Admiral Markets AS

Pillar III Report 2024

DISCLOSURE OF INFORMATION IN ACCORDANCE WITH REGULATION (EU) 2019/2033 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 NOVEMBER 2019 ON THE PRUDENTIAL REQUIREMENTS OF INVESTMENT FIRMS AND AMENDING REGULATIONS (EU) NO 1093/2010, (EU) NO 575/2013, (EU) NO 600/2014 AND (EU) NO 806/2014

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1. Corporate information

Admiral Markets AS (hereafter "AM", "we, "us") was founded in 2003. In 2009, the Estonian Financial Supervision and Resolution Authority granted AM activity license no. 4.1-1/46 for the provision of investment services. AM is part of an international group that operates under joint trademark(s) – Admirals and Admiral Markets.

Admirals Group AS, the parent company of AM, owns 100% of the shares of AM. The main activity of AM is the provision of trading and investment services (mainly leveraged and derivative products) to retail, professional and institutional clients. Clients are offered leveraged Contracts for Difference (CFD) products in the over-the-counter market, including Forex, Indices, Commodities, Digital currencies, Stocks, and ETFs, as well as listed instruments.

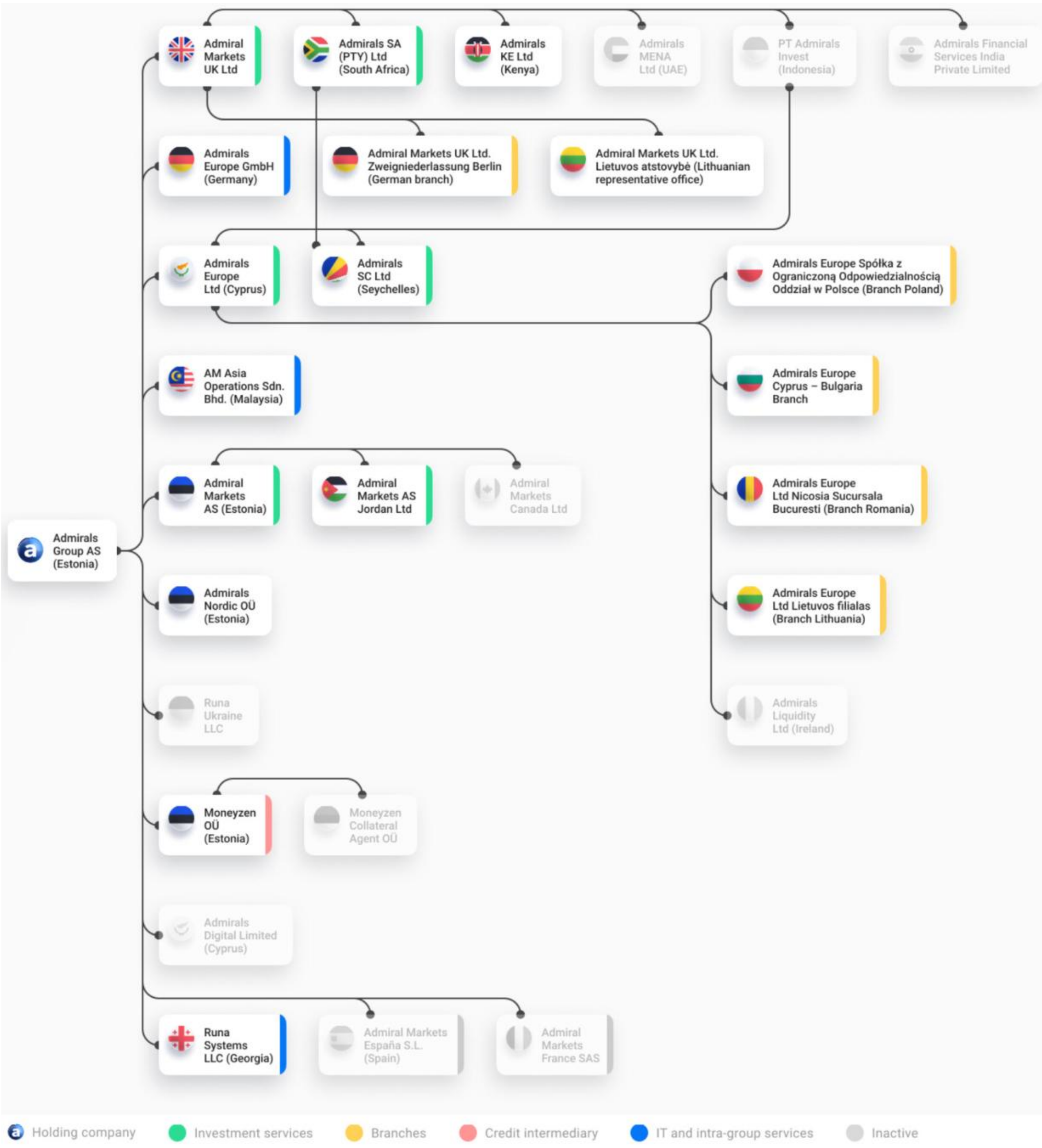
AM's role in the Group is to perform as a significant intra-group service provider. In line with the Group's strategy, subsidiaries of Admirals Group AS hedge the risks arising from their clients' transactions in CFDs in their sister company – Admiral Markets AS, which is also their main liquidity provider.

Investment firms belonging to the same consolidated group have financial services licenses from nine national competent authorities:

Table 1. Admirals Group Investment firms

Legal entity	Supervising competent authority	Country of establishment
Admiral Markets AS	Estonian Financial Supervision and Resolution Authority (Finantsinspektsioon)	Estonia
Admiral Markets UK Ltd	Financial Conduct Authority (FCA)	United Kingdom
Admirals Europe Ltd (previously: Admiral Markets Cyprus Ltd)	Cyprus Securities and Exchange Commission (CySEC)	Cyprus
Admiral Markets AS/ Jordan LLC	Jordan Securities Commission (JSC)	Jordan
Admirals SA (PTY) LTD	Financial Sector Conduct Authority (FSCA)	South Africa
Admiral Markets Canada Ltd	Canadian Investment Regulatory Organization (CIRO)	Canada
Admirals KE Limited	Capital Markets Authority (CMA)	Kenya
Admirals SC Ltd	Financial Services Authority (FSA)	Seychelles
Admirals MENA Ltd	Financial Services Regulatory Authority (FSRA)	Abu Dhabi, United Arab Emirates

Diagram 1. Admirals Group AS Structure, the parent company of Admiral Markets AS as of 31.12.2024



AM in Estonia is the largest entity by balance sheet size, and it has the role of a significant intra-group service provider and provider of liquidity in the segment of OTC financial instruments for all other investment firms of the Admirals Group. AM is also a parent company to Admiral Markets Canada Ltd and Admiral Markets AS/ Jordan LLC.

2. About this report

This report consists of disclosures related to governance and risk management arrangements in AM, prepared in accordance with Part 6 of the Regulation (EU) 2019/2033. Additionally, the report provides an overview of how well AM manages risks related to its business activities.

We publish these disclosures annually on our website:

1. https://www.admirals.group
2. https://admiralmarkets.ee/?regulator=efsa

This report has been prepared in accordance with the following regulations:

- Regulation (EU) 2019/2033 – the Investment Firm Regulation or "IFR"
- Directive (EU) 2019/2034 – the Investment Firm Directive or "IFD"
- Regulation (EU) 2021/2284 of 10 December 2021 – implementing technical standards for the application of Regulation 2019/2033 of the European Parliament and of the Council.
- Regulation (EU) 2021/2154 of 13 August 2021 – supplementing Directive (EU) 2019/2034 of the European Parliament and of the Council with regard to regulatory technical standards specifying appropriate criteria to identify categories of staff whose professional activities have a material impact on the risk profile of an investment firm or of the assets that it manages

Information in this report is presented in thousands of Euros ("EUR" or "€"), unless otherwise indicated.

The IFR/IFD framework consists of three Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry.

Pillar I - Minimum Capital Requirements - ensures that AM always maintains enough capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.

Pillar II – Internal Capital Adequacy and Risk Assessment process ("ICARA") and Supervisory Review and Evaluation Process ("SREP") - ensures that AM and its supervisor actively assess, control and mitigate the various risks that AM faces.

Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of AM's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to AM.

This Pillar III report relates to the financial year ending on **31st of December 2024**. Information in this report is presented in thousands of Euros ("EUR" or "€"), unless otherwise indicated.

AM does not meet the conditions for qualifying as a small and non-interconnected firm and thus does not rely on exceptions granted to this category of firms by IFR/IFD.

3. Corporate governance

AM governing body, consisting of management and supervisory boards of directors, is responsible for the organizational structure and technical functioning of the AM. The Supervisory Board of AM performs the oversight of operational activities and is also engaged in cornerstone policymaking. The Management Board coordinates day-to-day operations and financial management.

AM's governance arrangements, including the composition, number of directorships and committee structure, remain appropriate for ensuring sound management and prudent oversight of AM operations.

3.1. Statement on diversity

AM's governing body recognizes and embraces the benefits of having a diverse governing body and sees diversity as an essential element in maintaining a competitive advantage. It has diversity principles laid down in its internal documents and applies these whenever possible. All governing body appointments are merit-based, considering the skills, experience, independence, and knowledge required for the governing body to be effective.

Currently, the composition of the governing body is deemed mostly complete. With the pending addition of one more management board member responsible for the organization of sales and customer support activities, the management team will be diverse enough to include all necessary skills, capacities, and competencies.

3.2. Directorships and committees

The table below provides the number of directorships held by each member of the governing body of AM at the end of the year under review. It should be noted that:

- All directorships within Admirals Group count as one.
- Where a group directorship involves at the same time executive and non-executive responsibilities, the directorship counts as one executive directorship.

Table 2. Directorships held by AM Directors as of 31.12.2024

Name of Director	Role	Executive Directorships	Non-Executive Directorships
Alexander Tsikhilov	Non-executive director	5	1
Anatolie Mihalcenco	Non-executive director	0	1
Dmitri Lauš	Non-executive director	9	1
Anton Tikhomirov	Non-executive director	1	0
Andrey Koks	Executive director	1	0
Eduard Kelvet	Executive director	2	0
Aleksandr Ljubovski	Executive director	1	0

The Supervisory Board has also the following committees functioning as means for better information collection, exchange, and counselling of the Supervisory Board:

- Remuneration Committee
- Risk and Audit Committee
- Nomination Committee

The purpose of these committees is to better organize the work of AM.

The meetings of the committees, including the Risk and Audit Committee, are held regularly, based on specific needs. The committees share the information they collect with the Supervisory Board.

During the year under review the Risk and Audit committee met 4 times. It's main duties in relation to the matters pertaining to the risk management are:

- Oversee the Risk Management Framework and Internal Capital Adequacy and Risk Assessment process ("ICARA");
- Monitor compliance with risk appetite and K-factor limits;
- Review internal-control and audit findings;
- Advise the Supervisory Board on adequacy of capital and liquid assets.

4. Risk Management, Objectives and Policies

We prioritize robust risk management across all our operations, ensuring our risk exposure aligns with our goals and tolerance. Our comprehensive risk management framework allows us to identify, assess, monitor, and control potential threats. This proactive approach helps us adapt to changing risks and make informed decisions.

Objectives of our framework:

- **To promote proactive risk management:** We systematically identify and address potential threats to our business and financial markets.
- **To ensure appropriate mitigation:** We implement measures to reduce the impact of risks.
- **To create a risk-aware culture:** We foster a company-wide understanding of risk.
- **To integrate risk management in our decision-making:** We consider risk in all our business choices.

We have developed a set of internal policies and procedures to address specific areas of risk and help us maintain an adequate control environment which in turn fosters the achievement of desired outcomes in line with our objectives.

Risk information flows up to the governing body and thematic committees directly from the business departments and control functions. In addition to overviews of the business performance they receive on a frequent basis, at least annually, written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues. Periodic reports include:

1. Risk Manager's report (quarterly, annually)
2. IF Class 2 IFR reports (quarterly)
3. ICARA report (annually)
4. Risk Register (annually)
5. Compliance report (quarterly, annually)
6. Internal Auditor's report (annually)

Financial reports of AM are subject to review by an independent auditor at least annually.

4.1. Concise Risk Statement

AM faces various risks, which are detailed in this report. The governing body of AM is ultimately responsible for our overall risk management, which includes identifying, assessing, monitoring, and controlling all risks to our business. The risk management framework helps us effectively manage risks to our business model, performance, liquidity, reputation, and capital. We believe that aligning our risk appetite and mitigation strategies with our business strategy is crucial for maintaining sufficient capital and meeting regulatory requirements.

4.2. Risk Governance

AM's risk management function is responsible for the implementation and ongoing maintenance of the Risk Management Framework that identifies, measures, and mitigates risk across AM. While input is obtained from all relevant areas, ongoing performance monitoring of the Risk Management Framework is the primary responsibility of the Risk and Audit Committee, with formal oversight and sign-off provided by the supervisory boards of AM and Admirals Group AS who ensure that the Risk Management Framework and risk appetite of AM are aligned and harmonized with the group-wide operations. Additionally Supervisory Borad ensures that the risk management framework is adequate to identify, measure, manage and report the material risks to which AM is or may be exposed and is proportionate to the nature, scale and complexity of its activities.

The Risk and Audit Committee plays a central role in ensuring compliance with AM's risk management policies. The ability of the Risk and Audit Committee to carry out its responsibilities effectively and in an unbiased manner rests on its independence.

Structurally, risk management is a separate function independent of the business, with the Risk and Audit Committee reporting directly to the supervisory board. Members of the Risk and Audit Committee have appropriate knowledge, skills, and expertise to fully understand and monitor risk-taking activities within our business and in the surrounding operating environment.

4.3. Three lines of defense

To ensure effective risk management, AM has adopted the "three lines of defense model", with defined roles and responsibilities.

First line of defense: Business and support units are responsible for establishing an effective control framework within their area of operations and identifying and controlling risks so that they are operating within the organizational risk appetite and are fully compliant with AM´s policies and where appropriate within approved limits.

Second line of defense: The risk management function is responsible for proposing to the governing body appropriate objectives and measures to define AM's risk appetite, and for development of the suite of policies necessary to control the business, including the overarching framework and for independently monitoring the risks against approved risk appetite. Members of the Risk Management Function leverage their expertise by providing frameworks, tools and techniques and assist governing body in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them.

Third line of defense: Comprises the Internal Audit Function which is responsible for providing assurance to the governing body and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

4.5. Stress testing

Stress testing is a key part of our approach to risk management. We use it to assess how our business would respond in various challenging scenarios. These tests, used for both internal and regulatory purposes, help us define our overall risk profile.

Stress testing allows us to:

- **Understand our limits:** Determine if our risk exposure remains acceptable under stressful conditions.
- **Assess potential impact:** Evaluate how a hypothetical negative event could affect our normal operations.
- **Improve our control environment:** Plan necessary changes in our business arrangements, infrastructure and risk appetite to be able to reduce the negative impact on our ability to achieve strategic business goals.

5. Internal Capital Adequacy and Risk Assessment process

The regulatory framework IFD introduced the Internal Capital Adequacy and Risk Assessment process (ICARA) for determining minimum capital requirements of investment firms on a solo and consolidated basis. This process replaces the previously applicable ICAAP and, while still demonstrating a firm's risk management adequacy, focuses on the business model and activities of investment firms in a more tailored way.

The ICARA requires firms like AM to go beyond simply identifying risks to themselves. Instead, they must analyze potential harm to clients, markets, and the firm itself. This involves considering "what-if" stress testing scenarios that could lead to failure, analyzing the events that could cause harm, and evaluating the likelihood of these events occurring. Importantly, firms must consider the possibility of multiple events happening at the same time.

Investment firms also need to consider other risks that could reduce their capital. ICARA incorporates business model planning and forecasting, wind-down planning, and ensuring sufficient financial resources throughout the economic cycle, including during stressed conditions.

6. Principal business risks and mitigating controls

In the context of the ICARA process, we identified the following material risks.

6.1. Market risk

Market risk is the potential for loss due to changes in various market factors, including prices (for goods, services, and financial assets), interest rates, equity prices, exchange rates, commodity prices, and overall inflation. These changes can reduce the value of our assets or increase the value of our liabilities.

Currency risk, which is a component of market risk, specifically refers to the potential loss from unfavorable changes in exchange rates.

Table 3. Market risk assessment and mitigation controls

Market risk			
Risk item or event	**Impact/ Probability**	**Assessment**	**Control and management**
Size of open aggregate positions	Very high / High	High uncovered position may cause large losses if the market moves in a direction that is unfavorable for AM.	While we offset most of our risk positions due to a naturally diversified client base, managing our overall exposure requires advanced technical systems. Our trading department 24/7 monitors our exposure arising from securities portfolio and checks it against approved internal limits within our risk appetite. If limits are exceeded, they take action to reduce our risk by implementing hedging strategies.
Large positions	Low / High	A significant increase in risk positions may pose	Maximum sizes of transaction orders have been established for

		a risk to the limits established in respect of currency risk.	instruments, which are automatically compiled without the intervention of the Trading Department. This guarantees that the Trading Department can assess open aggregate positions appropriately. Certain offered financial instruments are subject to their individual position size limits in client accounts.
Market volatility	Medium / Medium	High market volatility means that the price of an instrument can change significantly in a short period of time, which creates the risk that AM suffers a significant loss due to the high-risk positions of clients.	We constantly monitor market volatility and determine the maximum limit of the open aggregate positions of clients. In case of increased and persistent volatility we are prepared to apply temporary or permanent position size limits, reduce the maximum available leverage, change the trading mode of an affected instrument to closing-only, and narrow down our own internal position limits.
Changes in exchange rates	Very low / Very high	Fluctuations in exchange rates may reduce the value of funds held in foreign currencies.	To manage the risk of currency fluctuations impacting on our funds, we have processes in place to regularly balance our assets and liabilities in different currencies. We also have a policy for managing our on-balance funds held in various currencies. Additionally, we limit leverage on financial instruments traded in volatile currencies to prevent excessive positions opened to increased currency exchange rate risk.
Price gaps	Medium / High	The threat that unexpected price movements can create a significant difference between consecutive prices. This can lead to situations where the execution of orders at market prices after the gap will result in a	Our trading platform is configured to ensure that every counterparty account contains adequate funds against the risk arising from rapid price changes, including when such a change results in a price gap. When setting our margin requirements, we consider underlying market volatility, liquidity, frequency and the typical

		significantly worse outcome and larger than expected loss.	extent of market price gaps as well as any regulatory protections we owe to our clients pursuant to applicable laws. We also educate our clients about underlying markets of our offered instruments to raise their awareness about the magnitude of potential risks.

6.2. Credit risk

Table 4. Credit risk assessment and mitigation controls

Credit risk			
Risk item or event	**Impact/ Probability**	**Assessment**	**Control and management**
Emergence of debts in trading accounts of clients	High/ Low	The client's inability to pay the deficit in their trading account or our obligation to provide the client with initial margin protection may result in a loss to the AM.	Stop-out rules protect clients from losing all their funds. When their account's equity falls to certain thresholds, these rules automatically close open positions at current market prices, preventing further losses and minimizing the chance of such liquidation when the account equity is negative. Additionally, our carefully calculated margin requirements minimize the chance of accounts going negative, even during volatile market conditions. Our most volatile instruments are subject to position size limits, which also limit the magnitude of potential loss in an adverse scenario.
Concentration risk	High impact / Low	A large position held by a single person or a group acting together could become difficult to offset with other client positions or hedge with our trading counterparties. This concentration increases our risk, as it could lead to losses if the market	In handling concentration risk, AM accurately follows the norms pursuant to which the amount of the funds held in credit institutions may not exceed 100% of AM's own funds. We have monitoring systems that allow us to analyze trading patterns of clients and discover coordinated groups of clients. To maintain our ability to keep the concentration risk subdued on the

		moves against that position	side of our institutional trading counterparties and payment services vendors, we rely on a robust counterparty risk assessment process and diversification. When limits are exceeded, the activity is transferred to another pre-funded account with another liquidity provider. The risk function monitors concentration of positions daily or every time they become aware about significant transactions or change of the internal process that may lead to a noticeable change in our typical concentration levels.
Trading counterparty default	High / Medium	The threat that a counterparty of a trading portfolio transaction is unable or unwilling to perform its contractual obligations, ultimately resulting in a loss for AM.	We work to reduce the probability of such scenario in the following ways: Clients: • When setting margin requirements to we consider underlying market volatility, liquidity, frequency and the typical extent of market price gaps as well as any regulatory protections we owe to our clients pursuant to applicable laws. • Most volatile instruments are subject to position size limits • Client positions are automatically liquidated once they have insufficient margin • We constantly improve our educational resources for clients to provide a comprehensive overview of sound risk management practices in trading financial instruments. Institutional counterparties: • We have instilled a trading counterparty evaluation process that among other assessments requires us to

			review counterparty's financial position. • We apply a cash balance limit that naturally limits the amount of exposure we can take against each institutional counterparty. • We have access to several institutional trading venues where we execute our market risk hedging transactions. This allows us to balance our exposures between them as required

6.3. Operational risk

Table 5. Operational risk assessment and mitigation controls

Operational risk			
Risk item or event	**Impact/ Probability**	**Assessment**	**Control and management**
Personnel risk	High/ Very low	The risk that may emerge if AM uses disloyal or incompetent employees for the achievement of its goals.	All employees pass internal training and start working when they have acquired all the necessary knowledge. Various internal controls are also implemented for checking the activities of employees.
Information Security & Technology	High/Low	Potential data loss, operational outages, system limitations and other technological threats stemming from both our internal practices and the ever-evolving cyber security landscape may lead to mass client evasion, bad publicity and regulatory fines.	Our well-documented and clear IT processes allow us to easily expand and change compositions of our teams without sacrificing quality. System updates and maintenance are carefully planned and executed to minimize disruptions for our clients. We have a comprehensive system for managing IT incidents, which helps us continuously improve our systems. Our dedicated information security team, led by a chief information security officer, is available 24/7 to address any threats.

			We regularly review and test our disaster recovery plans to ensure business continuity. We rigorously test the capacity of our critical systems to ensure they can handle peak demand.
Financial crime	Very high/ Low	The risk of failing to identify theft, fraud, bribery and corruption due to inadequate oversight, poor due diligence or employment practices.	We maintain a comprehensive control framework to ensure that we adhere to relevant laws and regulations including prevention and detection of potential money laundering, fraud, bribery & corruption or non-adherence to sanctions and embargoes. Our internal procedures and tools allow us to identify and report on suspicious transactions. We have established a robust onboarding and due diligence process for different client types and jurisdictions, as well as for new employees. Our internal environment includes a segregation of duties within our processes to reduce the risk of internal fraud.
Data integrity and reporting	Medium/ Low	There is a risk that the complexity of our systems may prevent timely discovery of discrepancies and omissions in the data we use in our decisions and in the reports to our stakeholders, including competent authorities.	We maintain control frameworks and other arrangements to detect and prevent material misstatement in financial reporting and disclosures, and in internal risk, liquidity and capital management. We constantly improve our internal IT services that help us to detect and prevent untimely, inaccurate or incomplete transaction processing events and to reduce the frequency of occurrence and severity of such events. The architecture and technical specifications of our systems allow us to run advanced data replication and backing-up processes that can enable fast data recovery after loss in one or several interconnected systems.
Product governance	Very high / Low	AM may be impacted by regulatory fines and interventions, bad	Our product governance framework ensures responsible design and distribution of all our products.

		publicity and continuous reputational damage if it fails to apply due care and diligence in creation, maintenance and distribution of its products to the audience of identified target markets.	Every product undergoes a comprehensive technical quality assurance process as well as review to assess its target market, potential risks, and costs before it's offered to clients. Our streamlined product approval process includes built-in controls to ensure that all our teams and systems are ready to support a new product from day one. We provide clear and complete information about each product's features, risks, and costs. We carefully define the target market for each product and design our suitability assessments accordingly.
Vendor management	Medium / low	Acts or omissions of our contractors and outsource partners may lead to service disruption or financial crime	We conduct thorough due diligence before onboarding a vendor, including assessing their financial stability, security practices, compliance with regulations (when applicable) For providers of critical services and infrastructure we conduct risk assessments to identify and evaluate potential vendor-related risks. We establish clear contracts with vendors that define roles, responsibilities, service levels, and data protection requirements. On an ongoing basis we monitor vendor performance, compliance, and security posture Our incidents handling process captures also all situations where our vendors or their services were involved.

6.4. Strategic risk

Table 6. Strategic risk assessment and mitigation controls

Strategic risk			
Risk item or event	**Impact/ Probability**	**Assessment**	**Control and management**
Adequacy of our strategic goals	Medium / Medium	Our competitive position weakens due to the failure to timely adjust our service and product strategies or improve our technical and administrative facilities.	We regularly update our strategy throughout the year and evaluate our progress towards our strategic goals. Resource-intensive projects are subject to an internal prioritization process. Such projects are managed by dedicated teams and throughout their implementation cycle they undergo regular reviews by the management board. We hire external consultants and conduct thorough market research in advance of committing to any strategic change. A risk-based approach to decision making in AM fosters the exchange of opinions regarding proposed strategic initiatives which increases the probability of success of such projects.

6.5. Reputational and group risk

Table 7. Reputational and group risk assessment and mitigation controls

Reputational and group risk			
Risk item or event	**Impact/ Probability**	**Assessment**	**Control and management**
Reputation	Medium / very low	Public information about an operational risk event, our poor performance as a business, or inappropriate public statements of our staff may result in the decisions of clients to stop using our services.	We actively cooperate with all competent authorities that act in the public interest. We ensure that our internal processes are reviewed on regular basis to reduce the probability of an operational risk event Our spokespersons are sufficiently qualified and trained not to mix their

			private opinions with the position of AM. Our internal procedures have multi-level review process and are always designed with the overarching objectives to ensure fair outcomes for our clients and support orderly functioning of financial markets. We have a thorough review of complaints related to our service and we are keen to resolve them in the most client-friendly way that is appropriate in given circumstances.
Third-party financial fraud	Medium / Low	Unlicensed undertakings may clone visual attributes of the AM and engage in illegal activities. The activities of such companies may impact our sector in general, influencing the opinion of clients about financial service providers.	AM organizes PR activities for educational purposes to raise the awareness of existing and potential clients of the regulation of financial services and the quality of the services offered by regulated brokers.
Client complaints	Low/Medium	Customer base may reduce due to lasting service flaws.	We keep complaints register that helps identify deficiencies and react appropriately and in a timely manner to prevent the rea- lization of reputation risk. Customer service training procedures have been established.
Group risk	Low / Very low	Group risk could occur as an adverse impact due to relationships (financial or operational) between the Group companies. Companies within the Admirals Group are reliant on each other and many internal processes involve personnel employed in Group different companies in different countries.	The management of the Group promotes the necessity to remain fully compliant with all applicable requirements in every jurisdiction where the Group operates. In the event of Group structure change (i.e., new companies added to the Group) the Group governing body, the Risk and Audit Committee and leaders of the compliance function consider and analyze the risks under such a structure in relation to operational, regulatory, reputational, credit and other risks.

6.6. Liquidity risk

Table 8. Liquidity risk assessment and mitigation controls

Liquidity risk			
Risk item or event	**Impact/ Probability**	**Assessment**	**Control and management**
Liquidity risk	Medium / Low	Liquidity risk may emerge in the form of insufficient liquid assets to meet liabilities as they fall due. The risk may materialize due to a mass exodus of clients resulting in a large number of withdrawals, account closures and a decrease in trading volumes. Another source of liquidity risk is liquidity providers increasing their margin requirements during periods of high market volatility, requiring additional funds. Inability to match the margin requirements will result in the closure of open positions and inability to hedge effectively.	Liquidity is monitored on a continuous basis to ensure that potential droughts of liquidity will be proactively identified. AM maintains liquid assets which are at least one third of the fixed overhead requirement as per the new Liquidity requirement based on IFR Article 43. AM's liquid assets as at the reference date were comprising mostly of unencumbered short terms deposits, exceeding by far the liquidity requirement.

7. Own Funds

Own Funds are the type and level of regulatory capital that must be held to enable AM to absorb potential losses. During the year under review, the primary objective of AM with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its Own Funds and that AM maintained healthy capital ratios to support business.

AM monitors its Own Funds requirements, capital adequacy and the use of the regulatory capital at least on a monthly basis.

As at 31 of December 2024, AM's Own Funds comprised out of Common Equity Tier 1 capital and Subordinated Debt Securities Tier 2 capital.

As per the rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions:

a. Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.

b. Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
c. Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

AM remained fully compliant with the above requirements throughout the entire year under review.

7.1. Composition of Own Funds

This table shows the components of our Own Funds at the end of the year. To help you compare, we've also included the data from the previous year.

Table 9 - Composition of regulatory Own Funds

		Amounts 2024	**Amounts 2023**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	**OWN FUNDS**	**67,870**	**65,532**	
2	**TIER 1 CAPITAL**	**67,064**	**64,457**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**67,064**	**64,457**	
4	Fully paid-up capital instruments	2,586	2,586	Ref 11
5	Share premium			
6	Retained earnings	67,040	75,227	Ref 13
7	Accumulated other comprehensive income			
8	Other reserves	259	259	Ref 12
9	Minority interest given recognition in CET1 capital			
10	Adjustments to CET1 due to prudential filters			

11	Other funds			
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-2,821	-13,615	
13	(-) Own CET1 instruments			
14	(-) Direct holdings of CET1 instruments			
15	(-) Indirect holdings of CET1 instruments			
16	(-) Synthetic holdings of CET1 instruments			
17	(-) Losses for the current financial year		-10,672	N/A
18	(-) Goodwill			
19	(-) Other intangible assets	-2,821	-2,943	Ref 5
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities			
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds			
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds			
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment			
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment			
25	(-) Defined benefit pension fund assets			
26	(-) Other deductions			
27	CET1: Other capital elements, deductions and adjustments			
28	**ADDITIONAL TIER 1 CAPITAL**			
29	Fully paid up, directly issued capital instruments			
30	Share premium			

31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1			
32	(-) Own AT1 instruments			
33	(-) Direct holdings of AT1 instruments			
34	(-) Indirect holdings of AT1 instruments			
35	(-) Synthetic holdings of AT1 instruments			
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment			
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment			
38	(-) Other deductions			
39	Additional Tier 1: Other capital elements, deductions and adjustments			
40	**TIER 2 CAPITAL**	**806**	**1,075**	
41	Fully paid up, directly issued capital instruments	809	1,080	Ref 9
42	Share premium			
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-3	-5	
44	(-) Own T2 instruments	-3	-5	
45	(-) Direct holdings of T2 instruments	-3	-5	N/A
46	(-) Indirect holdings of T2 instruments			
47	(-) Synthetic holdings of T2 instruments			
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment			
49	(-) T2 instruments of financial sector entities where the institution has a significant investment			
50	Tier 2: Other capital elements, deductions and adjustments			

As of 31.12.2024, AM was not subject to any restrictions applied to the calculation of Own Funds as referred to in Article 49(c) of the IFR.

7.2. Balance sheet reconciliation

Table 10 - reconciliation of regulatory Own Funds to balance sheet in the audited financial statement
(EU) 2021/2284 - ANNEX VI - Template EU ICC2

		Balance sheet as in published/audited financial statements		**Cross reference to EU IF CC1**
		As at period end 31.12.2024	**As at period end 31.12.2023**	
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*				
1	Cash and its equivalents	32,743	19,189	
2	Finance assets	1,602	6,353	
3	Loans and other demands	34,726	42,735	
4	Tangible assets	2,798	3,715	
5	Intangible assets	2,821	2,943	Ref 19
6	**Total Assets**	**74,690**	**74,935**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/auditied financial statements*				
7	Finance liabilities	333	217	
8	Other liabilities	2,769	3,479	
9	Subordinated debt	1,347	1,353	Ref 41
10	**Total Liabilities**	**4,449**	**5,049**	
Shareholders' Equity				
11	Share capital	2,586	2,586	Ref 4
12	Statutory reserve capital	259	259	Ref 8

13	Retained earnings	67,396	67,041	Ref 6
14	**Total Shareholders' equity**	**70,241**	**69,886**	

7.3. Features of capital instruments

Table 11 - Main features of own instruments issued by AM

		Common equity Tier 1 Capital instruments	**Common Equity Tier 2 Capital instruments**
1	Issuer	Admirals Markets AS	Admiral Markets AS
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN EE3100074568	ISIN EE3300111251
3	Public or private placement	private	public
4	Governing law(s) of the instrument	Estonia	Estonia
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Fixed coupon rate bonds (unsecured)
6	Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	2.58	1.07
7	Nominal amount of instrument (full amount in currency units)	2,585,600 EUR	1,353,500 EUR
8	Issue price	6.4 EUR per share	100 EUR per bond
9	Redemption price	N/A	nominal value
10	Accounting classification	Share capital	Subordinated debt securities
11	Original date of issuance	26.02.2003	28.12.2017
12	Perpetual or dated	perpetual	dated
13	Original maturity date	N/A	28.12.2027
14	Issuer call subject to prior supervisory approval	no	yes

15	Optional call date, contingent call dates and redemption amount	N/A	Full or partial redemption possible 5 years after the issue date
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends	N/A	N/A
17	Fixed or floating dividend/coupon	floating	fixed
18	Coupon rate and any related index	N/A	8% p.a.
19	Existence of a dividend stopper	N/A	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A	N/A
23	Noncumulative or cumulative	N/A	N/A
24	Convertible or non-convertible	N/A	non-convertible
25	If convertible, conversion trigger(s)	N/A	N/A
26	If convertible, fully or partially	N/A	N/A
27	If convertible, conversion rate	N/A	N/A
28	If convertible, mandatory or optional conversion	N/A	N/A
29	If convertible, specify instrument type convertible into	N/A	N/A
30	If convertible, specify issuer of instrument it converts into	N/A	N/A
31	Write-down features	N/A	N/A
32	If write-down, write-down trigger(s)	N/A	N/A
33	If write-down, full or partial	N/A	N/A

34	If write-down, permanent or temporary	N/A	N/A
35	If temporary write-down, description of write-up mechanism	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
38	Link to the full term and conditions of the instrument	N/A	https://nasdaqbaltic.com/statistics/en/issuer_documents/download/997

8. Minimum Capital Requirements

AM shall always have Own Funds in the amount exceeding the highest of the following:

- Fixed Overhead Requirement.
- Permanent Minimum Capital Requirement.
- K-Factors Requirement.

These applicable requirements and the details of Own Funds are disclosed in the sections below.

8.1. Fixed Overhead Requirement

AM calculates its Fixed Overhead Requirement ("FOR") by taking one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overhead Requirement as at 31st of December 2024 amounted to **3,152 thousand EUR.**

8.2. Permanent Minimum Capital Requirement

AM monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement. This requirement represents the consolidated amount of initial capital requirements to provide any investment services or perform any investment activities. As at the reference date, this requirement amounted to **750 thousand EUR**.

8.3. K-Factor Requirement

The K-Factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-Factor application to AM will depend on the investment services and activities that AM undertakes.

Capital requirement from applying K-Factors formula is the sum of Risk to Client (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’) as described in the table below:

Table 12 – Risk areas and relevant K-Factors

Risk area	Description	Factors
Risk to Client (RtC)	The risk that AM poses to clients if it fails to carry out its services or operations correctly. The K-factors under RtC are proxies covering the business areas of AM from which harm to clients can conceivably be generated in case of problems.	Sum of: **K-AUM**: Assets Under Management **K-ASA**: Client Assets Safeguarded and Administered **K-CMH**: Client Money Held **K-COH**: Client Orders Handled
Risk to Market (RtM)	This refers to the risk AM poses to the financial markets where it operates and the counterparties it trades with. We quantify this risk using the K-NPR factor	Either: **K-NPR:** Net Position Risk; or **K-CMG:** Clearing Member Guarantee
Risk to Firm (RtF)	RtF captures AM’s exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF)	Sum of: **K-TCD:** Trading Counterparty Default **K-CON:** Concentration, and **K-DTF:** Operational risks from Daily Trading Flow

Table 13 – Calculated K-Factors as of 31.12.2024

Item	Factor amount EUR '000	K-Factor requirement EUR '000
Risk To Clients		**1**
K-AUM		
K-CMH (Segregated)	261	1
K-CMH (non-Segregated)	-	-
K-ASA	-	-
K-COH (Cash Trades)	-	-
K-COH (Derivative Trades)	-	-
Risk to Market		**12,188**
K-NPR		12,188
K-CMG		
Risk to Firm		**4,932**
K-TCD		4,919
K-DTF (Cash Trades)	-	-
K-DTF (Derivative Trades)	132,534	13
K-CON	-	-
TOTAL K-FACTOR REQUIREMENT		**17,121**

Our capital requirement of **17,121 thousand EUR** determined by the K-Factor is higher than both the Fixed Overhead Requirement and the Permanent Minimum Capital Requirement. In our capital adequacy calculations, we use this K-Factor Requirement to ensure we have enough capital to cover the risks we take in our business.

8.4. Overall Capital Adequacy position

Table 14 – Capital Adequacy Analysis

	2024	2023
Own Funds Composition	**EUR '000**	**EUR '000**
Total Own Funds	67,870	65,532
Own Funds Requirements	**EUR '000**	**EUR '000**
K-Factor Requirement	17,121	19,969
Total Own Funds Requirement	**17,121**	**19,969**
Capital Ratios	**EUR '000 or %**	**EUR '000 or %**

CET 1 Ratio (min. 56%)	391.71%	322.79%
Surplus (+)/Deficit (-) of CET 1 Capital	57,477	53,274
Tier 1 Ratio (min. 75%)	391.71%	322.79 %
Surplus (+)/Deficit (-) of Tier 1 Capital	54,224	49,480
Own Funds Ratio (min. 100%)	396.42%	328.17 %
Surplus (+)/Deficit (-) of Total capital	50,749	45,563

As per the above results, AM as at 31 December 2024 maintains adequate Own Funds to cover its capital requirements. We will continue to monitor the above ratios in order to always ensure compliance with the capital adequacy requirements.

9. Liquidity Requirements

AM is required to hold an amount of liquid assets equivalent to at least one third of the Fixed Overhead Requirement.

The purpose of this requirement is to ensure that AM has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in open markets to cash to meet its liquidity needs.

The instruments that are eligible to be qualified as liquid assets to be included in the calculation of the said ratio shall be any of the following:

- The assets referred to in Articles 10 to 13 of Delegated Regulation (EU) 2015/61, subject to the same conditions regarding eligibility criteria and the same applicable haircuts as those laid down in those Articles;
- The assets referred to in Article 15 of Delegated Regulation (EU) 2015/61, up to an absolute amount of EUR 50 million or the equivalent amount in domestic currency, subject to the same conditions regarding eligibility criteria, with the exception of the EUR 500 million threshold amount referred to in Article 15(1) of that Regulation, and the same applicable haircuts as those laid down in in that Article;
- Financial instruments not covered by points (a) and (b) of this subparagraph, traded on a trading venue for which there is a liquid market as defined in point (17) of Article 2(1) of Regulation (EU) No 600/2014 and in Articles 1 to 5 of Commission Delegated Regulation (EU) 2017/567 (10), subject to a haircut of 55 %;
- Unencumbered short-term deposits at a credit institution.

In this respect, AM's liquid assets as of 31 December 2024 were well above the 1/3 of the total fixed overheads requirement as indicated in the table below:

Table 15 – Liquidity requirements as of 31.12.2024

Item	EUR '000
Total Core Liquid Assets	2,778
Unencumbered short-term deposits	16,353
Total Liquid assets	**19,131**
Total Liquidity Requirement	**1,051**
Liquidity surplus (+) / Deficit (-)	**18,080**

We note that cash deposits and financial instruments belonging to our clients, even where held in our name, are not treated as our liquid assets.

10. Remuneration policy and practices

AM's Remuneration Policy aims to attract and retain qualified staff while promoting sound risk management and complying with relevant regulations. This policy, approved by the Supervisory Board, ensures that remuneration practices are appropriate for AM's size, internal organization, and the nature, scope, and complexity of its activities.

The remuneration system motivates staff and aligns their interests with AM's long-term success. It includes fixed and variable components, with the variable component linked to individual and AM performance.

Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for a staff member to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

This type of remuneration has as its purpose to attract and retain AM's employees. This fixed amount of remuneration is determined based on the role and position of each employee, considering the experience, seniority, education, responsibility, and market conditions. Furthermore, the employee's personal goals and performance evaluation in relation to the objectives set up at the beginning of the period and the employee's professional conduct are considered to determine the remuneration. Fixed monthly salary shall form a sufficiently fair amount (based on the market salary) to allow us not to pay out bonuses or any variable performance payment. The proportion of the fixed monthly salary and performance payment shall be in reasonable correspondence to the duties of the employee and the performance payment (if such is set) may not exceed the fixed monthly salary.

The variable remuneration is a performance-based remuneration which may provide additional motivation and rewards staff members based on their results in relation to their work objectives. Performance-based pay depends on both AM’s overall performance and the individual achievements of the employee. Bonus eligibility is tied to strategic goals and long-term profitability. This kind of remuneration is not guaranteed.

AM did not pay any non-cash remuneration or variable remuneration/bonuses for the year under review.

AM considers various factors when determining remuneration, including market conditions, individual performance, compliance with regulations and internal procedures, and client satisfaction. Remuneration for control functions is designed to ensure independence and avoid undue influence from other business areas.

The Remuneration Policy also includes measures to mitigate risks, such as mis-selling, that may arise from financial incentive schemes. AM continually monitors and regularly reviews its Remuneration Policy to ensure it remains effective and compliant with evolving regulations. We formed a Remuneration Committee, who shall assess the implementation of our remuneration principles. The Remuneration Committee shall assess among other also the system, payment, and impact of remuneration of AM and the persons responsible for risk management and compliance functions.

Our remuneration policy adheres to the principle of gender neutrality. Although we currently do not have roles where men and women work under the same conditions, our compensation decisions are based on job performance, skills, and responsibility and not on the gender. In particular, the following aspects are taken into consideration:

- the place of employment and its costs of living;
- the hierarchical level of the staff and if staff has managerial responsibilities;
- the level of formal education of staff;
- the scarcity of staff available in the labor market for specialized positions;
- the nature of the employment contract, including if it is temporary or a contract with an indefinite period;
- the length of professional experience of staff;
- professional certifications of staff; and

- appropriate benefits, including the payment of additional household and child allowances to staff with dependent children.

Key function holders within AM are defined by the Estonian Law, particularly § 57^1 (3) of the Credit Institutions Act and § 79^2 (2) of the Securities Market Act, as follows:

- members of the Management and Supervisory Boards of AM,
- employees whose duties involve taking of risks on behalf of the company or whose professional activities have a material impact on the risk profile of the firm (hereinafter risk takers);
- employees with a total annual amount of remuneration of 500,000 euros or more or whose remuneration is equal to at least the smallest remuneration of members of management board or risk takers,
- employees engaged in control functions.

Table 15 – Aggregate Quantitative Information on Remuneration in thousand EUR

	Number of Beneficiaries	Fixed Remuneration	Variable Remuneration	Total Remuneration
Management body Supervisory function	4	272	-	272
Management body Executive function	4	42	-	42
Senior management	11	685	-	685
Other key personnel	7	300	-	300
Total	**26**	**1,299**	**-**	**1,299**

The variable to fixed remuneration ratio as of 31 December 2024 was zero.

During the year under review AM was subject to a derogation laid down in Article 32(4) of the IFD, as it's value of on and off-balance sheet assets was on average less than EUR 100 million over the four-year period immediately preceding the year under review, and AM had no employees whose variable remuneration exceeded 50 thousand Euro.

AM had no employees whose annual salary was higher than one million Euros. During the year under review there were no deferred remuneration, sign-on or severance payments.

11. Investment policy

According to paragraph 1 of IFR Article 52, investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 shall disclose the following information:

a) The proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;

b) A complete description of voting behavior in the general meetings of companies the shares of which are held in accordance with paragraph 2 of IFR Article 52, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and

c) An explanation of the use of proxy advisor firms;

d) The voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 IFR Article 52.

Article 52 (2) of the IFR, however restricts the disclosure requirement to the following circumstances:

"The investment firm referred to in paragraph 1 shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5 % of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended."

As at the reference date AM did not hold any shares that would meet the criteria stated in Article 52(2) of IFR and therefore no disclosures regarding investment policy were made.

12. ESG risks

Since we primarily deal with financial derivatives and operate resource-light infrastructure, our main ESG risk relates to the companies and commodities underlying the financial instruments we offer. While we don't foresee major environmental or social challenges in the near future, we remain vigilant about evolving ESG standards. We admit that environmental catastrophic events, natural disasters and social unrest in particular regions may impact the orderly functioning of financial markets, and we believe that design of our financial products and resilience arrangements supporting them are adequate to keep the adverse effects of such events subdued.

12.1. Environmental

Globally, regulators and standard setters continue to publish proposals and discussion papers on ESG topics, which AM, just as the whole, continues to monitor to timely address all new requirements.

According to the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), climate change risks divide into two major categories:

– Transition Risks – Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change and may pose varying levels of financial impacts as well as reputational risk to AM.

– Physical Risks – Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns, causing direct damage to assets and indirect impacts from supply chain disruption and forced migrations of people.

In relation to both transition and physical risks, AM doesn't have material exposure to environmental category of risks.

12.2. Social

AM, just as the whole Group, is committed to fostering a fair and inclusive work environment free from discrimination, bullying, and harassment. We value diversity and encourage everyone to contribute fully. We continuously improve our risk culture and compliance framework, whilst our effective policies promote a respectful workplace and provide channels for reporting concerns, including anonymously. For these purposes the Group has a global Code of Conduct and Whistleblowing Policy, applicable to AM as well.

12.3. Governance

AM applies a thorough approach to the selection of its governing body members and key personnel and has a Nomination Policy to serve this purpose. We are committed to ensuring that there is no discrimination on any grounds. AM, through its structure of policies and procedures, operates a robust set of controls to prevent corruption and bribery occurring as part of its activities.

At operations level, AM aims to identify, analyze, evaluate, and mitigate all operational risks. At a strategic level, AM focuses on the identification and management of material risks inherently associated with the pursuit of AM's strategic and business objectives.