board proposes to transfer the profit in the amount of EUR 5,887,801 to retained earnings.