2020

Consolidated Annual Report

Admiral Markets Group AS

(Translation of the Estonian original)

Admiral Markets Group AS

Consolidated Annual Report 2020

Commercial Registry no.	11838516
Address	Maakri 19/1, Tallinn, 10145
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E-mail	info@admiralmarkets.com
Main area of activity	Investment services
Beginning and end date of financial year	01. January - 31. December
Chairman of the Management Board	Sergei Bogatenkov
Members of the Management Board	Dmitri Laush Jens Chrzanowski Victor Gherbovet
Chairman of the Supervisory Board	Alexander Tsikhilov
Members of the Supervisory Board	Anton Tikhomirov Anatolii Mikhalchenko Fedor Ragin Priit Rohumaa
Auditor	PricewaterhouseCoopers AS

We are becoming a global financial hub.

Alexander Tsikhilov
Chairman of the Supervisory Board

Highlights 2020

- Net trading income increased 86% to 62.2 million EUR (2019: 33.5 million EUR)
- EBITDA[1] was 23.4 million EUR (2019: 6.9 million EUR)
- EBITDA margin was 38% (2019: 20%)
- Net profit was 20.7 million EUR (2019: 5.2 million EUR)
- Net profit margin was 33% (2019: 16%)
- Cost to income ratio was 65% (2019: 84%)
- Number of active clients[2] up 100% to 48,341 clients (2019: 24,148 active clients)
- Client assets up 79% to 82.2 million EUR (2019: 45.9 million EUR)
- ARPU[3] 1,286 EUR (2019: 1,388 EUR)
- Value of trades up 67% to 988 billion EUR (2019: 590 billion EUR)
- Number of trades up 110% to 66.9 million (2019: 31.8 million)

↑ 298 %

Net profit increased

↑ 239 %

EBITDA increased

↑ 67 %

Trading volumes increased

↑ 110 %

Number of trades increased

↑ 86 %

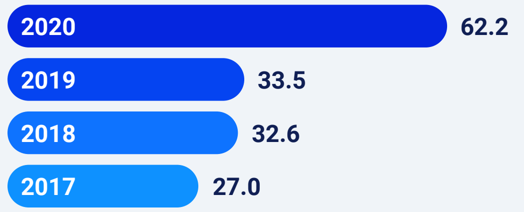
Net trading income increased

[1] Earnings before interest, taxes, depreciation and amortization

[2] Active clients represent clients who traded at least once in the last 12 months

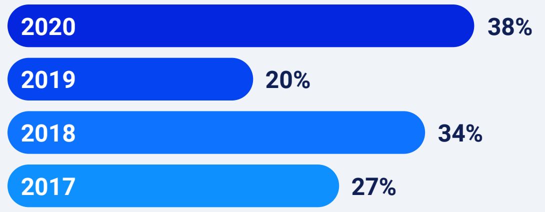
[3] Average revenue per unit (client)

Net trading income EUR 62.2m



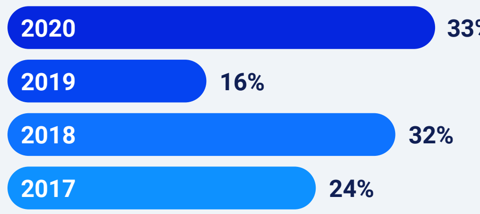
EBITDA EUR 23.4m

EBITDA margin 38%

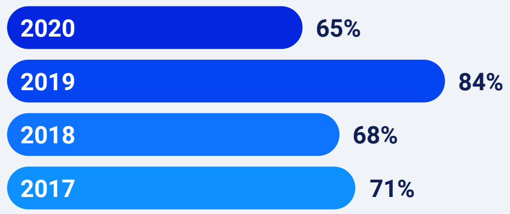


Net profit EUR 20.7m

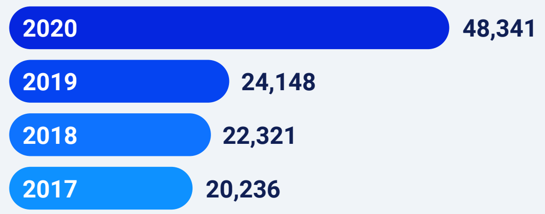
Net profit margin 33%



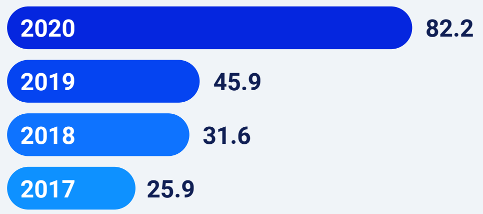
Cost to income ratio 65%



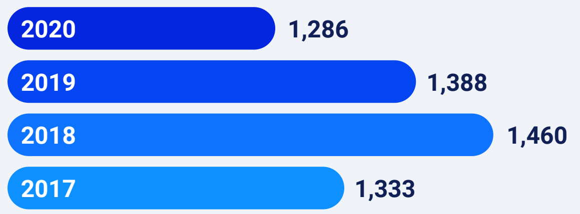
Active clients 48,341



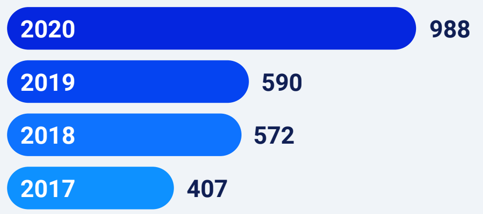
Client assets 82.2m



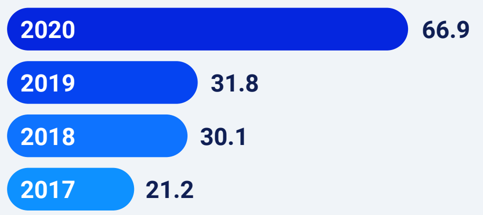
ARPU EUR 1,286



Value of trades EUR 988bn



Number of trades 66.9m



admirals

Today, we are disrupting the FinTech world.

Sergei Bogatenkov
Chairman of the Management Board

To the investors of Admiral Markets

Dear Investors,

This year, 2021, Admiral Markets celebrates its 20th anniversary. It is a groundbreaking landmark not only for us, Admirals, but also for all the people and stakeholders who have been on this exciting journey with us. We are grateful for the lessons which have led us to become a successful global financial hub. Today, we are disrupting the FinTech world.

Despite all the difficulties the world experienced, 2020 was the most successful year the Company has ever had. We exceeded all expectations.

Our impressive growth was accompanied by the launch of new regions which have brought us significantly closer to our long-term goals. We launched exceptional new services which bring our clients closer to financial freedom. We acquired a platform to expand into peer-to-peer lending. As a result, the next generation is open to access capital from crowdfunding and friends. They are open to reducing the costs and unnecessary red tape from traditional banks.

20 years ago we were a Forex- and CFD-focused company. We wanted to be a global leader. Today, we already achieved that. Now, we are in the midst of remarkable expansion. We are on our way towards becoming an A-listed finance centre.

We need to disrupt, transform and define a new mission. We have a vision for 2030, with the ultimate goal to have 10 million clients on board with us. We want to enable 10 million people to experience financial freedom.

We have brought investment, trading, lending, and payment possibilities closer to everyone. It is now possible to manage your personal finances no matter where you are. We are delighted by the experienced clients who trade with us, and at the same time, we are dedicated to our beginners who join and grow with us. Our new mobile app makes it convenient for people to take their first steps into the financial markets and make their first investments. It's the simplest way to get acquainted with the endless possibilities of the financial markets.

We have replaced our product-centric ethos with a client-oriented approach which enables us to be agile, transparent, and convenient for our clients. Quality is what motivates our goals as we bring the financial community together into one powerful marketplace. Today, we as Admirals stand for a unified experience in the financial world. We, as a FinTech company, are dedicated to the successful creation of a lifestyle community and ecosystem.

2020 can be described in terms of business excellence. At the same time, it was a year unlike any we have ever experienced before. It was not easy, but it proved that we are able to adjust and adapt to any new challenge with a common goal. I am overwhelmed by the spirit of togetherness our team expressed during the past many months of global lockdown.

> **I am overwhelmed by the spirit of togetherness our team expressed during the past many months of a global lockdown.**

Admiral Markets works for results. We continued to expand in regions, products, and world-class services. We outperformed our own targets and doubled our revenue. At the same time, we are developing talents and managing the global situation which affects us every day.

In March, within just a few days, we established a safe work environment for our team. We transitioned our employees to a "work from home" approach. It was our utmost priority to maintain the high standards we have set for ourselves, even when working from home. And we did it.

The success we witnessed last year is the combination of strategic management, rapid adjustment to the global situation, and the willingness to be agile, flexible, and open to change. But it is the fantastic Admiral Markets team who pulled it off.

The loyalty, dedication, and willingness to go the extra mile proved that we have the best people to implement the vision we have developed for the next decade.

We define ourselves as being forward-thinking. Last year, we invested in IT technologies and infrastructure in order to achieve the best performance possible. We opened in new markets and launched numerous new products. And of course, we did so while being as socially and environmentally responsible as possible.

2020 reminded us that changes are inevitable. We must welcome the chance to help keep balance in the world around us. We must act together in terms of having a green and sustainable impact on the environment.

I am grateful for the joint effort on the long road we have travelled. I am forever grateful for our investors, partners, our team of Admirals, and clients who have put their trust in us.

We keep working together to reshape the future of personal finance.

Sergei Bogatenkov
Chairman of the Management Board
Tallinn
12.03.2021

Table of Contents

The following chapter outlines the founding and licensing history and growth of Admiral Markets Group AS and all of its constituent companies.

Management report

Our company

ADMIRAL MARKETS GROUP AS was founded in 2009 with the aim of incorporating financial companies from different countries to form a multinational group of companies operating under a joint trademark – Admiral Markets (hereinafter referred to as "Admiral Markets," or "The Group").

Our business

As a pioneer in financial markets since 2001, Admiral Markets is a market leader in quality with a global digital presence. We create in-house software solutions for trading and investing, both B2C and B2B, making financial markets accessible around the world.

The main focus of the Group is the development of trading and investment services (mainly leveraged and derivative products) to retail, professional, and institutional clients. Customers are offered leveraged Contract for Difference (CFD) products in the over-the-counter market, including Forex, indices, commodities, digital currencies, stocks and ETFs, as well as listed instruments. Admiral Markets activities have largely targeted experienced traders, but this year saw us strengthen our position in the beginner's segment. In order to accomplish this goal, the Group now focuses on the improvement of general trading skills in experienced traders, and in training new enthusiasts as well. Targeting new segments of clients is a significant strategic choice of the business expansion of the Group.

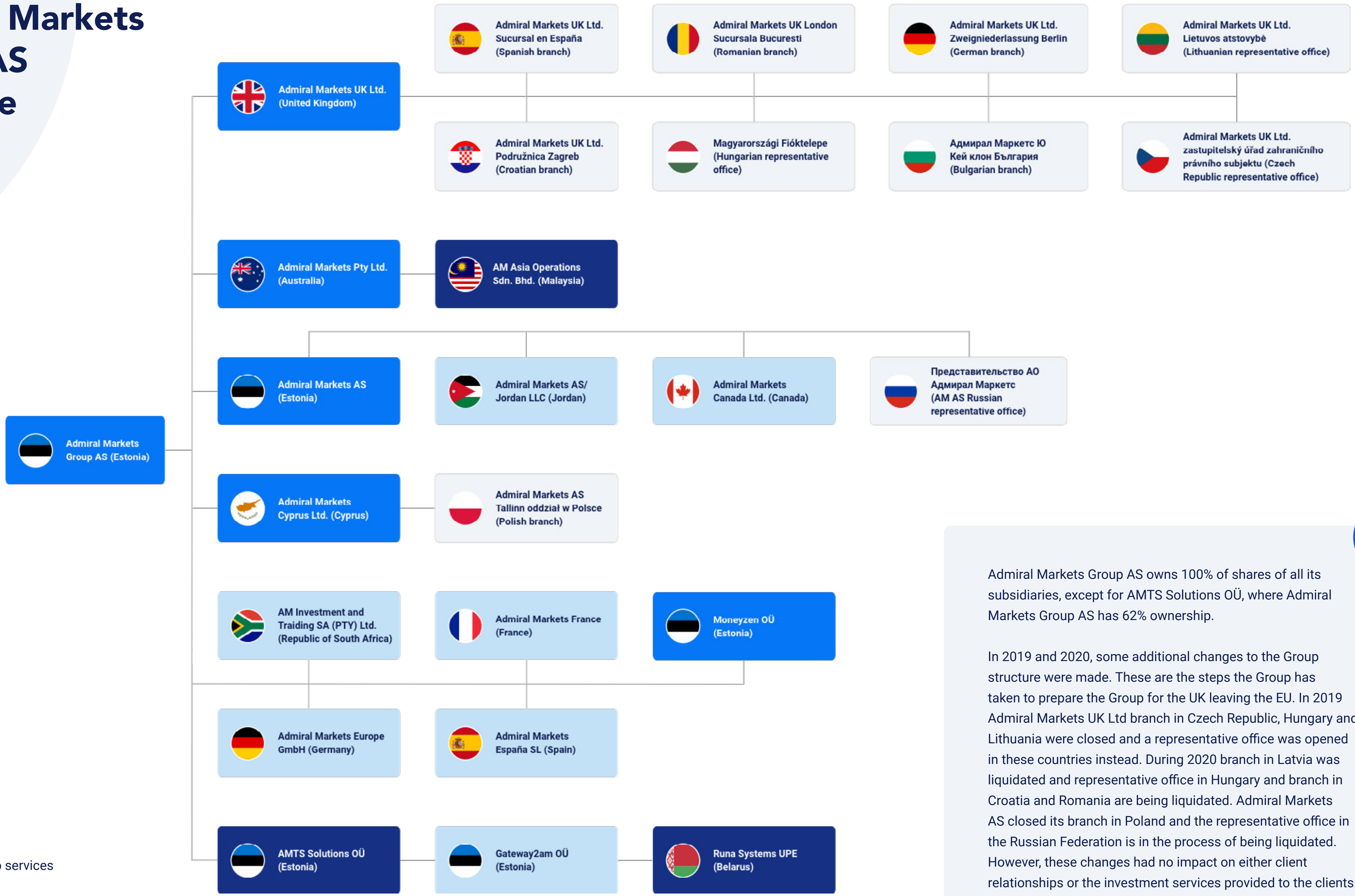
Admiral Markets is regulated in 3 of the 4 main financial over-the-counter (OTC) hubs, being the Financial Conduct Authority (FCA) for the UK, the Australian Securities and Investments Commission (ASIC) for Australia, and the Cyprus Securities and Exchange Commission (CySEC) for Cyprus. Additionally, Admiral Markets has been granted a licence from the Estonian Financial Supervisory Authority (EFSA). The licenced investment companies constituting the consolidation group include Admiral Markets AS, Admiral Markets UK Ltd, Admiral Markets Pty Ltd, and Admiral Markets Cyprus Ltd.

Admiral Markets UK Ltd has been the primary retail office of the Group's European customers due to the high reputation of the United Kingdom business environment and the presence of broader investor protection (Financial Services Compensation Scheme – FSCS). Admiral Markets AS role is that of a significant intra-group service provider. In line with the Group's strategy, subsidiaries of Admiral Markets Group AS hedge the risks arising from their clients' transactions in their sister company – Admiral Markets AS, which is also their main liquidity provider.

Other companies within the consolidation group as at the time of publishing include Runa Systems, AMTS Solution OÜ, AM Asia Operations Sdn. Bhd., AM INVESTMENTS AND TRADING SA (PTY) LTD, Admiral Markets Canada Ltd, Admiral Markets AS/ Jordan LLC and Gateway2am OÜ (former name Admiral Virtual OÜ), Admiral Markets Europe GmbH (Germany), Admiral Markets France (Société par actions simplifiée), and Admiral Markets Espana SL (Spain). AM Asia Operations Sdn. Bhd (Malaysia) and AM INVESTMENTS AND TRADING SA (PTY) LTD (Republic of South Africa) were established in 2019, Admiral Markets AS/ Jordan LLC in the beginning of 2020 with Admiral Markets Europe GmbH (Germany), Admiral Markets France (Société par actions simplifiée), Admiral Markets Espana SL (Spain) later in 2020. Runa Systems and AMTS Solution OÜ offer IT and other intra-group services. Gateway2am OÜ is inactive at the moment, as well as AM INVESTMENTS AND TRADING SA (PTY) LTD, Admiral Markets AS/ Jordan LLC, Admiral Markets Canada Ltd, Admiral Markets Europe GmbH (Germany), Admiral Markets France (Société par actions simplifiée), and Admiral Markets Espana SL (Spain). In 2021, Admiral Markets Group AS also acquired MoneyZen OÜ, a peer-to-peer lending platform.

At the time of publishing this report, Admiral Markets UK Ltd representative office in Hungary and branches in Croatia and Romania are being liquidated. They are being closed in coordination with the development of Admiral Markets Group's continued strategy. This change shall have no impact on either client relationships or the investment services provided to the clients, as clients may continue trading on a cross-border basis through entities of the Group holding the respective licence.

Admiral Markets Group AS structure



- IT & intra-group services
- Investment services
- Representative office and branch
- Inactive

Admiral Markets Group AS owns 100% of shares of all its subsidiaries, except for AMTS Solutions OÜ, where Admiral Markets Group AS has 62% ownership.

In 2019 and 2020, some additional changes to the Group structure were made. These are the steps the Group has taken to prepare the Group for the UK leaving the EU. In 2019 Admiral Markets UK Ltd branch in Czech Republic, Hungary and Lithuania were closed and a representative office was opened in these countries instead. During 2020 branch in Latvia was liquidated and representative office in Hungary and branch in Croatia and Romania are being liquidated. Admiral Markets AS closed its branch in Poland and the representative office in the Russian Federation is in the process of being liquidated. However, these changes had no impact on either client relationships or the investment services provided to the clients.

The services have been and will continue to be provided either directly in the jurisdiction of the respective client's choice or on a cross-border basis through entities of the Group holding respective licence.

Our products and services

Our clients receive the best and most transparent trading experience because of our dedication to providing access to a wide range of global financial markets through our own highly functional software and quality assurance means.

Admiral Markets' vision and mission is to bring people together into one powerful financial hub. As a global player, we develop our IT solutions in-house, combining the IT and financial worlds. Admiral Markets highly values financial education, and over the past 20 years, we have addressed hundreds of thousands of people to financial literacy.

Trading platforms and access to financial markets

Admiral Markets has developed a dual-layer service channel. It is based on the Admiral Markets Core, which is an all-in-one platform for education, analysis, and investing. We research, develop, and integrate new opportunities made available by data analysis tools, artificial intelligence (AI) solutions, and blockchain technology into our processes. Our dual-layer service channels involve various trading applications.

Our trading infrastructure enables low-latency and optimised access to the world's largest multi-asset class electronic trading ecosystem. Trading servers are located in one of the most prominent data centres and internet exchange points available for international financial services providers – Equinix London LD4. The proximity of our trading servers to all major liquidity providers and institutional trading counterparties in combination with our proprietary order routing and execution engine consistently ensures the best possible order execution outcomes for our clients across all financial products.

The retail client service relies on two trading platforms: MetaTrader 4 and MetaTrader 5. The latter is the latest generation of the famous MetaTrader platform, developed by the MetaQuotes Software corporation, which is trusted and used by millions of traders and hundreds of trading service providers across the world for well over a decade.

The MetaTrader 5 platform inherited the intuitive, easy-to-use interface and trading functions of MetaTrader 4 but, unlike its predecessor, it is no longer prone to tradable product range scalability limitations. The newest platform now also supports trading in exchange-traded products like stocks, exchange-traded funds, futures, bonds, and options. The integrated multi-asset support created an opportunity for Admiral Markets to engage with new market segments in order to reach an even broader group of traders and expand the global footprint of Admiral Markets by offering the ability to trade stocks and exchange-traded funds.

In partnership with third-party developers, we created the MetaTrader Supreme Edition – a trading platform plugin suite for desktop versions of MetaTrader 4 or MetaTrader 5. MetaTrader Supreme Edition offers a number of top of the line market analysis and trading tools to our clients and helps us to gain a competitive edge over other investment services providers who also rely on MetaTrader platforms.

Products

We offer Forex and leverage Contract for Difference (CFD) products in the over-the-counter market as well as listed instruments. Our clients can choose between a wide range of trading instruments.

We offer around 3,900 over-the-counter products, including Forex and CFDs on stocks, bonds, indices, cryptocurrencies, agricultural products, precious metals and energies; and over 4,200 listed instruments, including over 4,000 stocks and over 150 exchange-traded funds on Invest.MT5 accounts.

Thus far, the focus of our product has been offering great options for active (short-term) trading. This is still our core and DNA. But, in addition, classic investment opportunities like long-term stock or ETF investing will be developed even further. Our driving force is all kinds of trading and investment products and offering the best education in these areas.

Our clients

The quality of a product or service weighs heavily on client satisfaction. That is the reason why we truly pay respect to the quality of our customer service. The activities of Admiral Markets are primarily targeted at experienced traders, but at the same time for many clients, Admiral Markets is the very first company with whom they start investigating the world of financial trading. Due to this, we focus on the improvement of their general trading skills and the training of new enthusiasts.

We continuously kept providing webinars. Here we are not only speaking about the trading ABCs, but also giving our clients the opportunity to freely and without risk explore trading possibilities with over 8,300 trading instruments via free demo accounts. Moreover, for many clients, we are and remain their only trading provider, as Admiral Markets supports a wide range of different trading-related services, which is sufficient even for the very demanding client.

Our goal is to widen our client base and reach new customers via the in-house development of a new application that expands their possibility to use trading services. It was launched in 2020, and provides the ultimate platform for personalisation and access to financial markets. Never before has trading on-the-go been so convenient.

A look back at our history

As the Admiral Markets is celebrating its 20-year anniversary, let's have a look back at the road which led us here.

2001

- The company's first office opens on March 5 in St. Petersburg, Russia. The registration or company name at the time: Admiral Investments and Securities Ltd.

2003

- The opening of new offices in Tallinn, Estonia

2007

- The name of the company is changed, and the Admiral Markets brand is born.

2009

- Admiral Markets AS receives an EU-wide license to operate from the Estonian Financial Supervision Authority (EFSA).

2011

- We acquired the Russian broker UMIS.
- The expansion of business to Australia, with registration and licensing from the Australian Securities & Investments Commission (ASIC).
- The launch of the German branch of Admiral Markets in Berlin on June 1st.

2013

- We obtained our UK license from the UK Financial Conduct Authority (FCA), which is widely recognised as the best and most stringent regulation for business worldwide.
- We obtained the Cyprus Securities and Exchange Commission (CySEC) license
- The introduction of MetaTrader Supreme Edition as a comprehensive plugin package for the MT4.
- In September, Admiral Markets renewed its brand presence with a new logo.

2014

- The conversion of account models and order execution systems from instant execution to market execution.

2016

- The introduction of numerous new products and services. The expansion of the CFD trading instrument range, the introduction of the browser-based WebTrader; new volatility protection settings for optimised risk management, and more.

2017

- The introduction of cryptocurrency CFDs such as Bitcoin crossed with the US dollar, the BTCUSD, in order to be able to trade on rising and falling prices.
- Introduction of our Invest.MT5 account, which allows clients to make long-term investments in stocks and ETFs without leverage, in addition to CFD trading.

2018

- In January 2018, bonds issued by Admiral Markets AS were listed on the Nasdaq Baltic Bond List by Nasdaq Tallinn.
- ESMA and CFD regulation in the EU - the topic of the year for the whole industry. Implementation of the new ESMA CFD regulation rules on Monday, July 30th in Europe.
- The move to the new Admiral Markets head office in Tallinn, Estonia in October: Maakri Kvartal.

2019

- The introduction of the Wallet in the Trader's Room as a central account for the management of trading funds, linked bank accounts, credit cards, and many other features.
- The introduction of Premium Analytics, featuring market news, technical analysis, an economic calendar, and sentiment analysis, all of which are aggregated from over 1000 financial news sources. The content is provided by leading sources such as Dow Jones, Trading Central, and Acuity.

2020

- The launch of the Admiral Markets App, the ultimate mobile application for trading on-the-go. The revamped app enables the Admiral Markets to focus on the novice investor, one who is making their first encounter with the financial markets.
- The launch of the new virtual Admiral Markets Card for Admiral Markets Cyprus. The new Card puts the Trader's Room account into action like never before, allowing clients to put their wallet's funds to work with a simple, all-in-one service seamlessly and instantly. The physical card will be available in early 2021.
- In addition to seminars, webinars, analytics and more, new trading podcasts have been added to the program. These can be found at all leading portals such as Spotify, Deezer, Soundcloud, Apple Podcast, and Google Podcast.
- Started sponsorship with Eesti Kontsert.
- From now on, Gate 5 at Tallinn Airport will be home to Admiral Markets branding.

2021

- The physical AM Card will be issued in spring 2021 (Cyprus)
- Copy Trading established to mirror/copy successful trader accounts to yours (Cyprus)
- From Admiral Markets to Admirals - The official journey began with our Rebranding on March 5th.

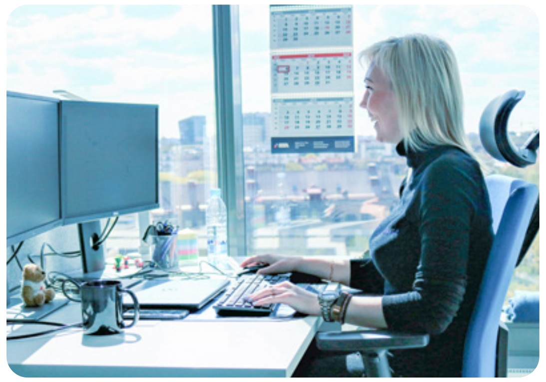
We are moving forward in 2021.

Our goal is to reach new clients through innovation.

Anton Tikhomirov
Member of the Supervisory Board

Our people

The COVID-19 pandemic impacted us all. To this end, the main focus for 2020 was the development of our people and organizational culture. We are very proud of our fantastic team and their outstanding expertise in their work, and their dedication and commitment to togetherness. As a global company with offices all over the world, Admiral Markets brings together many different cultures, each with their own traditions and history. That's why the Company takes the development of our people extremely seriously, and has high standards in its organizational culture.



Developing our people

At the beginning of the year, a yearly training plan was approved. In accordance with this, we began to offer various internal training options, such as time management, how to deal with stress and burnout, creative thinking, and the improvement of technical and soft skills.

At that time, the Group also launched its new Engagement and Performance platform Culture Amp. It is a powerful analytic software that will help evaluate employee performance and makes it easy for the Group to collect, understand, and act on employee feedback. The first engagement survey was conducted in February.

We also started leadership development with our middle managers. This includes a tailored training program with external mentors, and the continued development plans for our top leaders in the Management and Supervisory board.

In the Autumn of 2020, we placed our focus on the long-term goals of the company by implementing the OKR (goal-setting framework for defining and tracking objectives and their outcomes) method.

The Group also continued its financial training series The Fundamentals of Financial Markets, and provided our employees with the opportunity to augment their knowledge of financial markets and instruments. The transition to remote work during the COVID-19 pandemic proved to us that we need to be able to continue to offer training for our employees through virtual means. For this purpose, we launched our new Training platform Coursy, in order to implement several training programs related to employee onboarding and manager support.

Keeping Distance to Stay Together - Quarantine 2020

In order to have a green and sustainable world, we must act together.

Our initiatives

2020 was also the year of different positive initiatives. We continue to take part in a scholarship program in cooperation with TalTech University. Internally, we have had different projects directed towards our people, such as the HR Hackathon and the Outstanding People Awards. As the organizational culture has been our main focus for the year, we initiated the praise your colleague month for in October (#Kudober). The year culminated with official recognition by the Estonian Ministry of Social Affairs, and Admiral Markets AS was awarded the gold level as a Family-Friendly Employer. All our efforts seem to be paying off, as our employee turnover has hit an all-time low in 2020.

Keeping our people safe

The biggest challenge for the first half of 2020 was definitely this transition to remote work. Although we are a company whose business is fully online, it was a very challenging time. But we worked together, and we made it happen and supported everyone step-by-step in our adoption of a “new normal”.

As a Group, we kept growing all year, even during quarantine, and all of our employees were kept safe and healthy - Admiral Markets did not have to lay off any people or reduce wages. Instead, we paid even more attention to internal communication. Since 2020 we have been holding quarterly Town Hall meetings where the management board members share information and updates regarding the company on a global level. We have also consistently issued monthly HR Newsletters, which have given overviews of smaller events and ongoing projects, as well as our victories and milestones.

The Group is constantly growing, and many new people are being recruited as we speak. 46 new people were added to the team during 2020. There has also been a positive trend in the internal growth of the organisation - 34 employees have moved up to new positions within the Group during 2020. On a global level, we are also continuously growing; this year, our Minsk office welcomed its 100th employee, which compared to 2019, is a growth of 65 positions.

Doing Good & Corporate Social Responsibility

The Group values togetherness and this is carried out in the CSR activities and various sponsorship and collaboration projects.

2020 announced to the world that some changes are inevitable and we must all engage in activities that help to reduce the burden on the environment around us. More than before, 2020 proved that it is important to support those who have been hit the hardest in the aftermath of the COVID-19 outbreak. We also witnessed great ideas on how to stay together when it was not physically possible.

Tallinn Zoo

We are the godfather of a polar-bear, Aron, who until July 2020, lived in the Tallinn Zoo. But as in nature, young individuals do not live with their parents in zoos for their entire life, but must eventually become independent. On the recommendation of the coordinator of the EAZA polar bear breeding program, a new habitat was found for Aron at the La Flèche zoo in France. Aron is not living alone in the magnificent polar bear cage, but with a cherie! So even though Aron moved to France to start his own family and we miss him terribly, a polar bear named Rasputin has arrived in Tallinn Zoo and we are thrilled to welcome him. Our collaboration with Tallinn Zoo continues on.

Pärnu Music Festival

Pärnu, the summer capital of Estonia, invites world-class musicians to perform in this beautiful city for one week in the summer. It is one of the most outstanding classical music festivals in Europe. We are happy to be one of the background forces making it come true.

Collaboration with student inventors

In autumn 2020, the Estonian national competition for the best student inventors was held. In total, more than 600 exciting inventions were submitted. We were excited and honored to take part in this fabulous event and reward two young outstanding inventors.

The Admiral Markets awards went to young inventors Ruudi Seppel from the 3rd grade and Arabella Kruuse from the 8th grade. Ruudi’s invention is called “Shoe and Boot Beep”. His invention is for children whose feet are quickly growing. It is a sock that sends digital signals when the shoe is getting too small for a child.

Arabella came up with an innovative telephone app, “VAIB”, which supports students’ mental health. Her app provides solutions to students’ concerns that are easy to encounter in everyday school life.

Eesti Kontsert

In 2020, the Group announced its sponsorship of Eesti Kontsert, and we are now its main sponsor for the year. Eesti Kontsert is a high-level music and event organizer with the widest repertoire selection in Estonia, and is a well-known partner abroad. We are delighted to be their partners. "Music has the ability to comfort and to rejoice. To motivate and to help overcome difficult moments. Mental health is a common priority for all of us today, which is why I hope that listeners will attend concerts and experience sublime emotions that will help to put the difficult times behind," says Sergei Bgatenkov, the CEO of Admiral Markets.

Scholarships at TalTech

The Group has, over the years, continuously issued scholarships for outstanding young students of TalTech University, specializing in IT or Economics at the University. Our latest scholarship went to Henty Härm, who studies in the faculty of Information Technology. He caught our attention with his innovative ideas.

Hõbevalge

We are happy to announce the successful conclusion of a project which means a lot to us, and which was funded and initiated by Alexander Tsikhilov, the founder of the Admiral Markets.

A landmark in Estonian cultural history, "Hõbevalge" was written by former Estonian president Lennart Meri, and is now available for the first time in the Russian language. The book has been given as a gift to all Russian-speaking Estonian schools.

This came to be, as one day, to Alexander Tsikhilov's great surprise, he found out that the book, written in 1976 by Lennart Meri, had not yet been translated into Russian, though it had been published in Finnish in 1983 and even in Italian in 2016. He, then, decided that the book, a significant landmark of Estonian culture and literature, should be made available in Russian.

Mart Meri, the son of the former president, wrote an introduction and provided unique photos from the family archive which had never been published before. The Russian version of the book includes memories of Lennart Meri's friends, and the speeches given by him as the president.

Data analysis, AI and digital banking are our future.

Anatolii Mikhalchenko
Member of the Supervisory Board

2020 Overview

The Admiral Markets App

Today, the world is mobile. This is the reason why we used 2020 to realign our focus on this. It is an obligation, not an opportunity, to offer the best possible mobile user experience. On the way towards becoming a financial hub for a variety of trading, investing, social trading, and financial added value services, the Group launched a mobile app, the ultimate mobile application any person needs in order to trade-on-the-go.

The app, available for both Android and iOS, offers users the utmost in personalisation while providing access to an extensive product offering: Forex, CFDs on stocks, indices, commodities, and cryptocurrencies. The app has a user-friendly interface, which allows users to trade with their mobile devices at any time, at any place, opening up a more personal and easier native trading experience than ever. It is also possible to switch between Demo and Live Trading modes at will.

The revamped app enables the Group to focus on the novice investor, one who is considering their first encounter with the financial markets. We are able to provide them with the necessary technology, customer service, research, and education, while they get acquainted with the ongoing trends in the global financial sphere.

Rewriting the client Dashboard

Rewriting the client Dashboard from scratch is a new benchmark in service for the client, enabling them to easily navigate between the Dashboard and the public website without logging out, thus making it incredibly user-friendly. Both the Admiral Markets 's public websites and the Dashboard now utilise the same visual components (buttons, input fields, cards etc) which results in a universal look and user experience.

PCI-DSS certification

One of the most significant projects completed in 2020 was getting PCI-DSS certification. It was an excellent example of different departments working together in absolute synchronization. The PCI-DSS certification ensures that we meet the highest cybersecurity standards, together with the best infrastructure and technology practices, in order to protect sensitive data with the highest quality cybersecurity measures. It is a reassurance for the Group 's clients that the business is safe to transact with and trust.

Cutting-edge IT team

The implementation of ambitious and groundbreaking plans came with the excellent support of our in-house IT and technology department. Being in an expansion phase, the Group is making large-scale investments in its infrastructure and development in order to keep momentum towards our common goals.

We all know the speed at which technology changes. That's why it takes the best team to keep pace with the innovation taking place in the FinTech world. Today, Admiral Markets has a world-class IT and technology department, where each position stands for the continued success of the company.

We expanded the team, as well as the geographical locations of the infrastructure systems of the Group. Our greatest achievement for 2020 in terms of IT is the formation of the excellent team behind it, as the competition to hire the best expertise and know-how in the sector is extremely intense. Today, the Group has a full roster of the best experts in order to complete all the projects we have launched and are coming down the pipeline.

In addition to this, Group has hired four key team members who each contribute to the Group 's ability to meet the highest standards of cybersecurity, technology development, stability, and overall operating efficiency of the Group. We have people working towards these high standards in Minsk, Tallinn, and Kuala Lumpur.

At the same time, we increased our resources and expanded our cybersecurity team to help protect the company at the highest possible level. Information security is our utmost priority. Our everyday work is dedicated to updating our technology to the highest possible standards.

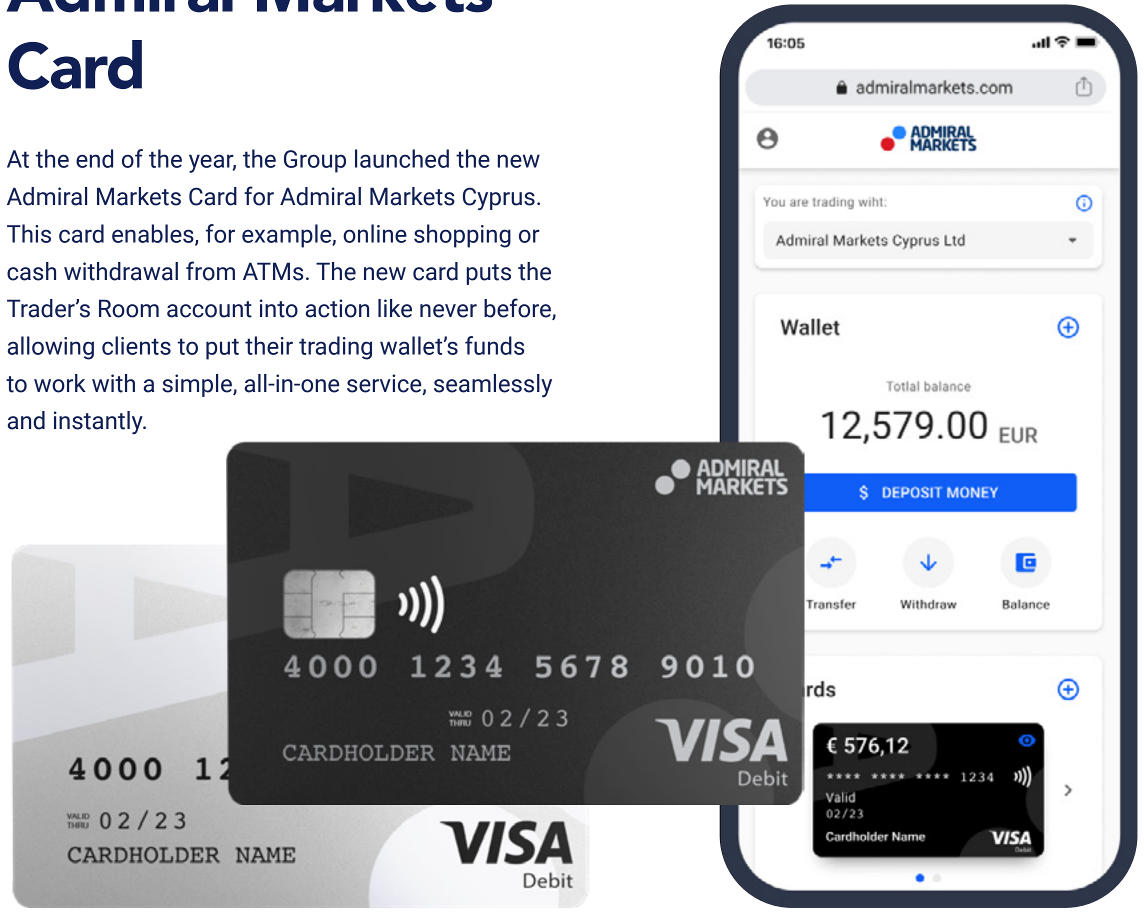
Adding GetID to the onboarding flow

One of the essential stages in onboarding new clients is the verification of a person's identity. As regulations for doing so are strict within the industry, it takes the best practices to cope with the valid requirements.

GetID is a service developed within the Company itself. It provides clients operating within Cyprus CySec or UK FCA jurisdictions a more convenient and fast way to identify and verify their identity. Before implementing GetID as a verification method, clients previously had to take photos of themselves and their legal documents and upload them to our system. Verification was then carried out manually by the Group. After implementing GetID, the onboarding process is much more automated, and thus much faster as well. This is one step forward for the excellent customer experience the Group aims to provide.

Launching the Admiral Markets Card

At the end of the year, the Group launched the new Admiral Markets Card for Admiral Markets Cyprus. This card enables, for example, online shopping or cash withdrawal from ATMs. The new card puts the Trader's Room account into action like never before, allowing clients to put their trading wallet's funds to work with a simple, all-in-one service, seamlessly and instantly.



The virtual card is free and available to everyone with a live account, and the quick and easy application is on the Trader's Room Dashboard.

IT and Mobile developments

The Admiral Markets Group AS is a financially secure company, with clients in more than 154 countries, and offices in 19 countries worldwide. 2020 saw the Admiral Markets make significant progress towards positioning itself as a global FinTech company which offers its clients the best financial services, empowered by a premium customer service experience. A wide range of new large-scale IT developments and projects were launched, which all contributed to the Group's digital maturity.

We are constantly working to develop our IT solutions in order to maintain them at the highest possible quality. We keep ourselves ahead of the curve with future technologies which enable us to be fast, flexible, and responsive to the changes around us.

We adhere to the platform approach as a process of building our business in the ecosystem format. We transferred all frontend client environments to the API, rewrote the client dashboard from scratch with a 'mobile-first' approach, and released a multi-currency wallet.

Launching Invest. MT5 under AM CY

Retail clients are typically more interested in trading without leverage. In order to reach the expectations of these customers, we have expanded the list of instruments and from now on, clients operating within Admiral Markets Cyprus can directly trade stocks and ETFs. Our investing account gives access to the 15 of the largest stock exchanges at no cost.

We launched the groundbreaking Admiral Markets Card.

Regina Laush
Head of Treasury

Marketing

The Group continues its dedication to significant marketing projects, which when combined with its growth in business activities has led to outstanding results. The aim of the marketing team is to continue to provide the best content, design, ideas, and themes to support the Group's different teams and projects in order to reach their targets and goals.

The first half of 2020 was defined by the high volatility across the market, which made a strong start to the year. A variety of projects and campaigns made for record numbers in prospective leads and overall acquisition for the Group. Various campaigns were launched to promote our market-leading trading offers for our clients.

Among these were the bonus campaigns, which were promoted in Google, Bing, Facebook, and a variety of over 40 industry sources, and set the record for new clients registered in the Group, and also a new record for trading volumes.

We've all seen how COVID-19 has shaken up the markets, but it also gave us a unique opportunity to improve communication with clients.

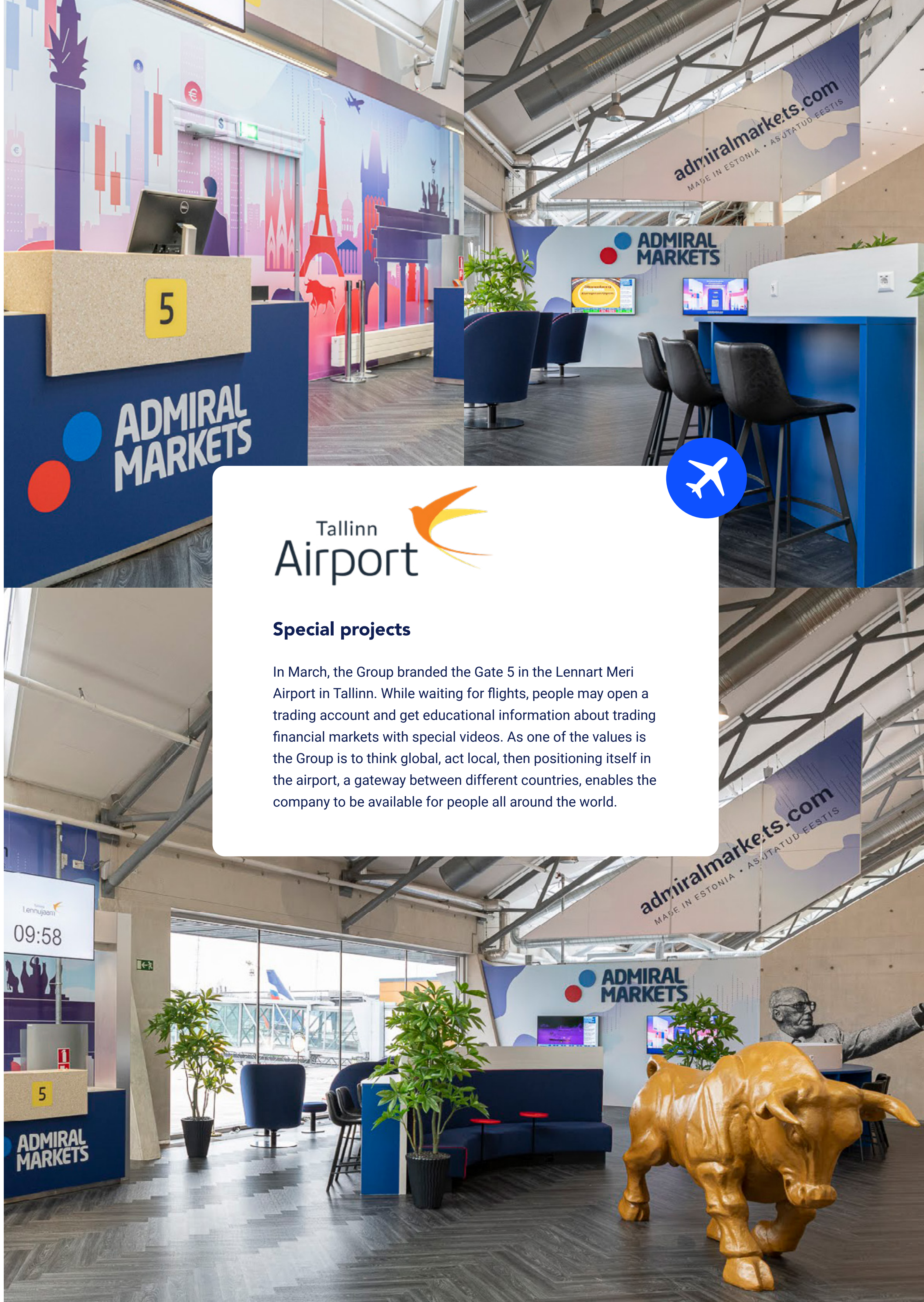
This year we have served and engaged our (potential) clients by adding more educational articles than ever, launching informational campaigns, and introducing regular market hot news.

Admiral Markets is thrilled to have a Social Media team on board, who now manage all our social media channels, working to increase and better our presence there. In just a few months, they have completely restructured our Instagram page, for example.

Admiral Markets devotes a lot of attention to its clients' education and the quality of its analytical materials. In order to maintain our high standards, the following projects were launched in 2020:

- "Traders Talk" webinars were launched with a wide list of new educational programs.
- The Group and one of the most famous traders in the world, Alexander Elder, made a decision to collaborate on a number of educational materials, like educational webinars, books, and masterclasses.
- Annual sponsorship of weekly analytical podcasts in cooperation with dv.ee was launched.
- The Group's analytical team launched a project with its own educational podcasts in English, German, French, and Russian languages.
- In 2020 we started our expansion into Asia and Scandinavia.
- All English and Russian speaking clients got the possibility to download "Blockchain Basics," a book by Alexander Tsikhilov - co-founder of Admiral Markets.
- Our design team undertook a significant project: Admiral Markets launched a redesign of its mobile app, which was received with praise by traders.
- In total, over 6000 banners were designed in 25 different languages.
- We created, reworked, and translated close to 4000 SEO articles.
- Since August, we have created, translated, and implemented an average of 70 analytical content pieces monthly.
- We created content for over 15 Landing Pages, including ones for the Wallet, AM Card, AM App (main & mobile) and VPS service.
- 10 835 946 New Users viewed our website.
- The Group held 156 webinars.
- Successful advertising campaigns were launched in Peru, Argentina, Austria, Moldova, and Poland.
- We successfully continued our regular podcasts, which focus on various educational topics and help our customers to broaden their knowledge about the financial markets.

Expos, which have usually been held in person, moved to virtual events. We partnered with some virtual trading Expo partners, and took part for example at the World of Trading 2020 (Frankfurt, Germany), Börsentag Berlin 2020, and the Börsentag München 2020. We all hope that in the future face to face meetings can happen again, but until then we need to be flexible.



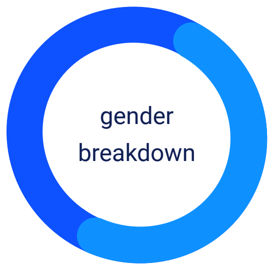
Tallinn Airport

Special projects

In March, the Group branded the Gate 5 in the Lennart Meri Airport in Tallinn. While waiting for flights, people may open a trading account and get educational information about trading financial markets with special videos. As one of the values is the Group is to think global, act local, then positioning itself in the airport, a gateway between different countries, enables the company to be available for people all around the world.

This is us in 2020

52%
Male



48%
Female

154
Countires where AMG has clients

340
Employees

over **8000**
Number of available trading instruments

↑86%
Net trading income up

↑298%
Net profit up

79%
Client assets up

↑174%
New clients up

Awards

As a Group, we value quality, and characteristic is one we are known by within the industry. We are a market leader in our dedication to quality, and this has been recognized by global award issuing authorities. Here is a list of what we were awarded in 2020:

Germany

Deutsches Kundeninstitut - "TOP CFD Broker" 2020

Stable, reliable partner also in "crisis times"

CFD Broker of the Year 2020 - 1st Place

Best Forex-Broker 2020 by Brokervergleich.de

Best CFD-Broker 2020 by Brokervergleich.de

"Focus Money" print magazine: Fairest/Best Price - Value Ratio of German CFD Brokers

Spain

Best Broker in Spain - Admiral Markets

Best Financial Analyst in Spain - Juan Enrique Cadiñanos

Best Broker Company Spain 2020

Best Broker of CFDs in Spain - Admiral Markets

Best trainer and Financial Analyst in Spain - Juan Enrique Cadiñanos

Our strategy and objectives

Admiral Markets' objectives are aligned with that of the Group's. Admiral Markets is dedicated to becoming a TOP 10 player in the new financial industry. Our competitive advantages come from our global presence, flexible trading accounts, education and analytics, security and software, innovative approach, and local support. Our goal is to provide financial freedom to 10 million people globally.

For its first 20 years, Admiral Markets was a Forex & CFD brokerage. Our focus for the next 5 to 10 years is significantly more extensive. We will go beyond the scope of traditional trading and investing services and we will expand to offer more diverse financial products and services.

Our licences from leading regulatory bodies around the world, and our physical presence in the most important markets, enables us to get to know our clients personally, understand their needs, and offer them a higher level of service.

Admiral Markets helps its customers make thoughtful and intelligent trading decisions by publishing books and offering educational programmes (seminars, live webinars, videos), each designed to teach trading skills and explain the financial markets.

We always followed the global demand of our clients. Coming from the classic Forex-focussed instruments we saw more and more demand grow for the global indices. Understanding this, we were able to work with our experts to establish one of the best trading offers for indices, in terms of spreads, zero commission, fractional lots, and day-trading options (scalping, hedging, etc.) In recent years, the DAX30 and DJI30 have become two of our top five traded instruments globally.

As we expand our personal finance products and services we continue to build from the solid foundation of experience we have gained over the past 20 years. Trading will always be an important part of our identity and our clients will continue to receive the best quality and conditions in the sector.

Over the past two decades, we have revolutionised trading and investing, enabling millions of satisfied individuals to structure and manage their investments in a safe, secure, and simplified way.

The Group is well established in Europe. Today, our expansion plans include the entrance into new markets, focusing on Asia, Africa, and Latin America. Our client base will increase through the expansion of our range of products and services, exploring new markets, and growth in our long-established markets. We are in the process of opening or activating offices in Jordan, Canada, and South Africa later this year; global expansion is already underway.

Our flexibility and innovation, desire to understand the needs of our clients, and our integration of customer service and investing in our brand will be the groundwork of the strategic decisions influencing our activities in the coming years.

In addition, we seek possibilities to extend our availability to clients via new offices, customer support solution, and websites in new languages.

Brand

Admiral Markets was founded in 2001. After 20 years in business, the Group announced its rebranding into Admirals on March 5th, 2021. The logo and name will reflect this change as the Group starts to write its new chapter. The rebranding is a natural step to reflect where the company stands as a business today.

Over the past two decades, Admiral Markets has revolutionised trading and investing, enabling millions of satisfied individuals to structure and manage their investments in a safe, secure, and simplified way. Back in 2001, Admiral Markets was purely a Forex and CFD brokerage company. Today, it stands as an innovative and streamlined personal finance experience.

In October 2021, the Dubai Expo will open. Admiral Markets has announced its participation at the world exhibition, opening the Estonian-based fintech success story to 192 countries participating at the event.

Our clients

In 2020, we reached the highest number of active clients in our history. In 2021, we seek to continuously increase our client base.

We have been expanding our product offering and are adding new services. We are a global financial hub disrupting the FinTech world on a global scale. Our aim is to streamline personal finance for over 10 million people all around the world in the next 10 years.

Our clients' trust in us is characterised by the majority of them being long-term clients. In 2020, we brought trading and investing closer to everybody when we launched our new app, which is an excellent entry for a beginner trader to get acquainted with the global financial markets.

The biggest challenge for the coming years is accessing Asian markets and offering local instruments in the region. In doing this, we ensure the growth of our portfolio. We must raise local knowledge and awareness of the brand.

Trends and factors likely to affect our future

Market volatility

In 2020, the financial sector was clearly affected by the pandemic, particularly at the beginning of the crisis, when markets around the world panicked and volatility reached unprecedented levels. This was one of the reasons why the trading industry received special attention from new investors with no prior experience in active trading. Demand was immense, and we saw record numbers of new clients to compliment record trading volumes. During this turbulent period, all our trading systems performed reliably and stably. Market volatility may have an immense impact on our business, as more volatility usually leads to a higher trading volume of our active clients.

Coronavirus and inflation

The outbreak of the coronavirus at the beginning of 2020 had an impact on every borderless company, and the world economy has been changed because of it. Policymakers around the world have implemented measures to help businesses during the spread of the virus. When speaking of global chaos, uncertainty and confusion are the biggest sources of concern. This also applies to information regarding the virus, because as of today, it is unknown when and how the spread of the virus will wane, and when the vaccines will reach each person.

At the same time, our entire business and industry is tailor-made for remote work. All our clients can trade and manage their accounts from anywhere, on any device, from home or on the road. The same is true for our business systems, which allow our employees to work from anywhere, with the highest security standards. Working from home and other remote options are possible. Messenger systems as Slack, the security of our VPN and cloud data systems, are built for situations like this. As a global company and as an employer that cares about the health of its people 24/7, we are prepared.

Markets speculate as to whether inflation will grow to concerning levels. Over the last few years, it has been notably low in the US and EU and the effect of this has changed, and will keep changing, the investment marketplaces.

Technology

Each year, the world becomes increasingly more and more mobile. People expect mobile services and products which perform at increasingly higher levels. We have set out to ensure that our clients' trading experience will always be excellent as we develop their access to our new personal finance services. We are a financial hub, offering a wide range of products and services which make personal finance transparent and accessible. We use innovative technology to ensure that our clients receive the best customer support. Because of this, we are able to successfully compete with neobanks and brokerages.

The COVID-19 pandemic impacted us all.

Victor Gherbovet
Member of the Management Board

Economic environment

Admiral Markets has its headquarters in Estonia, and 18 additional offices around the world. The products Admiral Markets offers to its customers around the world are dependent on regional economic and regulatory trends.

Global economy

During the second half of 2020, the global economy saw a gradual recovery after the massive economic downturn resulting from the COVID-19 lockdown beginning Q1/2020.

After the Eurozone economy shrank by 3.2% (QoQ) in Q1/2020, it saw a record slump in annual GDP growth of -14.7% in Q2/2020 before easing to -4.3% in Q3/2020.

The US economy also recovered during the second six months of 2020: after plunging by 31.4% in the second quarter, having already shrunk by an annualized 5% in the first quarter of 2020, the US economy expanded by an annualized 33.4% in Q3 2020 – its biggest expansion ever.

But it remains to be seen whether this recovery will continue over the coming months going into the first quarter of 2021: the US GDP growth rate is still 3.5% below its pre-pandemic level, and although coronavirus vaccinations have begun their roll-out, the pandemic is far from controlled in the US and abroad. In Europe, and particularly in Germany, a renewed lockdown was imposed shortly before Christmas in response to a record number of COVID-19 infections and deaths, before news regarding a virus mutation in the UK made the news.

In Germany, the lockdown will likely continue deep into the first quarter of 2021, with politicians indicating the loss of control and expressing no plan for easing the lockdown and reviving the economy.

A massive wave of insolvency, particularly in small businesses, seems likely for the first half of 2021, stressing that even the already-lowered GDP growth forecast for 2021 – 3.7% from its previous estimate of 4.9% by the German government's council of economic advisers in November (and thus before the second lockdown) – is too optimistic.

That said, we are doubtful whether the IMF's updated forecast for advanced economies, expecting a rebound in growth to 5.5% in 2021, is likewise overly optimistic.

However, global central banks, especially the Fed and the ECB (European Central Bank), will continue to flood markets with liquidity and expand their balance sheets to new heights for Q1/2021 and beyond, even though more liquidity to keep banks afloat, particularly in Europe, it does not necessarily translate into an increase in demand and consumption.

While this flood of liquidity was designed to prop up sluggish economies, it also helped to lift global stock markets. In fact, at the end of 2020, the total value of the world's equity market reached an all-time high of $95 trillion, with some investment banks forecasting another $1 trillion could flow into stock markets in 2021 due to the V-shaped recovery that is currently taking place.

The surge in demand for equities has been uneven, with the US and Asian stock markets leading the way while reaching all-time highs towards the end of 2020. European and UK stock markets have been much more sluggish with the CAC 40 and FTSE 100 trading well below previous all-time high levels. However, the DAX 30 did manage to record an all-time high on the last trading day of 2020.

The United States

After the US economy plunged by 31.4% in Q2/2020, it expanded by an annualized 33.4% in Q3 2020 – its biggest expansion ever. While this seems impressive at first glance, it becomes worrisome under scrutiny, as the US GDP growth rate is still 3.5% below its pre-pandemic level.

Since the US is recording an average of around 200k new COVID-19 cases every day and states are tightening restrictions, and while US Congress has only approved a small $892 billion aid package back in December, including a mere $600 direct payment to most Americans, a $300-per-week unemployment benefit and $284 billion for the Paycheck Protection Program, a bigger relief package is likely already needed for Q1/2021 to dampen the negative effect on the US economy.

That being said, the outlook for a US GDP Growth Rate of 3.4% for Q4/2020 and a US GDP Growth Rate of around 3% for the next 12 months, as expected by several economic analysts, seems quite optimistic and likely needs further substantial monetary stimulus from the Fed. Many analysts expect the US central bank to balloon its balance sheet significantly beyond 7 trillion USD in the first quarter of 2021.

The United Kingdom

Britain's gross domestic product shrank by 8.6% (YoY) in Q3/2020, but less than the -9.6% previously estimated and following a record contraction of 20.8% in Q2/2020.

While it initially seemed as though the UK economy was beginning to recover as restrictions on movement eased across June, July, August and September, news of the rapid spread of a new variant of the coronavirus came shortly before Christmas, resulting in sharp restrictions in the UK, while other countries placed a travel ban on nationals from the UK. Fears of a continued lockdown in the UK will likely result in another sharp economic downturn for the first months of 2021.

The CBI Business Optimism Indicator, which gauges manufacturing optimism in the UK on a quarterly basis, was published at a rating of 0 for the fourth quarter of 2020, compared to -1 in the previous period and an all-time low of -87 for the three months leading up to June. One-third of the manufacturers concerned worry that a lack of access to materials or components may limit their output over the coming quarter, and this was before news of the coronavirus mutation made the rounds, naturally resulting in rising fears of a travel and trade ban from the UK.

Still, we remain positive for the UK in the mid- to long-term from an economic perspective: when assessing previous epidemics, it seems realistic to expect a period of three years for the real GDP to return to its pre-epidemic level. Brexit could possibly be positive for the UK, particularly as signs intensify that the EU and the UK continue to intensely work on a post-Brexit deal.

China

The Chinese economy advanced by 4.9% (YoY) in Q3/2020, faster than the published 3.2% expansion in Q2 but still below the forecast of 5.2% growth.

Despite the lower-than-expected reading, there are signs that the expansion is finally extending to consumption after a state-backed industrial recovery. Retail sales rose by 3.3% (YoY) in September, well above forecasts, and is the highest reading in 2020. Industrial production went up by 6.9%, also higher than expected and, again, the biggest gain in 2020. For the first nine months of the year, the economy expanded by 0.7%, recovering all the ground it lost during the first half of 2020 as a result of the coronavirus pandemic and imposed lockdown measures.

Compared with other countries, China seems to emerge stronger than expected from the pandemic with the GDP Annual Growth Rate in China expected to be between 5-6% for the first quarter of 2021. Several analyst expectations and estimations indicate that, in the long-term, China's GDP Annual Growth Rate is projected to trend around 5.6% in 2021.

The Eurozone

The Eurozone economy shrank by 4.3% year-on-year during Q3/2020, easing from a record slump of 14.7% in Q2/2020. What is most interesting here is that the European Commission's "European Summer Economic Forecast" expected the GDP Annual Growth Rate in the EU to be -14.2% by the end of Q2/2020 – a reasonably accurate prediction.

With that in mind, the "Autumn 2020 Economic Forecast" of the European commission projects a growth of 4.2% in 2021 and 3% in 2022, painting a quite positive picture.

But as we discussed earlier, these projections were made before the next wave of lockdowns were imposed in several European countries shortly before Christmas, with many countries suffering a record number of COVID-19 related infections and deaths. It seems likely that not just in Germany, but in the other EU Member States as well, the lockdown will continue well into Q1/2021, particularly after news of the mutation in the UK was disseminated.

It seems likely that the first quarter of 2021 will see a huge wave of business insolvency, placing increased pressure on European banks and increased hopes on the ECB to have enough ammunition left to step in and deliver enough fresh liquidity to keep financing conditions afloat.

Initial signs of the need for further monetary stimulus were shown during December's ECB meeting, with the announcement of its intention to expand its €1.35 trillion emergency bond-buying program by another €500 billion, extending it to March 2022.

Significant global events in 2020:

- Donald Trump impeachment trial starts
- Coronavirus lockdowns begin worldwide
- November 3: United States presidential election
- December 31: Expiration of the UK's current transition period for negotiations on a future relationship with the EU

Estonian Economy

The Estonian economy shrank by 1.9% year-on-year in Q3/2020, following a 6.9% fall in Q2/2020, resulting in the third straight quarter of contraction, which was mainly a result of the COVID-19 pandemic hitting the global economy and workforce.

During the third quarter, private consumption contracted by 0.7% vs -8.7% seen in the previous period, while net external demand contributed negatively to GDP as exports fell by 8.6% (vs -19% in Q2).

Government spending expanded by 5.3%, mostly due to higher healthcare spending in response to the coronavirus (vs 3.7% in Q2). Although the economy performed better in the third quarter, investments were still modest. On the production side, negative contributions to the GDP came from real estate activities, accommodation and food service activities and the construction sector. On a seasonally adjusted quarterly basis, the GDP grew by 3.3% in Q3 after a downwardly revised 5.5% contraction in Q2.

In its current economic policy statement, Eesti Pank points out that the recovery of the Estonian economy depends on how the virus is contained and whether vaccination efforts succeed: if containment is successful in H1/2021, the Estonian economy will be able to grow by 2.9% in 2021.

In the negative scenario, with vaccination failing to bring the pandemic under control, the Estonian economy could contract by a further 1.8% in 2021.

Financial review

Main Financial Indicators

	2020	2019	Change 2020 vs 2019	2018	2017	2016
Income statement						
Net trading income, mln EUR	62.2	33.5	86%	32.6	27.0	23.0
Operating expenses, mln EUR	40.6	28.1	44%	22.0	19.0	17.6
EBITDA, mln EUR	23.4	6.9	239%	11.2	7.2	7.0
EBIT, mln EUR	21.7	5.6	288%	10.9	7.0	6.7
Net profit (loss), mln EUR	20.7	5.2	298%	10.3	6.5	6.5
EBITDA margin, %	38%	20%	18	34%	27%	31%
EBIT margin, %	35%	17%	18	33%	26%	29%
Net profit (loss) margin, %	33%	16%	17	32%	24%	28%
Cost to income ratio, %	65%	84%	-19	68%	71%	77%
Business volumes						
Due from credit institutions and investment companies, mln EUR	53.2	33.7	58%	27.8	27.7	22.0
Debt securities, mln EUR	8.7	9.3	-6%	10.8	3.3	2.4
Shareholders' equity, mln EUR	61.1	42.4	44%	38.8	29.5	24.4
Total assets, mln EUR	75.2	52.0	45%	43.4	33.5	26.4
Off-balance sheet assets (client assets), mln EUR	82.2	45.9	79%	31.6	25.9	21.9
Number of active clients*	48,341	24,148	100%	22,321	20,236	18,986
Number of active client accounts**	62,854	30,522	106%	27,993	25,798	24,486
Number of employees	340	284	20%	228	209	196

*Active clients represent clients who have made at least one trade in the last 12 months
**Active accounts represent accounts where at least one trade was made in the last 12 months

Equations used for the calculation of ratios:

EBITDA margin, % = EBITDA / Net trading income
EBIT margin, % = EBIT / Net trading income
Net profit margin, % = Net profit / Net trading income
Cost to income ratio, % = Operating expenses / Net trading income

Statement of Comprehensive Income

Net Trading Income

High volatility in global markets sent Admiral Markets' net trading income skyrocketing compared to the previous year. In 2020, Admiral Markets' net trading income increased to 62.2 million EUR, a rise of 86% from 33.5 million EUR the previous year. Active yearly clients increased by 100%, while the value of trades went up by 67% year-on-year in 2020, reaching 988 billion EUR.

In 2020, Forex products accounted for 29% of total gross trading income, a decrease of 12% year-on-year. Forex' share decreased mainly due to a 12% increase in Commodities CFDs. Indices CFDs and other products such as crypto, stocks, bonds, ETFs, etc remained around their prior year's existing levels, with fluctuation of +/- 1% from the total gross trading income.

The Group's business is managed on a geographical basis with 4 main geographical segments: EU, UK, Australia and Other.

Gross revenue per geographical region:

	2020	2019	Change
EU	90%	83%	7
UK	-1%	5%	-6
Australia	1%	2%	-1
Other	10%	10%	0

Admiral Markets has clients in 154 countries. Most EU clients are from Germany, followed by France, Spain, Estonia, Poland, Lithuania, Bulgaria, Romania, and the Czech Republic. German clients generate 24% of total revenue for the Group, and clients from France generate 11%, Spanish clients 9%, Estonian 7%, Lithuanian, and Polish 5%, while clients from Bulgaria, Romania, and the Czech Republic collectively generate 4% of total revenue for the Group.

Expenses

Operating expenses increased by 44%, which was mainly due to the increase in personnel, marketing, and IT costs.

The largest share of total operating expenses for the Group comes from personnel expenses. Personnel expenses increased by 33% to 16 million EUR in 2020, which accounts for 39% of total operating expenses. The increase can be attributed to the Group employing 19% more employees over 2019, with a total of 340 employees by the end of 2020.

In 2020, marketing expenses increased by 77.5% over the previous year and reached 11.4 million EUR in 2020, which accounts for over 28% of total operating expenses. The investment in marketing expenses resulted in a 100% increase in active clients by the end of 2020 as well as in a 130% increase in leads. The increase in leads gives great potential for growing the number of active clients in 2021.

Due to large-scale IT investments and the development of product and trading platforms, IT costs increased by 28%.

Depreciation and amortization expenses also increased by 0.5 million EUR. The main reason for this increase is the application of IFRS 16 "Leases", which resulted in office rental space being accounted for as a financial lease asset for several Admiral Markets companies. The most significant was an additional second floor for the Estonian office and new office in Belarus.

Operating expenses by largest expense types:

Operating expenses by type (in mln EUR)	2020	2019	Change
Personnel expenses	16.0	12.1	3.9
Marketing expenses	11.4	6.4	5.0
IT expenses	3.6	2.8	0.8
Legal and audit expenses	2.1	1.1	1.0
VAT expenses	2.0	0.8	1.2
Amortization and depreciation	1.7	1.2	0.5
Regulative reporting services	0.5	0.5	0.0
Rent and utility expenses	0.4	0.4	0.0
Transport and communication costs	0.3	0.2	0.1
Other outsourced services	0.2	0.4	-0.2
Travelling expenses	0.1	0.3	-0.2
Other	2.3	1.9	0.4
Total	**40.6**	**28.1**	**12.5**

The cost to income ratio decreased to 65% by the end of 2020 (2019: 84%). This is due to the excellent net trading income result for 2020.

Net Profit

20.7 m

The Group's net profit reached a record of 20.7 million EUR in 2020, a 298% increase over 5,2 million EUR the year prior.

33%

The Group's net profit margin increased to 33% compared to 16% the previous year. The increase in net profit margin was due to an increase in net trading income.

39.9%

The return on equity of the Group was 39.9% at the end of 2020 (2019: 12.8%).

Statement of Financial Position

(in millions of euros)	2020	2019	Change
Due from credit institutions and investment companies	53.2	33.7	58%
Debt securities	8.7	9.3	-6%
Total liabilities	14.1	9.5	48%
Shareholders' equity	61.1	42.4	44%
Total assets	75.2	52.0	45%
Off-balance sheet assets (client assets)	82.2	45.9	79%

The Group has a strong and growing balance sheet, with 61.1 million EUR in shareholder equity. The Group's balance sheet is liquid, as 82% of its balance sheet consists of liquid assets.

As of December 31st, 2020, the assets of the Company totalled 75.2 million EUR. Approximately 71% of assets are balances due from credit institutions and investment companies. Balances due from credit institutions and investment companies have increased by 58% in 2020. The debt securities portfolio only consists of high-quality liquid assets and accounts for 12% of total assets.

The Group's non-current assets increased in 2020 to 7.6 million EUR due to new office spaces in Estonia and Belarus being classified as "right of use" assets according to IFRS 16, "Leases", which resulted in several Admiral Markets offices rental spaces being accounted for as a financial lease asset and liability. The tangible assets increased from the previous year because of new equipment, mainly in computers, screens, servers, phones, and some improvement to the Tallinn office. Intangible assets increased due to an extra license for threat prevention and amounted to 0.87 million EUR by the end of 2020. Intangible assets mainly consist of the development costs in Trader's Room 3 and other licenses.

The Group's long-term debt consists of subordinated debt securities and finance leases and makes up 9% of the balance sheet total. The increase in liabilities in 2020 is mainly due to the application of IFRS 16 "Leases" and long-term office rent liabilities. All other liabilities are short-term and are mainly liabilities to trade creditors and related parties, taxes payable and payables to employees.

The off-balance sheet assets (client assets) of the Group grew by 79% to EUR 82.2 million in 2020 (2019: EUR 45.9 million).

Key Financial Ratios

	2020	2019	Change 2020 vs 2019	2018	2017
Net profit per share, EUR	8.3	2.1	6.2	4.1	2.6
Return on equity, %	39.9%	12.8%	27.1	30.2%	24.3%
Equity ratio	1.2	1.2	0	1.1	1.1
Return on assets, %	32.5%	10.9%	21.6	26.8%	21.9%
Short-term liabilities current ratio	8.6	11.9	-3.3	14.6	15.1

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
Short-term liabilities current ratio = current assets / current liabilities

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

Client Trends

The increase in marketing expenses resulted in the highest number of active clients by the end of 2020. The high volatility of markets also attracted new clients to trade with Admiral Markets.

Atraction of new clients

New clients New accounts New applications

Admiral Markets had a positive tendency of client's activeness. Below are the active clients and active accounts which made at least one trade in the respective quarter and their impressive growth.

Dynamics of activity

Active clients Active accounts

	2020	2019	Change
New clients	28,475	10,375	174%
Active clients	48,341	24,148	100%
New accounts	87,369	36,541	139%
Active accounts	62,854	30,523	106%
New applications	93,703	32,224	191%
Average net trading revenue per client	1,286	1,388	-7.3%
Average number of trades per client	1,385	1,318	5%

The number of active yearly clients of the Group rose by 100% to 48,341 in 2020 (2019: 24,148 active clients). The Group gained over 28,475 new clients during the year (up 174% from 2019), i.e. clients who traded for the first time in 2020. The Group's client assets increased by 79% year-on-year to EUR 82.2 million in 2020.

When new ESMA regulations were established in August 2018, client categorisation into retail and professional clients became a necessity. Before this, there was no real benefit for a client to request professional status – the trading offer, conditions, and leverage were the same. Since 2018, Admiral Markets' eligible clients could apply to be categorised as professional customers if the client meets the amendment's requirements. This gives clients access to reduced margin requirements (increased leverage) and full access to all existing and prospective bonus programs. With the new EU regulation, professional clients gain exclusive access to higher leverage, up to 1:500, while retail clients have access to leverage of up to 1:30 for Forex majors, 1:20 for index CFDs, and lower for other instruments.

The Group received a little over 93,700 applications in 2020, out of which ca. 57% of applications were accepted. At the end of 2020, the Group had a total of 10% of clients categorised as professional (decreased because most new clients joined with retail status), and generated ca. 31% of total gross trading revenue.

At Admiral Markets, we focus on experienced and high-value clients. In 2020, 58% of trading revenue was generated by the most valuable 2% of clients, who traded on average 10,369 times in 2020. The top 7% of clients generated 90% of trading revenue in 2020 and traded on average 6,497 times during 2020.

Impact of high-value clients in 2020 and 2019:

Clients (as a share of total clients)	Gross trading income (as a share of total gross trading income)	Average number of trades per client
2020		
2%	58%	10,369
7%	90%	6,497
2019		
2%	57%	10,089
7%	86%	6,683

For 2020, the share of long-term clients (clients who have been trading with Admiral Markets for over 1 year) is over 36% of the total clients, and they generate 61% of Admiral Markets' revenue. With the new leverage rules imposed by ESMA, and win/loss percentage disclosure effective from 2018, the focus is even more on long-term clients.

Active clients by retention period:

	2020	2019
0-6 months	47%	35%
7-12 months	17%	13%
1-3 years	18%	26%
3-5 years	8%	12%
5+ years	10%	15%

Revenue according to client retention period:

	2020	2019
0-6 months	17%	14%
7-12 months	22%	15%
1-3 years	34%	37%
3-5 years	11%	16%
5+ years	16%	18%

Our commitment to quality is award-winning, year after year.

Jens Chrzanowski
Member of the Management Board

Risk management

Risk management is part of the internal control system of the Group, and its objective is to identify, assess and monitor all 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 daily risk management, and is based on three lines of defence. The first line of defence is the business units that are responsible for risk-taking and risk management. The second includes risk control and compliance functions, which are independent of business operations. The third line of defence is the internal audit function.

Because we are exposed to credit and market risk as a result of our retail trading activities, the development and maintenance of robust risk management is a high priority.

We allow our customers to trade notional amounts greater than the funds they have deposited with us through the use of leverage, so credit risk management is a key focus for us. The maximum leverage available to retail traders is typically set by the regulator in each jurisdiction. We manage customer credit risk through a combination of access to trading tools that allow our customers to avoid taking on excessive risk combined with automated processes which close customer positions in accordance with our policies in the event that the funds in customers' accounts are not sufficient to continue to hold those positions. For example, our customer trading platforms provide a real-time margin monitoring tool to enable customers to know when they are approaching their margin limits. If a customer's equity falls below the amount required to support one or more positions, we will automatically liquidate positions to bring the customer's account into margin compliance.

In addition, we also actively monitor and assess various market factors. This includes volatility and liquidity, and we take steps to address identified risks, such as proactively adjusting required customer margin.

The Group's key market risk management objective is to mitigate the impact of risk on the profitability of its operations. The Group´s practice in this area is consistent with the following principles. As part of its internal procedures, the Group applies limits to mitigate market risk connected with the maintenance of open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, and the maximum value of a single transaction. The Trading Department monitors open positions subject to limits on a regular basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Function reviews the limit usage on a regular basis, and controls the hedges entered into.

For calculating capital requirements for credit and market risk, Admiral Markets uses the standardised approach and a basic indicator approach is used 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 is provided in Note 5 of the annual report.

As at 31.12.2020, the own funds of Admiral Markets amounted to 41.2 million EUR (31.12.2019: 38.2 million EUR). The level of own funds of Admiral Markets grew mainly due to the inclusion of 2019 profit in the composition of own funds. At the end of the reporting period, Admiral Markets was well capitalised, the capital adequacy level was 19.8% (31.12.2019: 20.3%) and met all regulatory capital requirements in both 2020 and 2019.

Own Funds

(in thousands of euros)	31.12.2020	31.12.2019
Paid-in share capital	250	250
Own shares	-114	-114
Other reserves	-534	-19
Retained earnings of previous periods	40,626	36,886
Intangible assets	-831	-630
Total Tier 1 capital	**39,397**	**36,373**
Subordinated debt securities	1,827	1,827
Total Tier 2 capital	**1,827**	**1,827**
Net own funds for capital adequacy	**41,224**	**38,200**

Capital Requirements

(in thousands of euros)	31.12.2020	31.12.2019
Credit institutions and investment companies under the standardised approach	13,423	16,964
Retail claims under the standardised approach	9,420	7,571
Other items under the standardised approach	11,904	8,069
Total credit risk and counterparty credit risk	**34,747**	**32,604**
Currency risk under the standardised approach	84,855	71,017
Position risk under the standardised approach	19,016	19,243
Commodity risk under the standardised approach	11,347	13,263
Total market risk	**115,218**	**103,523**
Credit valuation adjustment risk under standardised method	96	25
Operational risk under the basic indicator approach	57,760	51,914
Total capital requirements for adequacy calculation	**207,821**	**188,066**

Capital Adequacy

	31.12.2020	31.12.2019
Capital adequacy	19.8%	20.3%
Tier 1 capital ratio	19.0%	19.3%

Corporate governance

Governance of Admiral Markets

Admiral Markets Group AS management is responsible for the organisational structure and technical functioning of Admiral Markets Group AS. The Supervisory Board exercises strategic management and performs the supervisory function. The Management Board coordinates day-to-day operations and financial management.

To manage its activities, Admiral Markets Group AS 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.

340
2020

284
2019

At the end of 2020, Admiral Markets Group AS had 340 employees (2019: 284 employees).

15,994
thousand
2020

12,058
thousand
2019

In the reporting period, remuneration paid to employees including social security taxes amounted to 15,994 thousand EUR (2019: 12,058 thousand EUR)

2,406
thousand
2020

894
thousand
2019

out of which remuneration paid for the management amounted to 2,406 thousand EUR (2019: 894 thousand EUR).

Our team is the core of our company, and our most valuable asset.

Priit Rohumaa
Member of the Supervisory Board

Management of Admiral Markets

General Meeting of Shareholders

At the time of the preparation of this report, the main shareholders of Admiral Markets Group AS (holding over 10% of the voting rights represented by their shares) are:

- Montes Auri OÜ (1,225,000 shares, representing 49.0% of the total number of shares), the sole shareholder of which is Alexander Tsikhilov;
- Alexander Tsikhilov (684,375 shares, representing 27.375% of the total number of shares);
- Laush OÜ (440,000 shares, representing 17.6% of the total number of shares), the sole shareholder of which is Dmitri Laush.

The rest of the shareholders hold less than 2% each of the total number of shares.

Supervisory Board

By the end of 2020 and at the time of preparation of the annual report, Admiral Markets Group AS' Supervisory Board was composed of five members:

1. Alexander Tsikhilov– Chairman of the Supervisory Board, term of office 09.06.2022
2. Anatolii Mikhalchenko – term of office 28.09.2025
3. Anton Tikhomirov – term of office 14.04.2021
4. Fedor Ragin – term of office 09.06.2022
5. Priit Rohumaa - term of office 17.06.2025

Alexander Tsikhilov

Chairman of the Supervisory Board

Has been involved in several commercial projects, including the provision of Internet services. Founded Admiral Markets in 2001. Obtained a master's degree in 2006 and a doctorate in Business Administration from the Swiss Business School in 2015.

Anatolii Mikhalchenko

Member of the Supervisory Board

Joined Admiral Markets in 2004 as IB (introducing broker) manager. Obtained a degree from ITMO University in Saint Petersburg. Has been working as a Chairman of the Supervisory Board for Admiral Markets Group AS since 2011.

Anton Tikhomirov

Member of the Supervisory Board

Has been working in the industry since 1999 and has managerial experience in a financial brokerage. 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 the Group's KPIs and other critical business metrics.

Fedor Ragin

Member of the Supervisory Board

Joined Admiral Markets in 2017. Obtained a master's degree in Business Administration from the International Management Institute of Saint Petersburg and a master's degree in Engineering from Leningrad Mechanical Institute. Experience includes 19 years of teaching on MBA/EMBA programs, managing a business school, strategic consulting, launching and running startups, serving on the boards of private companies as an independent director and a PhD research on founder succession.

Priit Rohumaa

Member of the Supervisory Board

Appointed 17.06.2020. Worked in 2009-2015 as the Chairman of the Management Board of Viru Keemia Grupp AS and in 2000 - 2009 as the Group's Chief Financial Officer and Deputy Chairman of the Management Board. In 2016 - 2020, he was the Chairman of the Supervisory of Eesti Raudtee and since June 2020 he has been the Chairman of the Supervisory Board of Ekspress Grupp.

Former members of the Supervisory Board, Olga Senjuškina and Dmitri Laush, ended their mandates on 17.06.2020.

Management Board

By the end of 2020 and at the time of preparation of the annual report, Admiral Markets Group AS was managed by a four-member Management Board:

1. Sergei Bogatenkov
2. Jens Chrzanowski
3. Victor Gherbovet
4. Dmitri Laush

Togetherness is one of our corporate values and it is the key to our success.

Sergei Bogatenkov

Chairman of the Management Board

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

Jens Chrzanowski

Member of the Management Board

Joined Admiral Markets in 2011. Studied for a bachelor's degree in Business Economics at Brandenburg University of Applied Science – unfinished. Has over 15 years of experience working in the trading and brokerage industry. Held various positions at FXCM, E*TRADE Germany, and Deutsche Bank.

Victor Gherbovet

Member of the Management Board

Joined Admiral Markets in 2008. Obtained a bachelor's degree in Economics and a master's degree in Management from Bucharest Academy of Economic Studies. Has over 12 years of experience in the insurance, banking and finance industry. Has previously worked at Eximbank-Gruppo Veneto Banca and Lukoil Insurance Group.

Dmitri Laush

Member of the Management Board

Obtained a master's degree in Business Administration from IE University (Madrid, Spain). Together with Alexander Tsikhilov, founded the headquarters of Admiral Markets in Estonia. With a background in financial technology, played an integral part in the Group's technological development.

In 2020 Dmitri Laush was appointed as a member of the management board.

Corporate Governance Report

Admiral Markets Group AS pursues its business activities by complying with the Company's articles of association, national legislation, and the rules of good corporate governance practices. Since the bonds of the investment firm Admiral Markets AS which belong to the Admiral Markets Group AS consolidation group are traded on the Nasdaq Tallinn Stock Exchange, Admiral Markets Group AS is required, in accordance with § 31²2 (1) of the Accounting Act, to include a corporate governance report in the management report, which complies with the requirements of § 24² (2) of the same Act. Managing Admiral Markets Group AS must, in particular, adhere to the interests of Admiral Markets Group AS and provide an adequate opportunity to an expert and interested party to obtain an overview of the management principles.

General Meeting of Shareholders

Admiral Markets Group AS' highest governing body is the general meeting of shareholders through which the shareholders of Admiral Markets Group AS carry out their rights according to the procedure and to the extent laid down in the legislation and articles of association of Admiral Markets Group AS. Within the scope of competence of the General Meeting are amendment and approval of new articles of association, changing of the amount of share capital, recalling of members of the supervisory board and deciding on merger or restructuring of the company and other matters vested in it by virtue of legislation.

Supervisory Board

The members of the Supervisory Board are elected at the general meeting of Admiral Markets Group AS. Persons who have sufficient knowledge and experience for participating in the work of the Supervisory Board are elected as members of the Supervisory Board.

Supervisory Board of Admiral Markets Group AS:

- Plans the operations of Admiral Markets Group AS in collaboration with the Management Board
- Organises the management of Admiral Markets Group AS (including participation in making important decisions in relation to operations of Admiral Markets Group AS)
- 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 Admiral Markets Group AS' strategy, financial condition, risk management system, the legality of the activities of the Management Board, and whether essential information about Admiral Markets Group AS is disclosed to the Supervisory Board as required, and
- Determines and regularly reviews Admiral Markets Group AS' strategy, its general action plan, risk management policies and annual budget.

In addition to the activities prescribed by the law, in 2020 the Supervisory Board gave its consent to the Management Board in issues that were outside its daily business operations and in issues described in law that require the consent of the Supervisory Board.

In the framework of regular meetings, the Supervisory Board received regular reviews of operational and financial results of Admiral Markets Group AS and investment companies that are part of the same consolidation group.

Based on the decisions of Admiral Markets Group AS General Meeting, the members of the Supervisory Board of Admiral Markets Group AS in 2020 were:

- Alexander Tsikhilov, Chairman of the Supervisory Board, term of office 09.06.2022;
- Anatolii Mikhalchenko, term of office 28.09.2025;
- Anton Tikhomirov, term of office 14.04.2021;
- Fedor Ragin, term of office 09.06.2022;
- Priit Rohumaa, term of office 17.06.2025

Management Board

The Management Board manages and represents Admiral Markets Group AS and organises daily operations of Admiral Markets Group AS according to the conditions and procedure laid down in the legislation, Admiral Markets Group AS articles of association and decisions of the Supervisory Board and the General Meeting, acting in the most economical manner to adhere to Admiral Markets Group AS' best interests.

Members of the Management Board are elected by the Supervisory Board. The Management Board of Admiral Markets Group AS has 1 to 5 members, including the chairman of the board and the vice-chairman of the board. Functions of members of the Management Board are: management of the daily business of Admiral Markets Group AS; preparation of questions to be discussed at the Supervisory Board and general meeting; the preparation of the necessary projects and the implementation of the decisions and necessary measures of the general meeting, in particular, the management of internal control; other statutory obligations and rights related to the day-to-day business of the Group.

Based on the decisions of Admiral Markets Group AS Supervisory Board, the members of the Management Board of Admiral Markets Group AS in 2020 were:

- Sergei Bogatenkov, term of office 03.12.2021;
- Victor Gherbovet, term of office 30.03.2023;
- Jens Chrzanowski, term of office 30.03.2023;
- Dmitri Laush, term of office 19.06.2023

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 interests of Admiral Markets Group AS and refrain from acting in his or her own or another person's interest.

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

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

Financial Reporting and Auditing

The Group prepares and publishes the annual report of the financial year on its website each year. 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 General Meeting of Admiral Markets Group AS held on 10.11.2020, the Group's auditor for the 2020 annual report is 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.

During 2020, the Group's auditor has provided other assurance and advisory services permitted in accordance with the Auditors Activities Act in force in the Republic of Estonia.

Dividend policy

Dividend distribution to the shareholders of the company is recognised as a liability in the financial statements from the moment the dividend payout is confirmed by the shareholders of the company.

Principles of payment of dividends:

- The most important prerequisite for payment of a dividend is the capital-related external and internal regulatory standards, which must be sustainably met.
- In the case of growth and investment plans, Admiral Markets Group AS may withhold from payment of dividends.
- Admiral Markets Group AS will pay up to 30% of pre-tax profits as dividends when preconditions are met (on the basis of the Dividend Policy of Admiral Markets Group AS). This dividend tax includes income tax paid on dividends.

This chapter outlines the assets, liabilities, equity, income and cash flow of the Group for the 2020 fiscal year, in comparison to 2019.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(in thousands of euros)	Note	31.12.2020	31.12.2019
Assets			
Cash	7	5	6
Due from credit institutions	7	36,993	26,885
Due from investment companies	7	16,243	6,786
Financial assets at fair value through profit or loss	8	9,799	9,759
Loans and receivables	9	1,279	692
Inventories		37	26
Long-term investments		0	1
Investments into associates	28	1,376	0
Other assets	10	1,830	1,263
Tangible fixed assets	11	1,999	1,395
Right-of-use assets	11	4,752	4,461
Intangible fixed assets	12	873	714
Total assets		**75,186**	**51,988**
Liabilities			
Financial liabilities at fair value through profit or loss	8	219	66
Liabilities and prepayments	13	6,508	3,078
Deferred tax liability	13	567	0
Subordinated debt securities	16	1,827	1,827
Lease liabilities	15	4,948	4,571
Total liabilities		**14,069**	**9,542**

continued on next page ↓

Equity			
Share capital	19	250	250
Own shares		-114	-114
Statutory reserve capital		25	25
Currency translation reserve		-711	-78
Retained earnings		61,657	42,355
Total equity attributable to owners of the parent		**61,107**	**42,438**
Non-controlling interest	28	10	8
Total equity		**61,117**	**42,446**
Total liabilities and equity		**75,186**	**51,988**

Notes on pages 74 to 144 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

(in thousands of euros)	Note	2020	2019
Net gains from trading of financial assets at fair value through profit or loss with clients and liquidity providers		65,634	34,838
Brokerage and commission fee revenue		1,829	1,210
Brokerage and commission fee expense		-4,380	-1,664
Other trading activity related income		313	127
Other trading activity related expense		-1,227	-995
Net income from trading	**21**	**62,169**	**33,516**
Other income similar to interest		195	183
Interest income calculated using the effective interest method		36	85
Interest expense		-263	-234
Other income	22	2,502	501
Other expense	23	-857	-461
Net gains/(losses) on exchange rate changes		-1,504	79
Net gains from financial assets at fair value through profit or loss		0	50
Personnel expenses	24	-15,994	-12,058
Operating expenses	25	-22,909	-14,766
Depreciation of tangible and intangible assets	11,12	-736	-597
Depreciation of right-of-use assets	11	-965	-647
Profit before income tax		**21,674**	**5,651**
Income tax	17	-1,018	-448
Net profit for the reporting period		**20,656**	**5,203**
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Unrealized exchange rate differences		-633	134
Total other comprehensive income/(loss) for the reporting period		**-633**	**134**
Total comprehensive income for the reporting period		**20,023**	**5,337**
Net profit attributable to the owners of the parent		20,654	5,205
Net profit/(loss) attributable to non-controlling interest		2	-2
Profit for the reporting period		**20,656**	**5,203**
Total comprehensive income attributable to the owners of the parent		20,021	5,339
Total comprehensive income (loss) attributable non-controlling interest		2	-2
Comprehensive income for the reporting period		**20,023**	**5,337**
Basic and diluted earnings per share	19	8.38	2.11

Notes on pages 74 to 144 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(in thousands of euros)	Note	2020	2019
Cash flow from operating activities			
Net profit for the reporting period		20,656	5,203
Adjustments for non-cash income or expenses:			
Depreciation of tangible and intangible assets	11,12	1,701	1,244
Gains on the sale of tangible assets		-32	9
Interest income		-231	-268
Interest expense		263	234
Allowance for doubtful receivables	9	2	22
Corporate income tax expenses		1,018	448
Other financial income and expenses		1,326	-79
Gains on financial assets at fair value through profit or loss		0	-50
Operating cash flows before changes in operating assets and liabilities		**24,703**	**6,763**
Changes in operating assets and liabilities:			
Change in amounts due from investment companies	7	-9,457	-48
Change in trade receivables	9	-476	-146
Change in other assets	10	-465	159
Change in derivative assets	8	-391	-30
Change in payables and prepayments		3,309	470
Change in the derivative liabilities	8	153	-110
Changes in inventories		-11	43
Operating cash flows before interest and tax		**17,365**	**7,101**
Interest received		327	72
Interest paid		-263	-234
Corporate income tax paid		-451	-448
Net cash from operating activities		**16,978**	**6,491**
Cash flow from investing activities			
Disposal of tangible and intangible fixed assets	11	39	39
Purchase of tangible and intangible fixed assets	11,12	-1,457	-504
Loans granted	9	-135	0
Repayments of loans granted		26	0
Acquisition of financial assets at fair value through profit or loss (investment portfolio)		-5,840	-4,906
Proceeds from disposal of financial assets at fair value through profit or loss (investment portfolio)		5,463	6,465
Investment in to associates	28	-1,376	0
Net cash from/(used in) investing activities		**-3,280**	**1,094**
Cash flow from financing activities			
Dividends paid	19	-1,352	-1,368
Payments for repurchase of own shares		0	-24
Sales of own shares		0	224
Repayment of principal element of lease liabilities		-807	-598
Net cash used in financing activities		**-2,159**	**-1,766**
TOTAL CASH FLOWS		**11,539**	**5,819**
Cash and cash equivalents at the beginning of the period	**7**	**26,891**	**21,097**
Change in cash and equivalents		**11,539**	**5,819**
Effect of exchange rate changes on cash and cash equivalents		**-1,432**	**-25**
Cash and cash equivalents at the end of the period	**7**	**36,998**	**26,891**

Notes on pages 74 to 144 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Own shares (-)	Statutory reserve capital	Retained earnings	Other equity	Currency translation reserve	Total equity attributable to owners	Non-controlling interest	Total equity
Balance as at 31.12.2018	**250**	**-51**	**25**	**38,552**	**243**	**-234**	**38,785**	**10**	**38,795**
Dividends paid	0	0	0	-1,368	0	0	-1,368	0	-1,368
Sale of own shares	0	-84	0	0	0	0	-84	0	-84
Repurchase of own shares	0	21	0	-34	-243	0	-256	0	-256
Net profit for the reporting period	0	0	0	5,205	0	0	5,205	-2	5,203
Other comprehensive income for the reporting period	0	0	0	0	0	156	156	0	156
Total comprehensive income for the reporting period	**0**	**0**	**0**	**5,205**	**0**	**156**	**5,361**	**0**	**5,361**
Balance as at 31.12.2019	**250**	**-114**	**25**	**42,355**	**0**	**-78**	**42,438**	**8**	**42,446**
Dividends paid	0	0	0	-1,352	0	0	-1,352	0	-1,352
Net profit for the reporting period	0	0	0	20,654	0	0	20,654	2	20,656
Other comprehensive loss for the reporting period	0	0	0	0	0	-633	-633	0	-633
Total comprehensive income for the reporting period	**0**	**0**	**0**	**20,654**	**0**	**-633**	**20,021**	**2**	**20,023**
Balance as at 31.12.2020	**250**	**-114**	**25**	**61,657**	**0**	**-711**	**61,107**	**10**	**61,117**

For more information of share capital refer to Note 19. Notes on pages 74 to 144 are an integral part of the Consolidated Financial Statements.

This chapter presents more detailed information of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 1. General information

ADMIRAL MARKETS GROUP AS is an investment company since 30.12.2009. ADMIRAL MARKETS GROUP AS was established in 2009 with the aim of incorporating financial companies from different countries to form a multinational group of companies operating under a joint trademark - Admiral Markets (hereinafter collectively referred to as “Admiral Markets” or “the Group”).

Admiral Markets Group AS is a limited liability company incorporated in and domiciled in Estonia. The address of its registered office is Maakri 19/1, Tallinn, Estonia. The consolidated annual report for the year ending 31 December 2020 was approved for publication on 12.03.2021 in accordance with the management’s decision. The consolidated annual report approved by the Management shall be authorized for approval by Supervisory Board and shareholders. Shareholders have the right not to approve the consolidated financial statements. The Supervisory Board does not have that right.

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

The consolidated financial statements of Admiral Markets Group 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 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 as disclosed in some of the accounting policies below, such as "financial assets and liabilities at fair value through profit or loss", including derivatives.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. Estimates are based on the information about the Group'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 consolidated financial statements for 2020 include the financial results of Admiral Markets Group AS (parent company) and its subsidiaries (collectively, the Group):

	Country	Ownership interest 31.12.2020	Ownership interest 31.12.2019	Business activity
Admiral Markets AS	Estonia	100%	100%	Investment services
Admiral Markets PTY Ltd	Australia	100%	100%	Investment services
Admiral Markets Cyprus Ltd	Cyprus	100%	100%	Investment services
Admiral Markets UK Ltd	United Kingdom	100%	100%	Investment services
Admiral Markets AS (Jordan) LLC	Jordan	100%	0%	Investment services
Runa Systems CP	Belarus	100%	100%	IT services
AMTS Solutions OÜ	Estonia	62%	62%	IT services
Gateway2am OÜ (former name Admiral Virtual OÜ)	Estonia	100%	100%	Other financial services provision
AM Investments and Trading SA (PTY) Ltd	Republic of South Africa	100%	100%	Not active
AM Asia Operations Sdn. Bhd	Malaysia	100%	100%	Support services
Admiral Markets Canada Ltd	Canada	100%	100%	Not active
Admiral Markets Cyprus sp. z o.o. Oddział w Polsce	Poland	100%	0%	Not active
Admiral Markets España Sl.	Spain	100%	0%	Not active
Admiral Markets Europe GmbH	Germany	100%	0%	Not active
Admiral Markets France SAS	France	100%	0%	Not active

In 2020, the Group established Admiral Markets Cyprus sp.z.o.o. Oddział w Polsce (Poland), branch of Admiral Markets Cyprus Ltd, Admiral Markets AS (Jordan) LLC (Jordan), subsidiary of Admiral Markets AS, and Admiral Markets España Sl, Admiral Markets Europe GmbH and Admiral Markets France SAS.

The Group owns 62% of shares of AMTS Solutions OÜ. Total assets and net profit of AMTS Solutions OÜ constitute a marginal part of the Group's total assets and net profit in 2019 and 2020. Due to this AMTS Solutions OÜ as well as the non-controlling part of the company are considered immaterial with regard to the Group's consolidated financial statements and for any further disclosures.

The financial year started on 1 January 2020 and ended on 31 December 2020. The parent company's functional and presentation currency is the euro. The Group's subsidiaries' functional currencies are disclosed in section "Recognition of foreign currency transactions and financial assets and liabilities denominated in foreign currencies". The annual financial statements are presented in thousands of euros, unless otherwise stated.

Consolidation

The consolidated financial statements include the financial statements of Admiral Markets Group AS (parent company) and its subsidiaries.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition method of accounting is used to account for the acquisition of the subsidiaries (except for acquisitions of companies under common control). The acquisition cost is the fair value of the consideration payable on the date of acquisition (i.e., the asset transferred in the acquisition, the liabilities and the equity instruments issued by the acquirer). Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed. According to the acquisition method, the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognised at their fair values at the acquisition date, irrespective of the presence of non-controlling interest.

For each business combination, the Group determines whether to recognize a non-controlling interest in the acquiree, that entitles its holder to a proportionate share of the net assets in the event of liquidation, at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

If the amount transferred, the non-controlling interest in the acquiree and the fair value (at date of acquisition) of the equity interest held by the acquirer in the acquiree, exceeds the Group's interest in the identifiable assets acquired and liabilities assumed, then the difference is recognized as goodwill. Any negative amount ("bargain purchase gain") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

All intragroup receivables and liabilities and the Group's intra-company transactions and unrealised income on these transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Revenues and expenses of the subsidiaries acquired within the financial year are consolidated into the Group's statement of comprehensive income starting from the date of acquisition to the end of the financial year. Result of operations of subsidiaries disposed of during the year are consolidated into Group's statement of comprehensive income from the beginning of the financial year until the date of disposal.

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, which is not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. Non-controlling interest in the consolidated statement of financial position is disclosed separately from the equity attributable to the shareholders of the parent company. In consolidated statement of comprehensive income, non-controlling interest share of profit is disclosed separately from owner's of the parent.

The Group treats transactions with non-controlling interests as transactions with other equity owners of the Group. For acquisitions of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Pursuant to the Accounting Act of the Republic of Estonia, the separate financial statements (primary statements) of the consolidating entity (parent company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company the same accounting policies have been used as in preparing the consolidated financial statements.

The accounting policy for accounting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the consolidated financial statements in conjunction with IAS 27 "Separate Financial Statements".

In the parent separate primary financial statements, disclosed in these consolidated financial statements (chapter 4), the investments into the shares of subsidiaries are accounted for at cost less any impairment recognised.

Associates

An associate is an entity over which the Group has significant influence but which it does not control. Generally, significant influence is assumed to exist when the Group holds between 20% and 50% of the voting rights.

In the consolidated financial statements, investments in associates are accounted for using the equity method. Under this method, the investment is initially recognised at cost which is thereafter adjusted for post-acquisition changes in the investor's share of the investee's equity (changes both in the profit/loss of the associate as well as other equity items) and with elimination or depreciation/amortisation of the differences between fair values and carrying amounts of the investee's assets, liabilities and contingent liabilities as determined in the purchase analysis. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets.

When the Group's share of losses in the associate accounted under the equity method exceeds the carrying amount of the associate, the carrying amount of the investment is reduced to zero and such long-term loans granted to the associate that in substance form a part of the investment are written down. Further losses are carried off-balance sheet. When the Group has guaranteed or incurred obligations on behalf of the associate, the respective liability as well as the loss under the equity method are recorded in the statement of financial position. Other receivables from the associate are recorded at amortised cost less a provision for impairment.

An investment in the assets and liabilities of the acquired associate and goodwill that arose on acquisition is presented as a net amount in the statement of financial position line "Investments in associates".

At the end of each reporting period, it is assessed whether there is any indication that the recoverable amount of the investment has fallen below its carrying amount. If any such indications exist, an impairment test is performed. To determine the recoverable amount of the investment, the principles described in section "Impairment of tangible and intangible fixed assets" are used.

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

1 Functional and presentation currency

The Parent Company's functional currency is the euro, which is also the presentation currency of these consolidated financial statements. The functional currencies of the main subsidiaries:

- Admiral Markets AS – EUR;
- Admiral Markets Cyprus Ltd – EUR;
- Admiral Markets UK Ltd – GBP;
- Admiral Markets PTY Ltd – AUD;
- Admiral Markets AS (Jordan) LLC – JOD.

2 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 "Net gains on exchange rate changes". Non-monetary financial assets and liabilities not measured at fair value denominated in foreign currencies (e.g. prepayments, tangible and intangible fixed assets) are not translated at the balance sheet date, but are measured based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date.

The following exchange rates were adopted for the purpose of measuring assets and liabilities as at the balance sheet date and for converting items of the statement of comprehensive income:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
Currency	31.12.2020	31.12.2019	31.12.2020	31.12.2020
AUD	1.5896	1.5995	1.6549	1.6109
BYR	3.1680	2.3524	2.7873	2.3423
CAD	1.5633	1.4598	1.5300	1.4855
GBP	0.8990	0.8508	0.8897	0.8778
JOD	0.8670	0.7940	0.8090	0.7960
MYR	4.9340	4.5953	4.7959	4.6374
PLN	4.5597	4.2568	4.4430	4.2976
ZAR	18.0219	15.7773	18.7655	16.1757
CLP	870.6600	832.3500	902.6791	786.3499

Financial assets

Classification

The Group classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments (Loans and debt securities)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group's debt instruments have been classified into the following measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

Financial assets of the Group are classified into the following classes that are measured at amortised cost:

- Cash and cash equivalents;
- Trade receivables;
- Loans;
- Other receivables.

FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVPL. This is the case if the business model is held for trading; where financial assets are considered held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Debt instruments are mandatorily measured at fair value through profit or loss if the assets are managed and evaluated on a fair value basis or the assets are held with an intention to sell, or alternatively, if the cash flows do not consist of solely payments of principal and interest. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in the period in which it arises. The contractual interest earned is recognized in the statement of profit and loss line Other income similar to interest.

The following financial assets of the Group are measured FVPL:

- Equity instruments;
- Derivative financial instruments;
- Bonds.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit and loss. Changes in the fair value are recognised in other income/(expenses) in the statement of profit or loss as applicable.

Derivative financial instruments

Derivative financial instruments, including futures, forward contracts, options contracts and other instruments that are related to the change in underlying assets are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. The Group uses expert based individual assessments for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

At the end of each reporting period the Group performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Indicators include payments that are past due >30 days and <90 days and financial assets whose contractual terms have been revised due to the customer's financial difficulties. In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. The change can be vice versa, meaning that in subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial asset moves back to Stage 1.

For trade receivables without a significant financing component the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Assessment of fair value

The Group assesses financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 Group 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 Group 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 minimizing 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 Group 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).

Cash and cash equivalents

Due from credit institutions and investment firms include short-term (with maturity of less than three months) demand deposits, which have no material market value change risk, and balances on trading accounts.

For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits with Credit institutions.

Recognition of off-balance assets and liabilities

Admiral Markets Group AS and its subsidiaries act as an intermediary of investment services and are responsible for keeping their clients' deposited funds under their control. As a result of the pass-through arrangement, the assets are considered as off-balance sheet assets, see Note 18.

Tangible fixed assets

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

The Group 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	3-5 years
Other equipment	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 property, 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 fixed assets

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

Group of intangible fixed asset	Useful life
Licenses, software	5 years

If any indication exists that intangible assets may be impaired, an impairment test will be carried out on the same basis as for property, plant and equipment.

Development costs are capitalised if there exist technical and financial resources and a positive intention to implement the project, the Group can use or sell the asset and the amount of development costs and future economic benefits generated by the intangible asset can be determined reliably.

Impairment of tangible and intangible fixed assets

At each balance sheet date, the Group's management assesses whether there are signs that may indicate that the asset may be impaired. If there is an indication that an asset may be impaired, an impairment test is 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 flows. 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 expense 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 recognised using regular depreciation over the years.

Accounting for financial liabilities

The Group classifies financial liabilities either:

- as financial liabilities measured at fair value through profit or loss, or
- as financial liabilities measured at amortised cost

Recognition of a financial liability (derivative) at fair value through profit or loss is disclosed under accounting policy Financial assets - *Derivative financial instruments*. All other financial liabilities are subsequently measured at amortised cost using the effective interest method. Transaction costs are included in the calculation of the effective interest rate. The difference between the proceeds (less transaction costs) and redemption value are recognised in the statement of profit or loss during the term of the instrument, using the effective interest rate. Interest costs are included in the statement of profit or loss line "Interest expenses".

Debt securities issued and similar subordinated debts are initially recognised at fair value, less transaction costs (cash received less transaction costs). The subordinated debts are those liabilities, which in case of a liquidation of an investment company or declaration of bankruptcy, are settled after the satisfaction of the justifiable claims of other creditors. Other financial liabilities (trade payables and accrued expenses) are initially recognised at fair value less transaction costs and are subsequently carried at amortised cost.

Financial liabilities are derecognised when they are extinguished (ie. when the obligation specified in the contract is discharged, cancelled or expired).

Payables to employees

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

Leases

The Group as a lessee

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. Lessees are 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.

The Group is as a lessee in all lease agreements. The Group leases office space. At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement

At the commencement date, a lessee recognises a right-of-use asset and a lease liability. At the commencement date, a lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent measurement

After the commencement date, the Group recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability.

If there are changes in lease payments, there may be a need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Each lease payment is allocated between finance cost (interest expense) and the principal repayments of the lease liability, that is, to reduce the carrying amount of the liability. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability at any given time.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

More information about the right-of-use asset and lease liability is disclosed in Notes 11 and 15.

Provisions and contingent liabilities

Liabilities arising from an obligating event before the end of the reporting period that have either a legal basis or that have arisen from the Group's current operating practice (legal or constructive obligation) that require probable outflow of resources, the realisation of which is probable (it is more likely than not that an outflow of resources will be required to settle the obligation) and the amount of which can reliably be estimated but for which the timing or amount are not definitely known are recognised as provisions in the statement of financial position. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the statement of financial position in the amount which according to the management is necessary as at the end of the reporting period for the meeting of the obligation arising from the provision or transfer to the third party. The provision expense and an expense from the change in the carrying amount of provisions are included within expenses in the reporting period. Provisions are not set up to cover future operating losses. When it is probable that a provision will be realised later than 12 months after the end of the reporting period it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial.

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

Distinction between short- and long-term assets and liabilities

Assets from which resources are expected to flow to the Company within 12 months are recognised as current assets. The portion of assets with expected inflows later than 12 months after the end of the reporting period is recognised as non-current assets (see Note 5).

Liabilities are classified as current when they are due within twelve months after the end of the reporting period or if the Company does not have an unconditional right to defer the payment for later than 12 months after the end of the reporting period. Loans received with due date within 12 months after the end of the reporting period which are refinanced as non-current after the end of the reporting period but before the financial statements are authorised for issue, are recognised as current.

For all long-term assets and liabilities, the long-term portion is separately disclosed in respective disclosure to these financial statements (see Note 5).

Corporate income tax

IFRS Interpretation Committee agenda decisions regarding deferred tax related to investments in subsidiaries in both Estonia and Latvia where the traditional profit-based tax regimes have been replaced with distribution-based tax regimes where corporate income tax is not payable on profit but rather on distribution of dividends. In accordance with IAS 12.52A and 57A, in distribution-based tax regimes no current or deferred tax liability has been recognised in respect of undistributed profits until a liability to pay dividends is recognised. As a market practice in Estonia, this accounting policy has been applied consistently to all undistributed profits in the group, regardless of whether those profits accumulated in the parent or in the subsidiaries.

In June 2020, IFRS Interpretation Committee made an agenda decision where it concluded that the principle set out in IAS 12.52A and 57A only applies to undistributed profits accumulated in the parent company and does not apply to undistributed profits accumulated in the subsidiaries. Instead, the principles described in IAS 12.39-40 should be followed in respect of undistributed profits in subsidiaries, stipulating that a deferred tax shall be recognized in respect of such accumulated profits, unless it is probable that they will not be distributed to the parent in the foreseeable future.

The Group has recognised the change in the accounting policy in this respect retrospectively, however the Group did not adjust comparative periods as the impact was not material. More detailed information is provided in Note 17.

Deferred income tax is recognised in case of temporary differences between the Group's carrying amounts of assets and liabilities and their tax bases (the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes).

Pursuant to the laws of the Republic of Estonia, an enterprise's profit of the accounting year is not taxable in Estonia. The obligation to pay company income tax arises upon distribution of profit and it is recognised as an expense (in the profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in enterprises registered in Estonia, except for possible deferred income tax liabilities related to an enterprise's investments in subsidiaries, associate and joint undertaking, and branches.

Deferred income tax liability arises for the Group in countries where the enterprise's reporting year profit is taxable. For the Group, deferred income tax liability also arises in respect to investments in an Estonian and United Kingdom subsidiary, except for if the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Examples of taxable temporary reversal are the payment of dividends, the sale or liquidation of an investment, and other transactions.

The Group has control over the dividend policy of subsidiaries and is able to control the timing of the reversal of the temporary differences in respect to the relevant investment. If the parent company has decided not to distribute the subsidiary's profit in the foreseeable future, it does not recognise the deferred income tax liability. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that as at the reporting date, there are sufficient funds to pay the dividend and owner's equity on account of which to distribute profit in the foreseeable future.

The Group measures deferred income tax liability using the tax rates valid on the reporting date that are expected to apply to the taxable temporary differences of the period in which the temporary differences are expected to reverse.

In Estonia, the valid company income tax rate is 20 percent (the payable tax amount is 20/80 of the net payment). From 2019, a lower tax rate is applied to regularly payable dividends – 14% (14/86 of the net payment). The lower tax rate can be applied every calendar year on dividend payments and other profit distributions to the extent that does not exceed the average amount of taxable paid dividends and other profit distributions of the previous three calendar years and taxable payments from the owner's equity.

The maximum income tax liability which would accompany the distribution of Group's retained earnings is disclosed in Note 17.

Corporate income tax in other countries

In accordance with the local income tax laws, the net profit on subsidiaries and branches is subject to corporate income tax. Consolidated statement of comprehensive income reflects corporate income tax and deferred tax expense in 2019 and 2020 on profits from subsidiaries and branches in Russia, Estonia, Poland, Latvia, Lithuania, Romania, Hungary, Bulgaria, United Kingdom, Germany, Spain, Croatia, Australia and Malaysia.

Revenue and expenses

Commission revenue is recognised point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. Such revenue includes introducing brokers' (an introducing broker (IB) is a broker in the futures markets, who has a direct relationship with a client, but delegates the work of the floor operation and trade execution to another futures merchant) commissions and payment system fees. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other brokerage and commission fee revenue is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The other trading activity related income received, or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes inactivity fees (a sum charged to trading accounts that have not met minimum buying or selling activity in the previous 24 months and are not used for holding open positions) and service commissions from payment systems.

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments that are recognised 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.

Trading income includes:

- spreads (the differences between the "offer" price and the "bid" price);
- swap points charged (being the amounts resulting from the difference between the notional forward rate and the spot rate of a given financial instrument);
- net results (gains offset by losses) from Group's market making activities

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 2020, 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 29.

Value of trades up 67% to 988 billion EUR

Fedor Ragin
Member of the Supervisory Board

Note 3. Use and application 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 Group's reporting periods beginning on or after 1 January 2020. 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.

There are no new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that have a material impact on the Group.

b New accounting pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2021, and which the Group has not early adopted.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU).

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Group expects that there will not be a material impact on Group's financial position, performance nor cash flows.

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

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group. Other new or revised standards or interpretations that are not yet effective:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28
- IFRS 17, Insurance Contracts
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Amendments to IFRS 17 and an amendment to IFRS 4
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Note 4. Use of estimates, assumptions and judgements

Preparation of financial statements in accordance with the IFRS 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.

Estimates and assumptions subject to day-to-day evaluation by the Group's management are based on experience and other factors, including expectations as to future events that seem justified in the given situation. The results are a basis for estimates of carrying amounts of assets and liabilities. Although the estimates are based on best knowledge regarding the current conditions and actions taken by the Group, actual results may differ from the estimates. Adjustments to estimates are recognised during the reporting period in which the adjustment was made provided that such adjustment refers only to the given period or in subsequent periods if the adjustment affects both the current period and subsequent periods. The most important areas for which the Group makes estimates are presented below.

Impairment of assets

As at each balance sheet date, the Group determines whether there are any indications of impairment of a given financial asset or group of financial assets. In particular, the Group tests its past due receivables for impairment and writes down the estimated amount of doubtful and uncollectible receivables (Note 9).

At each balance sheet date, the Group assesses whether there are objective indications of impairment of other assets, including intangible assets. Impairment is recognised when it is highly likely that all or a significant part of the respective assets will not bring about the expected economic benefits, e.g. as a result of expiry of licences or decommissioning.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment. The methods used for measuring the fair value of financial instruments are presented in Note 8.

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

Admiral Markets offers provision of trading and investment services to retail, professional and institutional clients. According to the risk management policies of Admiral Markets, risks arising from derivatives are partly economically 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. Risk management procedures and basis of assessment are set out in the Group's internal rules and internal risk management policy. In accordance with the established principles Admiral Markets must have enough capital to cover risks.

Specifically, risk management is built on the principle of the 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, 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 defence, i.e. internal audit, carries out independent supervision of Admiral Markets.

The following risk management section is based on the financial companies in the Group, i.e. subsidiaries Runa Systems, Gateway2am OÜ (former name Admiral Virtual OÜ), Admiral Markets Canada Ltd, Admiral Markets España Sl. Admiral Markets Europe GmbH, Admiral Markets France, Am Asia Operations SDN BHD, AM Investments and Trading SA (PTY) LTD and AMTS Solutions OÜ are excluded from the below quantitative information of the Group's risk exposure. This is in line with the regulatory reporting requirements to Estonian Financial and Supervision Resolution Authority. Consequently, the quantitative balances do not fully reconcile with information provided in notes to the financial statements, but the excluded subsidiaries exposure to financial risks are generally limited due to their nature in Group structure.

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 Group 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 economically hedged 100% through the counterparties (liquidity providers). However, for other client profiles, the total net position is generally not economically hedged through the counterparty, except if the portfolio as a whole exceeds total limits set by the risk manager. Therefore an important part of risk hedging is setting limits for economical risk hedging, monitoring of limits set and in case of exceeding the limits immediately economically 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 economically hedged through a counterparty. Instruments that are economically hedged through a counterparty are mostly less liquid 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;
- regressive leverage for customers: the larger the client's overall position, the lower the leverage that is allowed;
- the maximum possible leverage is limited to the clients during the last business hours prior to the weekend, as well as reducing the leverage of instruments before significant events affecting currency and other markets, such as elections, etc.

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 are 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. Capitalisation of Admiral Markets must be forward-looking and in line with the Group's short- and long-term business plans, as well as with expected macroeconomic developments.

As part of the risk and capital management, all financial service providers belonging to the Admiral Markets Group AS consolidation group comply with all requirements on own funds and risk management set forth by their countries of domicile. Financial service providers are required to consistently comply with prudential rules to ensure their credibility and reduce the risks associated with the provision of investment services. In addition, Admiral Markets Group AS fulfils the capital requirements as set out in the Estonian Securities Market Act and Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR).

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% from Estonian risk positions.

In accordance with Article 19 (1) of the CRR, only group financial companies are included in the calculation of the risk exposures and capital requirements of the Admiral Markets Group AS: Admiral Markets Group AS, Admiral Markets AS, Admiral Markets Pty Ltd, Admiral Markets UK Ltd, Admiral Markets Cyprus Ltd and Admiral Markets AS/Jordan LLC.

The own funds of Admiral Markets consist of Tier 1 and Tier 2 capital:

Own funds

	31.12.2020	31.12.2019
Share capital	250	250
Own shares	-114	-114
Other reserves	-534	-19
Retained earnings of previous periods	**40,626**	**36,886**
Intangible assets	-831	-630
Total Tier 1 capital	**39,397**	**36,373**
Subordinated debt securities	1,827	1,827
Total Tier 2 capital	**1,827**	**1,827**
Total own funds	**41,224**	**38,200**

As of 31.12.2020, the own funds of Admiral Markets group AS amounted to EUR 41.2 million (31.12.2019: EUR 38.2 million). At the end of the reporting period, in accordance with information provided internally to key management, Admiral Markets Group AS capital adequacy ratio was 19.8% (31.12.2019: 20.3%) and has complied with all regulatory capital requirements in 2020 as well as in the earlier period.

The new Regulation (EU) 2019/2033 of the European Parliament and of the Council on prudential requirements for investment firms will enter into force on 26.06.2021. Admiral Markets Group AS has carried out relevant tests and the results, as reported internally to key management, show that the Group meets all the requirements of the above-mentioned regulations.

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 subject to credit risk are primarily due from credit institutions and investment companies, 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.

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

	31.12.2020	31.12.2019
Due from credit institutions and investment companies	52,107	33,561
Financial assets at fair value through profit or loss	9,849	9,759
Loans granted	334	225
Other receivables	970	455
Other assets	1,771	1,258
Total Financial assets	**65,031**	**45,258**
Off-balance sheet assets (excluding stocks)	71,714	44,019

Due from credit institutions and investment companies

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 Group 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)	Credit institutions	Investment companies	Total 31.12.2020	Credit institutions	Investment companies	Total 31.12.2019
Aa1 - Aa3	27,951	0	27,951	20,863	0	20,863
A1 - A3	3,872	0	3,872	3,916	0	3,916
Baa1 - Baa3	881	0	881	869	0	869
Ba1 - Ba3	1	0	1	13	0	13
B1 - B3	107	0	107	9	0	9
Caa1 - Caa2	48	0	48	19	0	19
Non-rated	2,998	16,244	19,242	1,080	6,786	7,866
Cash In transit	345	0	345	0	0	0
Total (except cash)	**36,203**	**16,244**	**52,447**	**26,769**	**6,786**	**33,555**

Non-rated credit institutions and investment companies are payment and investment institutions without external credit rating, however management monitors based on available market information and historical cooperation their credit quality constantly and no significant problems have occurred or have been identified with the counterparties.

Management has assessed that the ECL from credit institutions and investment companies exposures is immaterial due to the strong ratings of corresponding parties (for rated counterparties), their financial position and also due to the positive economic outlook in short-term perspective, as the Group holds only very liquid positions with the counterparties.

Loans granted

Loans have been granted mainly to related parties. The Group assesses based on historical loss rate and forward looking macroeconomic information that the significant risk of the loans has not increased compared to when the loan was issued. Therefore, management assessed there is no significant risk in the credit risk for loans granted and resulting expected credit loss is immaterial.

Other receivables

This includes all other balance sheet financial assets. Other receivables in the amount EUR 970 thousand (31.12.2019: EUR 455 thousand) are mainly office rent deposits and claims against related parties. As at 31.12.2020 and 31.12.2019 there were no such overdue receivables. As at 01.03.2021, receivables of EUR 634 thousand are uncollected. Management estimates that these receivables bear in substance low credit risk.

Credit risk involving financial assets held for trading is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Group's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 30 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

If there is a receivable from client as a result of trading activity (negative client position for which credit risk has materialised), then based on historical information the probability of default and loss given default are 100% and thus, the receivable is fully impaired and written off with a management decision. Therefore, there is no need to assess or adjust forward looking information estimates.

Other financial assets (settlements with employees and other short-term receivables) have been settled after the balance sheet date or bear very low credit risk based on management assessment.

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 pledge-able and high liquidity bonds. The portfolio includes central governments, public sector entities, multilateral development banks and international organizations bonds. Bonds must have a minimum rating of AA by Moody's.

Ratings of bonds

	31.12.2020	31.12.2019
AAA	5,205	3,942
AA1	1,084	2,256
AA2	836	1,430
AA3	1,572	1,711
Total	**8,697**	**9,339**

Bonds classified as FVTPL are based on the management assessment of the instrument's business model and how management monitors these investments.

In addition, the Group has granted a convertible loan in the amount of 189 thousand euros (31.12.2019: EUR 153 thousand), which is measured at fair value through profit or loss as the loan has a conversion option. Management has assessed that the credit risk of the loan is within acceptable limits.

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. As a result of the pass-through arrangement, the assets are classified as off-balance sheet. Admiral Markets bears the credit risk associated with these accounts in case the credit institution is unable to fulfil its obligations, however the risk is considered marginal as Admiral Markets uses strong counterparties for maintenance of clients funds.

As at 31.12.2020 and 31.12.2019, off-balance sheet cash and cash equivalents in credit institutions were divided by ratings as follows:

Rating (Moody's)

	31.12.2020	31.12.2019
Aa1 - Aa3	37,456	18,062
A1 - A3	32,614	24,878
Baa1 - Baa3	230	639
Ba1 - Ba3	55	32
Caa2	10	10
Non-rated	967	148
Total	**71,332**	**43,769**

Off-balance sheet client bank accounts are mainly held in the Estonian credit institutions or other large banks with high credit ratings. Therefore, management has assessed that the ECL from credit institutions is immaterial due to the strong ratings of corresponding parties, their financial position and also due to the positive economic outlook in short-term perspective, as the Group holds only very liquid positions with the counterparties.

Trading portfolio

Counterparty credit risk is calculated for derivatives opened at trading counterparties. Counterparty (liquidity provider) credit risk is managed as described in the section on Due from credit institutions and investment companies.

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 and that could create a credit risk for Admiral Markets.

Market risk

Market risk of Admiral Markets is mainly due to assets on the 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 general limit on the Group level has been set. 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 economically hedged with derivative positions opened at trading counterparties.

Counterparty credit risk that may occur in the realisation 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 a client's trading portfolio that would exceed the value of the collateral held and that could create a credit risk for the Group.

The impact of the COVID-19 pandemic on financial markets was particularly marked in the first half of 2020. This had a particularly strong impact on global equity markets, where markets fell sharply in February-March and recovered by the end of the year. The negative prices of WTI oil futures were also caused by a sharp drop in demand for petroleum products. The COVID-19 pandemic had a significant positive impact to Admiral Markets, as globally there was an increase in new clients and therefore also trading volumes.

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 unfavourable 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 risk. The currency risk is hedged by converting monetary funds into euros and by economical 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 foreign currency risk bearing on and off-balance sheet assets and liabilities of Admiral Markets:

31.12.2020	EUR	USD	GBP	JPY	CAD	CHF	Other currencies	Total
Due from credit institutions and from investment companies	44,104	4,544	1,419	0	0	470	1,564	52,101
Financial assets at fair value through profit or loss (excluding derivatives)	647	8,697	0	0	0	0	0	9,344
Loans and receivables	935	0	55	0	44	0	271	1,305
Total financial assets	**45,686**	**13,241**	**1,474**	**0**	**44**	**470**	**1,835**	**62,750**
Subordinated debt	1,827	0	0	0	0	0	0	1,827
Other financial liabilities	4,640	67	220	2	8	0	302	5,239
Lease liabilities	4,510	0	0	0	0	0	69	4,579
Total financial liabilities	**10,977**	**67**	**220**	**2**	**8**	**0**	**371**	**11,645**
Long positions of trading portfolio	113,929	196,882	55,378	38,522	11,943	23,335	32,278	472,267
Short positions of trading portfolio	120,192	240,162	30,844	28,257	20,289	5,197	16,327	461,268
Net open foreign currency position	**28,445**	**-30,106**	**25,787**	**10,263**	**-8,310**	**18,608**	**17,415**	**62,102**

31.12.2019	EUR	USD	GBP	CAD	JPY	AUD	Other currencies	Total
Due from credit institutions and from investment companies	25,861	1,556	5,297	0	0	71	770	33,555
Financial assets at fair value through profit or loss (excluding derivatives)	306	9,339	0	0	0	0	0	9,645
Loans and receivables	567	10	73	0	0	4	26	680
Total financial assets	**26,734**	**10,905**	**5,370**	**0**	**0**	**75**	**796**	**43,880**
Subordinated debt	1,827	0	0	0	0	0	0	1,827
Other financial liabilities	1,803	73	180	0	0	30	98	2,184
Lease liabilities	4,571	0	0	0	0	0	0	4,571
Total financial liabilities	**8,201**	**73**	**180**	**0**	**0**	**30**	**98**	**8,582**
Long positions of trading portfolio	174,516	142,983	33,495	17,170	12,721	17,001	31,939	429,825
Short positions of trading portfolio	120,614	206,060	25,490	8,069	15,500	19,142	12,432	407,307
Net open foreign currency position	**72,435**	**-52,245**	**13,195**	**9,101**	**-2,779**	**-2,096**	**20,205**	**57,816**

In the last years, the currency with the largest position was USD, which has the greatest effect on Admiral Markets profitability. The highest intraday fluctuation (4.7%) was recorded on the day of the Brexit vote (2016). The EURUSD fluctuation exceeded 2% in six other days.

Due to 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%).

Impact on the statement of comprehensive income:

	USD	GBP	JPY	CAD
Exchange rate change in relation to EUR +/- 5%				
2020	1,505	1,289	513	416

	USD	GBP	JPY	CAD
Exchange rate change in relation to EUR +/- 5%				
2019	2,612	660	139	455

The sensitivity analysis that was carried out shows the impact of fluctuations in exchange rates to the statement of comprehensive income if all other parameters are constant. For trading portfolio, stop out rate impact is not taken into consideration both for long and short client positions. Management has assessed that including the stop out rate into the calculations would not significantly change the sensitivity analysis presented above.

Equity risk

Equity risk includes instrument risk related to equities and stock indices that for Admiral Markets is mainly due to clients' trading portfolio. For equity instruments there has been established very low exposure limit, therefore only potential credit risk arises from stock indices. Instruments related to stock indices must be economically hedged in accordance with the recommendations of the Group's Management Board and risk manager.

More detailed information about exposures to equity risk and how risk is managed, including internal policies and processes, is disclosed in the beginning of Note 5.

The following are the positions of derivatives bearing the equity position risk in the trading portfolio as at 31.12.2020 and 31.12.2019:

31.12.2020			31.12.2019		
Equity / Index	**Long positions**	**Short positions**	**Equity / Index**	**Long positions**	**Short positions**
[DAX30]	32,408	25,566	[DAX30]	28,076	26,152
[DJI30]	21,314	11,220	[DJI30]	16,906	7,010
[NQ100]	4,480	4,837	[SP500]	6,023	2,967
[SP500]	3,227	3,210	[NQ100]	3,529	1,062
#TSLA	1,592	1,734	[CAC40]	1,408	265
Other equities and indices	12,256	22,617	Other equities and indices	4,253	6,517
Total	**75,277**	**69,184**	**Total**	**60,195**	**43,973**

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 in the last years 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% in 2016. 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:

Change in stock index +/- 10%

	[DAX30]	[DJI30]	[NQ100]	[SP500]
2020	684	1,009	36	1

	[DAX30]	[DJI30]	[NQ100]	[SP500]
2019	192	990	247	305

A possible credit loss caused by the realisation of the equity position is managed according to the principles described at the beginning of market risk chapter. Stop out rate impact is not taken into consideration both for long and short client positions. Management has assessed that including the stop out rate into the calculations would not significantly change the sensitivity analysis presented above.

Commodity risk

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

More detailed information about exposures to equity risk and how risk is managed, including internal policies and processes, is disclosed in the beginning of Note 5.

Below are the commodity related derivative positions of the trading portfolio.

31.12.2020			31.12.2019		
Commodity	**Long positions**	**Short positions**	**Commodity**	**Long positions**	**Short positions**
SILVER	1,261	5,273	WTI	3,508	1,458
BRENT (OIL)	739	406	SILVER	999	3,818
BITCOIN	619	572	BRENT (OIL)	692	465
PLATINUM	393	567	PALLADIUM	483	535
Other commodities	981	1,459	Other commodities	885	1,563
Total	**3,993**	**8,277**	**Total**	**6,567**	**7,839**

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

	SILVER	BRENT	BITCOIN	PLATINUM
2020	201	17	2	9

	WTI	SILVER	BRENT	PALLADIUM
2019	103	141	11	3

A possible credit loss caused by the realisation of the commodity position is managed according to the principles described at the beginning of the market risk chapter. Stop out rate impact is not taken into consideration both for long and short client positions. Management has assessed that including the stop out rate into the calculations would not significantly change the sensitivity analysis presented above.

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 liabilities. 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 31.12.2020 and 31.12.2019, the Group had no overdue payables.

31.12.2020	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Assets held for managing liquidity risk by contractual maturity dates							
Due from credit institutions and investment companies	52,447	0	0	0	0	52,447	52,447
Financial assets at fair value through profit or loss (excluding derivatives)	0	1,714	2,623	5,184	0	9,521	9,344
Financial assets at fair value through profit or loss (derivatives)	0	504	0	0	0	504	504
Loans and receivables	0	973	268	24	77	1,342	1,304
Total assets	**52,447**	**3,191**	**2,891**	**5,208**	**77**	**63,814**	**63,599**
Liabilities by contractual maturity dates							
Subordinated debt securities	0	0	146	585	2,118	2,849	1,827
Other financial liabilities	0	5,239	0	0	0	5,239	5,239
Lease liabilities	0	184	546	2,454	1,804	4,988	4,579
Financial liabilities at fair value through profit or loss (derivatives)	0	219	0	0	0	219	219
Total liabilities	**0**	**5,642**	**692**	**3,039**	**3,922**	**13,295**	**11,864**

31.12.2019	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Assets held for managing liquidity risk by contractual maturity dates							
Due from credit institutions and investment companies	33,555	0	0	0	0	33,555	33,555
Financial assets at fair value through profit or loss (excluding derivatives)	0	2,377	3,225	4,037	153	9,792	9,645
Financial assets at fair value through profit or loss (derivatives)	0	114	0	0	0	114	114
Loans and receivables	0	455	225	0	0	680	680
Total assets	**33,555**	**2,946**	**3,450**	**4,037**	**153**	**44,141**	**43,994**
Liabilities by contractual maturity dates							
Subordinated debt securities	0	0	146	584	2,265	2,995	1,827
Other financial liabilities	0	2,184	0	0	0	2,184	2,184
Lease liabilities	0	175	510	2,694	1,550	4,929	4,571
Financial liabilities at fair value through profit or loss (derivatives)	0	66	0	0	0	66	66
Total liabilities	**0**	**2,425**	**656**	**3,278**	**3,815**	**10,174**	**8,648**

Interest rate risk

In 2020 and 2019, Admiral Markets' exposure to interest rate risk was low due to very low interest rates in the current economic environment. Deposits from Admiral Markets in credit institutions and investment firms are generally subject to a 0 per cent rate.

Subordinated debt securities are not exposed to interest rate risk, because of fixed interest rate.

	31.12.2020	31.12.2019	Note
Due from credit institutions and investment companies (except cash and cash in transit)	52,101	33,555	
Financial assets at fair value through profit or loss (bonds)	8,697	9,339	
Total assets	**60,798**	**42,894**	
Subordinated bonds	1,827	1,827	16
Total Liabilities	**1,827**	**1,827**	

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 Group'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 *	31.12.2020 Balance sheet balances	Off-balance sheet balances	Cash *	31.12.2019 Balance sheet balances	Off-balance sheet balances
Estonia	27,693	20,867	United Kingdom	10,110	24,794
United Kingdom	13,600	32,318	Estonia	20,265	5,785
Australia	662	12,431	Australia	61	11,963
Jordan	3,137	0	Switzerland	1,512	0
Bulgaria	82	2,480	Poland	260	159
Latvia	171	1,633	Bulgaria	60	650
Other Countries	6,756	1,603	Other Countries	1,287	418
Total	**52,101**	**71,332**	**Total**	**33,555**	**43,769**

*Cash (except cash on hand and cash in transit) and clients' bank accounts distributed by countries

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 Group'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 Group 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 and characteristics 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 analysed individually and together, in order to determine potential significant shortcomings in the processes and products. In addition, Admiral Markets is implementing key risk indicators in order to introduce various levels of operational risk allowed in different areas.

Off-setting of financial assets and financial liabilities

31.12.2020	Gross amount in statement of financial position	Off-setting amount under agreement	Net Amount	Note
Financial assets				
Due from investment companies	16,243	0	16,243	7
Financial assets at fair value through profit and loss (derivatives)	504	219	285	8
Total	**16,747**	**219**	**16,528**	
Financial liabilities				
Financial liabilities at fair value through profit and loss (derivatives)	219	219	0	8
Total	**219**	**219**	**0**	

31.12.2019	Gross amount in statement of financial position	Off-setting amount under agreement	Net Amount	Note
Financial assets				
Due from investment companies	6,786	0	6,786	7
Financial assets at fair value through profit and loss (derivatives)	114	66	48	8
Total	**6,900**	**66**	**6,834**	
Financial liabilities				
Financial liabilities at fair value through profit and loss (derivatives)	66	66	0	8
Total	**66**	**66**	**0**	

Note 6. Assessment of fair value of financial assets and liabilities

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2020:

		Assessment of fair value using			
	Total	Level 1	Level 2	Level 3	Note
Financial assets recognised at fair value through profit or loss:					
Bonds	8,697	8,697	0	0	8
Convertible loan	139	0	0	139	8
Equity investments at fair value through profit or loss	458	0	0	458	8
Derivatives:					
Currency pairs	272	0	272	0	8
CFD derivatives	155	0	155	0	8
Other derivatives	78	0	78	0	8
Total	**9,799**	**8,697**	**505**	**597**	
Financial liabilities recognised at fair value through profit or loss:					
Derivatives:					
Currency pairs	83	0	83	0	8
CFD derivatives	52	0	52	0	8
Other derivatives	84	0	84	0	8
Total	**219**	**0**	**219**	**0**	

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Financial assets recognized at amortised cost:					
Cash	5	5	0	0	7
Due from credit institutions	36,648	0	36,648	0	7
Due from investment companies	16,243	0	16,243	0	7
Cash in transit	345	345	0	0	7
Loans	345	0	0	345	9
Other financial assets	934	0	0	934	9
Total	**54,520**	**350**	**52,891**	**1,279**	
Financial liabilities recognized at amortised cost:					
Other financial liabilities	5,067	0	0	5,067	13
Subordinated debt securities	1,827	0	0	1,827	16
Total	**6,894**	**0**	**0**	**6,894**	

Quantitative data disclosed on the assessment of fair value hierarchy as at 31.12.2019:

		Assessment of fair value using			
	Total	**Level 1**	**Level 2**	**Level 3**	**Note**
Financial assets recognised at fair value through profit or loss:					
Bonds	9,339	9,339	0	0	8
Convertible loan	153	0	0	153	8
Equity investments at fair value through profit or loss	153	0	0	153	8
Derivatives					
Currency pairs	28	0	28	0	8
CFD derivatives	72	0	72	0	8
Other derivatives	14	0	14	0	8
Total	**9,759**	**9,339**	**114**	**306**	
Financial liabilities recognised at fair value through profit or loss:					
Derivatives:					
Currency pairs	12	0	12	0	8
CFD derivatives	42	0	42	0	8
Other derivatives	12	0	12	0	8
Total	**66**	**0**	**66**	**0**	
Financial assets recognized at amortised cost:					
Cash	6	6	0	0	7
Due from credit institutions	26,885	0	26,885	0	7
Due from investment companies	6,786	0	6,786	0	7
Loans	236	0	0	236	9
Other financial assets	456	0	0	456	9
Total	**34,369**	**6**	**33,671**	**692**	
Financial liabilities recognized at amortised cost:					
Other financial liabilities	2,091	0	0	2,091	13
Subordinated debt securities	1,827	0	0	1,827	16
Total	**3,918**	**0**	**0**	**3,918**	

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.

Due from credit institutions and investment companies are short-term and very liquid.

Financial instruments on level 3

Interest rates on loans granted at amortised cost are 2-4% p.a. and considering a relatively short period between the loan origination date and the balance sheet date, the management has estimated there have not been material changes in the market interest rates. Hence, the carrying values of the loans are close approximations of their fair value at the balance sheet date. Significant estimates of management are used to assess the fair value of loans, so they are classified in level 3.

Convertible loans and equity investments at fair value through profit or loss are investments made on market terms during the reporting period. Management has assessed that their investment value based on contractual terms is a close approximation of their fair value at the balance sheet date. Management is monitoring closely the investment performance and receives reporting from investees which serves as the basis of their assessment at balance sheet date.

Subordinated debt securities are listed, but liquidity is too low for using directly the market quotes. Management has estimated that carrying value of the subordinated debt securities are a close approximation of their fair value at the balance sheet date.

Other financial assets and liabilities have been incurred in the course of ordinary business and are payable in the short term, therefore, the management estimates that their fair value does not significantly differ from their carrying amount. These receivables and liabilities are interest-free.

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

Note 7.
Due from credit institutions and investment companies

	31.12.2020	31.12.2019
Cash	5	6
Demand and term deposits with maturity less than 3 months*	36,648	26,885
Demand deposits on trading accounts	16,243	6,786
Cash in transit	345	0
Total	**53,241**	**33,677**

*cash and cash equivalents in the statement of cash flows

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

	31.12.2020		31.12.2019		
Instrument	Asset	Liability	Asset	Liability	Note
Bonds	8,697	0	9,339	0	6
Convertible loan	139	0	153	0	6
Equity investments at fair value through profit or loss	458	0	153	0	6
Currency pairs	272	83	28	12	6
CFD derivatives	155	52	72	42	6
Other derivatives	78	84	14	12	6
Total	**9,799**	**219**	**9,759**	**66**	

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group has only short-term derivatives.

Breakdown of financial assets (except derivatives) to current and non-current in subsequent periods as of 31 December 2020 and 31 December 2019 are set below:

	31.12.2020		31.12.2019	
Instrument	Current assets	Non-current assets	Current assets	Non-current assets
Bonds	3,558	5,139	5,476	3,863
Convertible loan	139	0	153	0
Equity investments at fair value through profit or loss	0	458	0	153
Total	**3,697**	**5,597**	**5,629**	**4,016**

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

Note 9.
Loans and receivables

	31.12.2020	31.12.2019	Note
Financial assets			
Trade receivables	88	25	
Doubtful receivables	0	-2	
Settlements with employees	21	14	
Loans granted	334	225	6
Other short-term receivables	836	430	
Total	**1,279**	**692**	

Please refer to Note 5, section credit risk for information regarding credit quality and expected credit losses.

	31.12.2020	Distribution by maturity		Interest rate	Due date	Base currency	Interest receivables 31.12.2020
		Up to 1 year	2-5 years				
Loan 1	55	55	0	2%	04.2021	EUR	0
Loan 2	5	5	0	12 month Euribor + 4%	12.2021	EUR	8
Loan 3	200	200	0	2%	12.2021	EUR	0
Loan 4	74	0	74	8%	07.2026	EUR	3
Total	**334**	**260**	**74**				**11**

Based on management assessment of these loan exposures, there has not been significant increase in credit risk after initial recognition of these loan exposures, hence all loans have been assessed to be in stage 1 as of the balance sheet date. 12-month ECL has been considered immaterial, given the low probability of default and loss given default.

	31.12.2019	Distribution by maturity		Interest rate	Due date	Base currency	Interest receivables 31.12.2019
		Up to 1 year	2-5 years				
Loan 1	25	25	0	12 month Euribor + 4%	03.2020	EUR	7
Loan 2	200	200	0	2%	12.2020	EUR	4
Total	**225**	**225**	**0**				**11**

Note 10.
Other assets

	31.12.2020	31.12.2019	Note
Prepaid expenditure of future periods	900	627	
Prepaid taxes	930	636	14
Total	**1,830**	**1,263**	

Prepaid expenditure of future periods includes advance payments to suppliers, financial institutions, IT- and marketing expenses.

Note 11.
Tangible and right-of-use assets

	Other equipment	Right-of-use assets (office properties)	Total
Balance as at 31.12.2018			
Cost	2,526	0	2,526
Accumulated depreciation and amortisation	-1,156	0	-1,156
Carrying amount	**1,370**	**0**	**1,370**
IFRS 16 initial application	0	3,877	3,877
Acquisition / new lease contracts	443	1,231	1,674
Non-current assets sold	-38	0	-38
Depreciation/amortisation charge	-380	-647	-1,027
Balance as at 31.12.2019			
Cost	2,931	5,108	8,039
Accumulated depreciation and amortisation	-1,536	-647	-2,183
Carrying amount	**1,395**	**4,461**	**5,856**
Acquisition / new lease contracts	1,139	1,256	2,395
Non-current assets sold	-205	0	-205
Exchange differences	-20	0	-20
Write-off	-337	0	-337
Depreciation/amortisation charge	-310	-965	-1,275
Balance as at 31.12.2020			
Cost	3,508	6,364	9,872
Accumulated depreciation and amortisation	-1,509	-1,612	-3,121
Carrying amount	**1,999**	**4,752**	**6,751**

The Group's non-current assets increased in 2019 by EUR 4.5 million due to the application of IFRS 16 "Leases", which resulted in Admiral Markets AS', Admiral Markets PTY', Admiral Markets UK', Runa Systems CP office rental spaces being accounted for as a right-of-use asset and lease liability. Therefore, the right-of-use assets consist mainly of office premises. In 2020 new floors were added to the Tallinn head office and a new office in Belarus. The rest of tangible assets consist mainly of improvements to the new office in Tallinn (office equipment and furniture).

Note 12.
Intangible assets

	Licenses	Intangible assets generated internally	Other intangible assets	Total
Balance as at 31.12.2018				
Cost	382	627	161	1,170
Accumulated depreciation and amortisation	-242	0	-81	-323
Carrying amount	**140**	**627**	**80**	**847**
Acquisition of non-current assets	5	0	56	61
Depreciation/amortisation charge	-36	-125	-33	-194
Balance as at 31.12.2019				
Cost	387	627	217	1,231
Accumulated depreciation and amortisation	-278	-125	-114	-517
Carrying amount	**109**	**502**	**103**	**714**
Acquisition of non-current assets	401	0	0	401
Write-off of non-current assets	-169	0	-158	-327
Depreciation/amortisation charge	-72	-126	-44	-242
Balance as at 31.12.2020				
Cost	619	627	59	1,305
Accumulated depreciation and amortisation	-181	-251	0	-432
Carrying amount	**438**	**376**	**59**	**873**

Internally generated intangible assets consist mainly of the development costs of Trader's Room 3.

Note 13.
Liabilities and prepayments

Type of liability	31.12.2020	31.12.2019	Note
Financial liabilities			
Liabilities to trade creditors	2,882	1,451	
Interest payable	1	1	16
Other accrued expenses	2,184	639	
Subtotal	**5,067**	**2,091**	
Non-financial liabilities			
Payables to employees	692	516	
Taxes payable	749	471	14
Subtotal	**1,441**	**987**	
Total	**6,508**	**3,078**	

Note 14.
Tax prepayments and liabilities

	31.12.2020		31.12.2019		Note
	Prepaid taxes	Taxes payables	Prepaid taxes	Taxes payables	
Value-added tax	30	150	183	55	
Corporate income tax	126	174	24	53	
Individual income tax	0	168	0	135	
Social security tax	0	226	0	201	
Other tax receivables/ liabilities in foreign countries	131	31	0	27	

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Deferred income tax	0	567	0	0	17
Prepayments account	643	0	429	0	
Total	**930**	**1,316**	**636**	**471**	**10, 13**

Note 15.
Leases

The Group leases office premises. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group. In applying IFRS 16 for the first time, the Group applied a single discount rate to its portfolio of leases with reasonably similar characteristics and used 2% incremental borrowing rate to all its lease liabilities as permitted by the standard. For new lease agreements since 2020 applied a 2.8% borrowing rate, which was close to market price rates.

Please see Note 11 for analyses of the movements in right-of-use assets

The table below analyses the movement in lease liabilities:

	Lease liabilities
Balance at 01.01.2019	**3,877**
Additions*	1,207
Lease payments made during the year	-560
Interest expense	86
Adjustments	-39
Balance at 31.12.2019	**4,571**
Additions*	1,060
Adjustments	178
Lease payments made during the year	-976
Interest expense	115
Balance at 31.12.2020	**4,948**

* New lease contracts and extension of the lease period for existing contracts.

Breakdown of lease liabilities to current and non-current in subsequent periods as of 31 December 2020 and 31 December 2019 are set below:

	31.12.2020	31.12.2019
Short-term office lease liabilities	877	644
Long-term office lease liabilities	4,071	3,927
Total	**4,948**	**4,571**

The right-of-use asset and lease liability are recorded on separate lines in the statement of financial position.

Note 16.
Subordinated debt securities

In 2017, subsidiary Admiral Markets AS issued 18,268 subordinated debt securities and listed these on 11.01.2018 on the Nasdaq Tallinn Stock Exchange. The maturity date for bonds is 2027. The total number of bondholders at the end of the year was 332. Bondholder structure according to holders' groups as at 31.12.2020 was the following:

- Private persons: 54 %
- Legal persons: 46 %

There were no movements of the subordinated bonds except for the calculation and payment of interest.

In 2020, 114 transactions in the amount of EUR 195 thousand were made with Admiral Markets AS bonds.

Subordinated debt	Issuance year	Amount	Interest rate	Maturity date
Subordinated bonds (ISIN:EE3300111251)	2017	1,827	8%	28.12.2027

Interest expenses on subordinated bonds for each reporting period and accrued interest liabilities as at the end of each reporting period is disclosed in the table below. Interest liabilities are accounted in the statement of financial position using the effective interest rate.

Interest liability from subordinated debt	
Accrued interest on subordinated debts as at 31.12.2018	**0**
Interest calculated for 2019	152
Paid out during 2019	-151
Accrued interest on subordinated debts as at 31.12.2019	**1**
Interest calculated for 2020	151
Paid out during 2020	-151
Accrued interest on subordinated debts as at 31.12.2020	**1**

Note 17. Corporate income tax

According to Estonian laws, retained earnings are not taxed with corporate income tax, whereas paid-out dividends are taxed. In 2020 Admiral Markets Group AS subsidiary Admiral Markets AS paid dividends to parent company in amount of EUR 1,371 thousand (2019: EUR 1,390 thousand) and the accompanying income tax liability was in the amount of EUR 267 thousand (2019: EUR 309 thousand). In 2020, Admiral Markets Group AS paid in turn dividends to its owners in amount of EUR 1,352 thousand (2019: EUR 1,368 thousand).

According to the IFRIC agenda decision disclosed in accounting policy "Corporate income tax", a deferred tax liability in amount EUR 567 thousand is recognised as a deferred tax liability from the Group's Estonian subsidiary's annual profits based on the Group's dividend policy to distribute part of annual profits to parent company.

As a result of the activities of its subsidiaries and branches, the Group incurred an income tax liability of EUR 1,018 thousand (2019: EUR 448 thousand).

In 2020, the income tax on corporate profits were paid in United Kingdom and by branch in Romania and Spain and in representative office in Russia, in total amount of EUR 184 thousand. In 2019, the corporate income tax on profits were in amount EUR 137 thousand.

Estimated corporate income tax on profits of foreign subsidiaries is calculated using valid income tax rates applicable in the countries of the Group's subsidiaries. The applicable tax rate is the weighted average of the corporate income tax rate of 19.0% (2019: 19.0%). The amounts of tax losses carried forward in the Group are immaterial. The main corporate income tax expense on profits are related with UK subsidiary and it's branches, with marginal differences on the legislative corporate income tax rate and the effective corporate income tax rate due to some expenses being not deductible for tax purposes.

Corporate income tax	2020	2019
Corporate income tax related with daily business operations	0	2
Corporate income tax from earnings of foreign subisidiaries and branches	184	137
Deferred corporate income tax liability on dividends	567	0
Corporate income tax expense associated with dividends payment declared	267	309
Total corporate income tax	**1,018**	**448**

Conditional corporate income tax

As at 31.12.2020, the Group's retained earnings amounted to EUR 61,657 thousand (31.12.2019: EUR 42,355 thousand). Distribution of retained earnings as dividends to the owners is subject to the income tax at the rate of 20/80 on the amount paid out as net dividends. From 2019, a lower tax rate of 14/86 is applied to regularly payable dividends to the extent that is less than or equal to the average amount of taxable dividends of the previous three calendar years. Therefore, taking into account regulatory requirements for Net Own funds and capital, from the retained earnings available at the reporting date, it is possible to pay out to the shareholders as dividends as at 31.12.2020 EUR 20,011 thousand (31.12.2019: EUR 7,974 thousand), and the corresponding income tax would have amounted to EUR 5,003 thousand (31.12.2019: EUR 1,994 thousand).

The tax authority has the right to inspect the Group'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 Group'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 Group.

Note 18. Off-balance sheet assets

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

Off-balance sheet assets	31.12.2020	31.12.2019
Bank accounts	70,357	43,621
Interim accounts of card payment systems	975	148
Stocks/shares	10,480	1,853
Cash in transit	382	250
Total	**82,194**	**45,872**

Note 19.
Share capital

	31.12.2020	31.12.2019
Share capital	250	250
Number of shares (pc)	2,500,000	2,500,000
Nominal value of shares	0.1	0.1
Basic earnings per share	8.38	2.11
Diluted earnings per share	8.38	2.11

As at 31.12.2020, the share capital of the Group's parent company consists of 2,500,000 ordinary shares with a nominal value of EUR 0.1 which have been fully paid for.

In order to calculate basic earnings per share, net profit attributable to owners of the parent has been divided by the weighted average number of shares issued.

Basic and diluted earnings per share are calculated as follows:

	31.12.2020	31.12.2019
Profit attributable to the equity holders of the Group	20,656	5,203
Weighted average number of ordinary shares (pc)	2,500,000	2,500,000
Own shares	33,750	33,750
Weighted average number of shares used for calculating the earnings per shares (pc)	2,466,250	2,466,250
Basic earnings per share	8.38	2.11
Weighted average number of shares used for calculating the diluted earnings per shares (pc)	2,466,250	2,466,250
Diluted earnings per share	8.38	2.11

In 2020, the owners of the Group's parent company were paid dividends in the total amount of EUR 1,352 thousand (2019: EUR 1,368 thousand). The Group's adjusted dividend per share (excluding own shares) was EUR 0.55 (2019: EUR 0.55).

Note 20.
Segment reporting

The Management Board members are the Group's chief operating decision-makers (CODM). Management has determined the operating segments based on the information reviewed by the Management Board members for the purposes of allocating resources and assessing performance.

Group's main business is provision of investment services. The Group has defined operating segments based on the reports used regularly by the Management Board to make strategic decisions. The Management Board assesses the performance of the business and allocation of resources based on geographical segments: EU, UK, Australia & Other. The geographical segments are grouped according to the location of Admiral Markets offices and the data for each significant legal entity are disclosed separately.

The geographical breakdown of gross trading revenue (based on client origin) is as follows:

	2020	2019	Change
EU	90%	83%	7
UK	-1%	5%	-6
Australia	1%	2%	-1
Other	10%	10%	0

The segmental information from legal group structure perspective is disclosed below. Group subsidiaries with limited activities or business volumes have been aggregated and disclosed as "Other". The main subsidiaries in the group are Admiral Markets UK, Admiral Markets AS, Admiral Markets Pty and Admiral Markets Cyprus. The table below also includes inter-company eliminations.

The segmental breakdown of gross trading revenue as per the asset class is disclosed in Note 21.

Since 2020 the other company information include: Admiral Markets AS (Jordan), Admiral Markets Cyprus sp. z o.o. Oddział w Polsce, ADMIRAL MARKETS CANADA LTD, Admiral Markets España Sl., Admiral Markets Europe GmbH, Admiral Markets France, Am Asia Operations SDN BHD, AM Investments and Trading SA (PTY) LTD, AMTS Solutions OÜ, Gateway2am OÜ, Runa Systems.

On a legal entity level, the management monitors the components included in the below table and has EBITDA, EBIT and PBT as performance indicators and total assets and own funds together with debt securities as the key indicators for balance sheet.

2020	Admiral Markets Group AS	Admiral Markets AS	Admiral Markets UK	Admiral Markets PTY	Admiral Markets CY	Other	Elimination	Total
Net trading income	**0**	**47,071**	**9,353**	**4,628**	**1,178**	**0**	**-61**	**62,169**
Inc. Net gain from trading of financial assets at fair value through profit or loss with clients including hedging with liquidity providers	0	65,762	0	-127	0	0	0	65,635
Inc. Commission and fee revenue from clients and brokerage fee according to WL agreement	0	28	11,273	7,412	1,203	0	-19,001	915
Inc. Commission and fee expense	0	-18,719	-1,920	-2,656	-25	0	18,940	-4,380
Other income/expenses, Financial income/loss and Net gains/losses on exchange rate changes	**1,346**	**-305**	**145**	**-82**	**5**	**2,548**	**-3,549**	**108**
Operating expenses inc personnel and depreciation expenses	**-270**	**-26,233**	**-8,494**	**-4,058**	**-1,053**	**-2,639**	**2,143**	**-40,604**
EBITDA	**-209**	**21,618**	**1,201**	**539**	**131**	**214**	**-87**	**23,407**
EBIT	**-209**	**20,455**	**1,002**	**490**	**131**	**-74**	**-87**	**21,707**
Profit Before Tax	**1,076**	**20,533**	**1,004**	**489**	**131**	**-92**	**-1,467**	**21,674**
Total Assets	**10,954**	**71,436**	**8,976**	**4,446**	**608**	**5,283**	**-26,517**	**75,186**
Incl own cash and debt securities	667	52,005	59,004	15,592	2,458	3,926	-71,714	61,938
Total Liabilities	**6,836**	**13,760**	**3,276**	**650**	**97**	**1,220**	**-11,770**	**14,068**
Off-balance sheet client equity	0	2,982	64,807	12,220	2,185	0	0	82,194

Equations used for the calculation:

EBITDA – (earnings before interest, taxes, depreciation, and amortization) is an accounting measure calculated using a company's earnings, before interest expenses, taxes, depreciation, and amortization are subtracted, as a proxy for a company's current operating profitability.

EBIT - (earnings before interest and taxes) an indicator of a company's profitability. EBIT can be calculated as revenue minus expenses excluding tax and interest.

For 2019 period other companies include: AMTS Solutions OÜ, Runa Systems, Admiral Markets Chile SpA

2019	Admiral Markets Group AS	Admiral Markets AS	Admiral Markets UK	Admiral Markets PTY	Admiral Markets CY	Other	Elimination	Total
Net trading income	**0**	**23,210**	**6,668**	**2,867**	**712**	**0**	**59**	**33,516**
Inc. Net gain from trading of financial assets at fair value through profit or loss with clients including hedging with liquidity providers	0	34,909	0	0	0	0	0	34,909
Inc. Commission and fee revenue from clients and brokerage fee according to WL agreement	0	9	7,549	3,299	713	0	-11,299	271
Inc. Commission and fee expense	0	-11,708	-881	-433	-1	0	11,359	-1,664
Other income/expenses, Financial income/loss and Net gains/losses on exchange rate changes	**1,618**	**925**	**-14**	**-32**	**1**	**1,006**	**-3,301**	**203**
Operating expenses inc personnel and depreciation expenses	**-215**	**-19,220**	**-5,976**	**-3,043**	**-641**	**-887**	**1,914**	**-28,068**
EBITDA	**66**	**5,777**	**836**	**-159**	**71**	**158**	**63**	**6,812**
EBIT	**66**	**4,832**	**624**	**-207**	**71**	**119**	**63**	**5,568**
Profit Before Tax	**1,404**	**4,915**	**679**	**-209**	**71**	**119**	**-1,327**	**5,652**
Total Assets	**8,562**	**47,169**	**6,363**	**1,470**	**415**	**440**	**-12,432**	**51,987**
Incl own cash and debt securities	589	28,486	34,855	12,802	137	113	-44,019	32,963
Total Liabilities	**4,168**	**8,387**	**1,207**	**306**	**28**	**66**	**-4,620**	**9,542**
Off-balance sheet client equity	0	2,731	31,514	11,531	96	0	0	45,872

White Label (WL) is agreement between group counterparties, where Liquidity Provider provides required online trading facilities and related services and the parter facilitates mainly Forex, CFD and other transactions with its customers as principal by receiving and transmitting clients' orders and arranging the execution of its client's orders, as well as hedging clients' orders with liquidity provider.

Note 21.
Net income from trading

	2020	2019
Indices CFD's	28,409	14,594
Currency CFD	18,927	14,350
Commodities CFD's	17,847	5,143
Other (crypto, bonds, ETF, shares, others)	451	752
Net gain from trading of financial assets at fair value through profit or loss with clients including hedging with liquidity providers	**65,635**	**34,838**
Commission fee revenue from clients	1,829	1,210
Brokerage and commission fee expense	-4,380	-1,664
Other trading activity related income	313	127
Other trading activity related expenses	-1,227	-995
Net income from trading	**62,169**	**33,516**

Commission fee revenue from clients is recognised at a point in time. Two distinct account types implement a different pricing structure. One is a commission-free account with higher spreads for currency pairs, the other consists of a significantly lower spread for a fee.

Brokerage and commission fee expense contains commissions paid to introducing brokers, commissions paid to liquidity providers and fees paid to payment systems. The Group concludes cooperation agreements with introducing brokers who receive commissions which depend on the trade generated under the cooperation agreements. The Group concludes agreements with liquidity providers and providers of payment systems which require different fees charged.

Other trading activity related income includes inactive fee, payment system fee for deposits and withdrawals, special trading account fee like "swap-free Islamic accounts".

All payment methods are free for clients, except for Skrill deposits, which charge 0.9% (minimum $1) and Skrill for clients has 2 free withdrawals every month and next 1% min 1EUR/USD. Bank transfer fee also charged from 3rd client's withdrawal and depends on the country of residence.

Other trading activity related expenses are bonuses paid to customers, that are strictly related to trading in financial instruments by the customer with Group.

The Group's operating incomes is generated from: (i) spreads (the differences between the "offer" price and the "bid" price); (ii) net results (gains offset by losses) from Group's market making activities; (iii) fees and commissions charged by the Group to its clients; and (iv) swap points charged (being the amounts resulting from the difference between the notional forward rate and the spot rate of a given financial instrument).

Note 22.
Other income

	2020	2019
Software development and support service	2,107	349
Other income	395	152
Other income total	**2,502**	**501**

The Group started to provide software development and support service to third-parties more widely in amounted to EUR 2,107 thousand (2019: EUR 349 thousand).

Note 23.
Other expense

	2020	2019
Cost of goods and services	-584	-290
Other expense	-273	-171
Other expense total	**-857**	**-461**

Note 24.
Personnel expenses

The remuneration for employees including social security taxes amounted to EUR 15,994 thousand (2019: EUR 12,058 thousand) and the remuneration for the management amounted to EUR 2,406 thousand (2019: EUR 894 thousand). The Group had 340 employees by the end of 2020 (2019: 284 employees).

	2020	2019
Employees (headquarters of Admiral Markets AS)	-7,309	-6,513
Employees (branches and other companies belonging to the consolidation group)	-6,105	-4,589
Remuneration of the Management Board and Supervisory Board	-2,406	-894
Vacation pay reserve	-174	-62
Total	**-15,994**	**-12,058**

There were no direct pension contribution expenses in 2019 and 2020. The social security tax includes a lump-sum payment of social, health and other insurances amounted to EUR 2,545 thousand (2019: EUR 2,249 thousand).

Note 25.
Operating expenses

Type of expense	2020	2019
Marketing expenses	-11,376	-6,408
IT expenses	-3,607	-2,809
Other outsourced services	-243	-390
VAT expenses	-1,992	-790
Rent of low-value leases and utility expenses	-413	-408
Legal and audit services	-2,055	-1,121
Regulative reporting services	-473	-529
Transport and communication costs	-304	-239
Travelling expenses	-96	-319
Miscellaneous office equipment	-201	-244
Bank charges	-267	-157
Benefits for employees	-261	-218
Consulting services	-489	-390
Other operating expenses	-1,132	-744
Total operating expenses	**-22,909**	**-14,766**

Note 26.
Contingent liabilities

Tax authorities have the right to review the Group's tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have performed tax audits in Admiral Markets Group AS subsidiary Admiral Markets UK Ltd in 2018 and 2020 and audited periods 2016 until 2019. The Group's management estimates that in 2020 there are no such circumstances, which may lead the tax authorities to impose significant additional taxes on the Group.

Note 27.
Transactions with related parties

The following entities have been considered as related parties at the moment of preparing the financial statements of the Group:

(a) owners that have significant impact on the Group and the companies related to them;

(b) executive and senior management (members of the Management and Supervisory Board of companies belonging to the Group);

(c) close relatives of the persons mentioned above and the companies related to them;

(d) companies over which the persons listed in (a) above have a significant influence.

Mr. Alexander Tsikhilov has the ultimate control over the Group.

Loans and receivables	31.12.2020	31.12.2019
Receivables from close relatives and companies related to higher management	508	255
Total receivables from related parties	**508**	**255**

The Group has bought services from companies related to higher management amounted to EUR 193 thousand (2019: EUR 0) and sold services to companies related to higher management amounted to EUR 1,127 thousand (2019: EUR 0).

The payments made, bonuses and benefits granted to the management (gross) were EUR 2,406 thousand and EUR 894 thousand respectively in 2020 and 2019.

In 2020 Management Board remuneration and bonuses were paid, also made accruals for 2020 bonuses, which payment will be in 2021.

Note 28.
Subsidiaries and associates

The Group's subsidiaries included in these consolidated financial statements are disclosed in Note 2. The Group owns 62% of shares of AMTS Solutions OÜ (2019:62%), which offers IT services to the Group.

In 2020, the Group made investment into associate company Vorld OÜ in amount EUR 1,376 thousand. The associate company has not generated significant profits or losses after the date of acquisition.

Financial information about the associate Vorld OÜ (reflecting 100% of the associate):

	31.12.2020	31.12.2019
Current assets	99	0
Investments to subsidiary	1,410	3
Current liabilities	140	2
Owners' equity	1,368	1
Net loss	-8	-2

Note 29.
Events after the balance sheet date

In the beginning of 2021, some changes to the Group structure were made. Moneyzen OÜ was purchased as a subsidiary of Admiral Markets Group AS in January 2021. The acquired subsidiary does not have material impact to the Group's consolidated financial statements, therefore no additional information is disclosed for this acquisition of the subsidiary. The Group issued subordinated bonds in the amount of 2,170 thousand euros on the 5th of February 2021.

This chapter presents primary statements of the parent of the consolidation group.

Separate primary financial statements of the parent company

In accordance with the Estonian Accounting Act, information on the separate primary financial statements of the parent of the consolidation group shall be disclosed in the notes to the financial statements.

Statement of financial position of the parent company

(in thousands of euros)	31.12.2020	31.12.2019
Assets		
Due from credit institutions	667	569
Loans and receivables	351	181
Investments in subsidiaries and associates	9,891	7,812
Other assets	43	0
Total assets	**10,952**	**8,562**
Liabilities		
Liabilities and prepayments	6,834	4,168
Total Liabilities	**6,834**	**4,168**
Equity		
Share capital	250	250
Statutory reserve capital	25	25
Own shares	-114	-114
Retained earnings	3,957	4,233
Total equity	**4,118**	**4,394**
Total liabilities and equity	**10,952**	**8,562**

Statement of profit or loss and other comprehensive income of the parent company

(in thousands of euros)	2020	2019
Total revenue	**337**	**414**
Operating expenses	-198	-110
Personnel expenses	-72	-63
Total expenses	**-270**	**-174**
Operating profit	**67**	**240**
Net profit (loss) from foreign exchange rate changes	-2	-3
Net financial income and expenses	1,108	1,219
Interest expenses	-97	-52
Profit before income tax	**1,076**	**1,404**
Income tax	0	0
Profit for the accounting period	**1,076**	**1,404**
Comprehensive income for the accounting period	**1,076**	**1,404**

Statement of cash flows of the parent company

(in thousands of euros)	2020	2019
Cash flow from operating activities		
Profit for the accounting period	1,076	1,404
Adjustments for:		
Interest expenses	97	52
Net profit (loss) from foreign exchange rate changes	2	3
Income tax expense	5	5
Other financial income and expenses	-1,108	-1,179
Other adjustments	22	30
Adjusted operating profit	**95**	**315**
Change in receivables and prepayments relating to operating activities	-183	10
Change in payables and prepayments relating to operating activities	64	-9
Interest paid	-97	-52
Net cash from operating activities	**-121**	**264**
Cash flow from investing activities		
Disposal of subsidiaries	0	6
Acquisition of subsidiaries	-28	0
Increase of share capital of subsidiary	-2,052	-1,169
Loan granted	-30	-19
Repayments of loans granted	2,300	1,000
Dividends received	1,381	1,390
Net cash from/used in investing activities	**1,571**	**1,208**
Cash flow from financing activities		
Dividends paid	-1,352	-1,368
Received from sale of own shares	0	224
Paid for repurchase of own shares	0	-24
Net cash used in/from financing activities	**-1,352**	**-1,168**
TOTAL CASH FLOWS	**98**	**304**
Cash and cash equivalents at the beginning of the period	**569**	**265**
Change in cash and equivalents	98	304
Cash and cash equivalents at the end of period	**667**	**569**

Statement of changes in shareholders' equity

(in thousands of euros)	Share capital	Own shares (-)	Statutory reserve capital	Retained earnings	Other equity	Total
Balance as at 01.01.2019	**250**	**-51**	**25**	**4,278**	**243**	**4,745**
Paid dividends	0	0	0	-1,369	0	-1,369
Sale of own shares	0	-84	0	379	72	367
Repurchase of own shares	0	21	0	-459	-315	-753
Comprehensive income for the accounting period	0	0	0	1,404	0	1,404
Balance as at 31.12.2019	**250**	**-114**	**25**	**4,233**	**0**	**4,394**
Carrying amount of holdings under control and significant influence	0	0	0	-7,812	0	-7,812
Value of holdings under control and significant influence under equity method	0	0	0	45,934	0	45,856
Adjusted unconsolidated equity as at 31.12.2019	250	-114	25	42,355	0	42,438
Balance as at 01.01.2020	**250**	**-114**	**25**	**4,233**	**0**	**4,394**
Paid dividends	0	0	0	-1,352	0	-1,352
Comprehensive income for the accounting period	0	0	0	1,076	0	1,076
Balance as at 31.12.2020	**250**	**-114**	**25**	**3,957**	**0**	**4,118**
Carrying amount of holdings under control and significant influence	0	0	0	-9,891	0	-9,891
Value of holdings under control and significant influence under equity method	0	0	0	67,591	0	66,880
Adjusted unconsolidated equity as at 31.12.2020	**250**	**114**	**25**	**61,657**	**0**	**61,107**

Adjusted unconsolidated equity is the maximum amount that can be distributed to shareholders according to Estonian legislation.

Signatures of the Management Board members to the 2020 Annual Report

The Management Board has prepared the Management Report and the consolidated financial statements of Admiral Markets Group AS for the financial year ended on 31 December 2020.

The Management Board confirms that Management Report of Admiral Markets Group AS on pages 12 to 65 provides a true and fair view of the business operations, financial results and financial condition.

The Management Board confirms that according to their best knowledge the consolidated Financial Statements of Admiral Markets Group AS on the pages 66 to 144 presents a true and fair view of the Group's assets, liabilities, financial position and financial results according to the International Financial Reporting Standards as they are adopted by the European Union and contains description of the main risks and doubts.

12.03.2021

Chairman of the Management Board:

Sergei Bogatenkov ____________

Member of the Management Board:

Victor Gherbovet ____________

Member of the Management Board:

Jens Chrzanowski ____________

Member of the Management Board:

Dmitri Laush ____________

Independent auditor’s report

Independent Auditor’s Report

To the Shareholders of Admiral Markets Group AS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Admiral Markets Group AS and its subsidiaries (together "the Group") as at 31 December 2020, and the Group’s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include 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 consolidated 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.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

AS PricewaterhouseCoopers
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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Other information

The Management Board is responsible for the other information. The other information comprises the Highlights 2020, To the investors of Admiral Markets, Management report and Allocation of income according to EMTA classificators (but does not include the consolidated financial statements and our auditor’s report thereon).

Our opinion on the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

Translation note:

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- 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

15 March 2021
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Proposal for profit distribution

The Management Board of Admiral Markets Group AS proposes to the General Meeting of Shareholders to distribute the profit of financial year 2020 as follows:

- to pay dividends in the total amount of EUR 2,742 thousands;
- transfer the profit for the reporting period attributable to shareholders of the parent in the amount of EUR 17,281 thousand to retained earnings.

Signatures of the supervisory board to the annual report

The supervisory board has reviewed the annual report which consists of the management report and the financial statements, the independent auditor's report and the profit distribution proposal, and approved it for presentation at the general meeting of shareholders.

15.03.2021

Chairman of the Supervisory Board:

Alexander Tsikhilov ____________________

Member of the Supervisory Board:

Anatolii Mikhalchenko ____________________

Member of the Supervisory Board:

Anton Tikhomirov ____________________

Member of the Supervisory Board:

Fedor Ragin ____________________

Member of the Supervisory Board:

Priit Rohumaa ____________________

Allocation of income according to EMTA classificators

The revenue of the Group's Parent company is allocated according to the EMTAK codes as follows:

EMTAK code	Title of EMTAK group	2020
64201	Holding company's activities	337

Markets go
up and down.
We are going
forward.