Financial statements of

INTERACTIVE BROKERS CANADA INC.
(a wholly-owned subsidiary of IBG LLC)

December 31, 2016 and December 31, 2015

INTERACTIVE BROKERS CANADA INC.
Table of contents

Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Interactive Brokers Canada Inc.

We have audited the accompanying financial statements of Interactive Brokers Canada Inc., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of income and comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Interactive Brokers Canada Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP [1]

[1] CPA auditor, CA, public accountancy permit No. A116129

February 17, 2017
Montreal, Quebec

INTERACTIVE BROKERS CANADA INC.
Statements of income and comprehensive income

For the years ended December 31 (in thousands)		2016		2015
Revenue				
Commission income	$	41,215	$	37,340
Interest income		28,139		21,220
Market data vending income		470		599
Other income		2,138		2,629
Total revenue		71,962		61,788
Interest expense		13,223		10,509
Total net revenue	$	58,739	$	51,279
Non-interest expenses				
Execution and clearing		19,958		19,086
Market data		488		747
Employee compensation and benefits (Note 16)		2,035		1,674
Communications		429		440
Occupancy		212		126
Service and consulting fees		2,493		2,018
General and administrative		2,834		2,818
Total non-interest expenses	$	28,449	$	26,909
Earnings before income taxes		30,290		24,370
Income taxes (Note 17)		8,511		6,560
Net income	$	21,779	$	17,810
Comprehensive income	$	21,779	$	17,810

The accompanying notes are an integrated part of these financial statements.

INTERACTIVE BROKERS CANADA INC.
Statements of financial position

As at December 31 (in thousands)		2016		2015
Assets				
Cash and cash equivalents (Note 6)	$	41,335	$	51,229
Cash and cash equivalents held in trust with acceptable institutions (Note 7)		1,284,782		1,159,236
Cash held in trust for RRSP and similar accounts (Note 8)		62,401		34,366
Securities borrowed		37,589		26,279
Receivables from clients (Note 5)		834,940		857,743
Deposits with clearing organizations		17,797		18,995
Receivables from brokers, dealers and clearing organizations		67,429		80,064
Receivables from affiliates		729		258
Deferred tax assets (Note 17)		2		5
Other assets		2,203		1,895
Equipment (Note 13)		75		21
Total assets	$	2,349,282	$	2,230,091
Liabilities				
Payables to clients (Note 5)	$	1,889,797	$	1,632,460
Payables to brokers, dealers and clearing organizations		276,760		450,858
Securities loaned		49,348		35,498
Subordinated loan (Note 14)		30,005		30,005
Accounts payable and accrued liabilities		1,936		1,744
Payables to affiliates		2,449		2,348
Income tax payable (Note 17)		801		771
Total liabilities		2,251,096		2,153,684
Equity				
Common stock (Authorized: unlimited, without par value. Issued: one (1) share fully paid for)		500		500
Additional paid-in capital		41,366		41,366
Retained earnings		56,320		34,541
Total equity		98,186		76,407
Total liabilities and equity	$	2,349,282	$	2,230,091

The accompanying notes are an integrated part of these financial statements.

INTERACTIVE BROKERS CANADA INC.

Statements of changes in equity

For the years ended (in thousands)	Common Stock	Additional paid-in capital	Retained Earnings	Total Equity
December 31, 2014	$ 500	$ 41,366	$ 16,731	$ 58,597
Comprehensive income	-	-	17,810	17,810
December 31, 2015	500	41,366	34,541	76,407
Comprehensive income	-	-	21,779	21,779
December 31, 2016	$ 500	$ 41,366	$ 56,320	$ 98,186

The accompanying notes are an integral part of these financial statements.

\

INTERACTIVE BROKERS CANADA INC.

Statements of cash flows

For the years ended December 31 (in thousands)		2016		2015
Cash flow used in operating activities				
Net income	$	21,779	$	17,810
Adjustments to determine net cash flow from / (used in) operating activities				
Non-cash items included in net income				
Deferred tax asset		3		(2)
Depreciation of equipment		18		12
Changes in operating assets and liabilities				
Cash and cash equivalents held in trust with acceptable institutions		(125,546)		(413,733)
Cash held in trust for RRSP and similar accounts		(28,035)		(33,818)
Securities borrowed		(11,310)		(17,034)
Receivables from clients		22,803		(185,352)
Deposits with clearing organizations		1,198		(35)
Receivables from brokers, dealers and clearing organizations		12,635		(22,640)
Receivables from affiliates		(471)		(185)
Other assets		(308)		298
Payables to clients		257,337		339,684
Payables to brokers, dealers and clearing organizations		(174,098)		235,048
Securities loaned		13,850		35,498
Accounts payable and accrued liabilities		192		(963)
Payables to affiliates		101		758
Income taxes payable		30		238
Net cash flow used in operating activities		(9,822)		(44,416)
Cash flow from / (used in) investing activities				
Purchase of equipment		(72)		(6)
Net cash used in investing activities		(72)		(6)
Net decrease in cash and cash equivalents		(9,894)		(44,422)
Cash and cash equivalents at beginning of period		51,229		95,651
Cash and cash equivalents at end of period	$	41,335	$	51,229
Cash and cash equivalents are composed of:				
Cash and non-interest bearing deposits with banks	$	35,137	$	10,329
Short term investments		6,198		40,900
Supplemental disclosure of cash flow information				
Net cash flow from operating activities includes:				
Cash received as interest	$	27,312	$	21,350
Cash paid as interest		13,426		10,404
Cash paid for taxes		8,478		6,323

The accompanying notes are an integral part of these financial statements.

1. Description of the business

Interactive Brokers Canada Inc. (the “Corporation”) , whose registered office is located at 1800 McGill College Avenue, Suite 2106, Montreal, QC, Canada, was incorporated under the *Canada Business Corporations Act* in Toronto, Ontario on December 14, 2000. The Corporation’s immediate parent and sole shareholder is IBG LLC (the “Parent”), a limited liability company organized in the United States of America (“U.S.”). The Corporation began its operations in June 2002 and carries customer accounts of Canadian residents for execution and clearing of securities and commodities transactions.

The Corporation is a registered broker-dealer member of the Investment Industry Regulatory Organization of Canada (“IIROC”), the national self-regulatory organization, and is subject to the rules and regulations of IIROC. Under the regulations prescribed by IIROC, the Corporation is required to maintain prescribed minimum levels of risk-adjusted capital (“RAC”) which are dependent on the nature of the Corporations assets and operations.

These financial statements were authorized for issue by the Corporation’s directors on February 17th, 2017.

2. Significant accounting policies

Basis of presentation

These financial statements are presented in Canadian dollars, which is the Corporation’s functional currency, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. These estimates and assumptions are based on judgment and the best available information at the time. Therefore, actual results could differ materially from those estimates. Such estimates include compensation accruals, the valuation of financial instruments, and current and deferred income taxes.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Classification and measurement of financial instruments

In accordance with the accounting framework for financial instruments, all financial assets and liabilities must be classified based on their characteristics, management’s intention, or choice of category in certain circumstances. When initially recognized, all financial assets are classified as either at fair value through profit or loss or loans and receivables, while financial liabilities are classified as either at fair value through profit or loss or as financial liabilities at amortized cost.

When initially recognized, all financial assets and liabilities, including derivative financial instruments, are recorded at fair value in the statement of financial position. In subsequent periods, they are measured at fair value, except for items classified in the following categories, which are measured at amortized cost using the effective interest rate method; loans and receivables and financial liabilities at amortized cost. These items include cash and cash equivalents, cash and cash equivalents held in trust with acceptable institutions, cash held in trust for RRSP and similar accounts, securities borrowed, receivables from and payables to clients, receivables from and payables to brokers, dealers and clearing organizations, receivables from and payables to affiliates, interest and dividends receivable and payable, accounts payable and accrued liabilities and subordinated loan.

Fair value measurements of financial instruments

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 under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Corporation generally measures the fair value of financial instruments using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions. Exchange traded financial instrument’s fair values at the end of an accounting period are measured using the respective exchange’s closing prices. Fair values reflect the credit risk of the instruments, and include adjustments to take account of the credit risk of the Corporation and the counterparty where appropriate.

The Corporation applies the fair value hierarchy of IFRS 13, Fair Value Measurement, to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 — Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

If a market for a financial instrument is not active, the fair value of these financial instruments, which are generally comprised of securities that have been delisted or otherwise are no longer tradable, are valued by the Corporation based on internal estimates. Securities subject to corporate actions that have a determinable external price remain classified as Level 1 of the fair value hierarchy.

Cash and cash equivalents

The Corporation considers all highly liquid investments, with maturities of three months or less, that are not segregated and deposited for regulatory purposes or to meet margin requirements at clearing houses, to be cash equivalents.

Securities borrowed or loaned

Securities borrowed and securities loaned are recorded at the amount of the cash collateral advanced or received. Securities borrowed transactions require the Corporation to provide counterparties with collateral, which may be in the form of cash, letters of credit or other securities. With respect to securities loaned, the Corporation receives collateral, which may be in the form of cash or other securities in an amount generally in excess of the fair value of the securities loaned. The Corporation monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as permitted contractually. Borrowed and loaned securities are due on demand and are subject to a three-day recall.

Rebates earned on cash collateral delivered or paid on cash collateral received are based on floating rates and are included in interest income and interest expense, respectively, in the statements of comprehensive income.

Receivables from and payables to clients

Customer transactions are recorded on a trade date basis. Receivables from and payables to clients include amounts due on cash and margin transactions, including futures contracts transacted on behalf of clients. Securities owned by customers, including those that collateralize margin loans or other similar transactions, are not reported in the statements of financial position.

Deposits with clearing organizations

Deposits with clearing organizations consists of securities which have been placed with clearing organizations in the normal course of business.

Receivables from and payables to brokers, dealers and clearing organizations

Receivables from and payables to brokers, dealers and clearing organizations include receivables and payables from unsettled trades, including amounts related to stocks, options and futures, and amounts receivable for securities not delivered by the Corporation to the purchaser by the settlement date (“fails to deliver”). Payables to brokers, dealers and clearing organizations also include amounts payable for securities not received by the Corporation from a seller by the settlement date (“fails to receive”).

Receivables from and payables to affiliates

Receivables from affiliates includes payments made on behalf of affiliates mainly related to shared administrative costs. Payables to affiliates include expenses paid by affiliates on behalf of the Corporation, and also administrative, consulting, guarantee fees payable to affiliates based on various service fee arrangements and subordinate loans from affiliates which are accounted for at amortized cost basis using the effective interest method.

Interest

Interest is accrued on securities borrowed and securities loaned contract amounts and interest bearing assets and liabilities included in the Corporation's financial statements.

Revenue Recognition

Commissions Income

Commissions earned for executing and clearing transactions are accrued on a trade date basis and are reported as Commissions Income on the statements of comprehensive income.

Interest income and expense

Interest income consists of interest earned on bank deposits and interest earned on margin loans to customers. Interest expense primarily consists of interest paid to customers for credit balances and interest paid on the Corporation's subordinated loan with IBG LLC (Note 14). Such interest is recorded on an accrual basis.

Market data vending income

Market data vending income consists of fees charged to customers for access to real-time market information. Market data vending income is recorded on an accrual basis.

Other income

Other income primarily consists of minimum account activity fees. Account activity fees are charged to customers that generate commissions below the minimum level in any given month. The fee is based on the difference between the minimum monthly required commission and the actual commissions generated by the clients' account

Foreign currency translation

Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rates. Foreign currency denominated revenue and expenses are translated at the spot exchange rate on the date of the transaction. Translation gains and losses are included in other income in the statements of income and comprehensive income. Translation gains and losses were ($190) thousand and $645 thousand in 2016 and 2015, respectively.

Stock-based compensation

The Corporation uses the fair value method to measure compensation expense for awards of restricted shares of Interactive Brokers Group, Inc. ("IBG, Inc.") at the date of grant (See Note 16).

The fair value of the grants is amortized using the graded vesting method over the vesting period. Such expenses, net of credits for cancelled awards, are reported as employee compensation and benefits in the statements of comprehensive income.

Income taxes

The Corporation uses the liability method of accounting for current and deferred income taxes. Current income taxes are recognized based on taxable profits for the year. Deferred income taxes are recognized based on the expected tax consequences of differences between the carrying amounts of statements of financial position items and their corresponding tax values, using the income tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when the Corporation has a currently enforceable legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a combination of similar transactions such as in the Corporation's trading activity.

3. New accounting standards and interpretations adopted in the current year

No accounting standards or interpretations adopted during the current year had an impact on these financial statements.

4. New accounting standards and interpretations issued but not yet effective

A number of new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standard Board ("IASB") that are mandatory, but not yet effective for the year ended December 31, 2016, and therefore have not been applied in preparing these financial statements. The following standards may impact the financial statements of the Corporation and the Corporation is currently evaluating the impact these standards will have when they become effective.

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is effective for fiscal years beginning on January 1, 2018 with early adoption permitted. The Corporation is currently assessing the impact of this new standard on its financial statements.

IFRS 9 − Financial Instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which addresses classification and measurement, impairment and hedge accounting. The new standard requires assets to be classified based on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at fair value through profit or loss unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of liabilities remain generally unchanged, with the exception of liabilities recorded at fair value through profit or loss.

IFRS 9 also introduces a new single impairment model for financial assets. The new model is based on expected credit losses and will result in credit losses being recognized regardless of whether a loss event has occurred. The expected credit loss model will apply to most financial instruments not measured at fair value, most significant impact being on loans.

In addition, IFRS 9 also introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation.

IFRS 9 is effective for fiscal year beginning on January 1, 2018; early adoption is permitted. The Corporation is currently assessing the impact of this new standard on its financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), which replaces the current lease accounting standard, IAS 17. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a leasee. Instead all leases are treated similarly to finance leases applying IAS 17. Leases are capitalized by recognizing the present value of the lease payments and showing them as either lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Corporation shall also recognize a financial liability representing its obligation to make future lease payments.

For a Corporation’s income statement, IFRS 16 replaces the straight line operating lease expense (which excluded depreciation and amortization) with a depreciation charge for the leased asset (included with operating costs) and an interest expense charge on the lease liability.

For a Corporation’s statement of cash flow, IFRS 16 requires a Corporation to classify cash payments for the principal portion of lease liabilities within financing activities, and the interest portion in accordance with the requirements relating to other interest paid.

IFRS 16 is effective for the fiscal year beginning on January 1, 2019; early adoption is permitted. The Corporation is currently assessing the impact of this new standard on its financial statements.

5. Receivables from or payables to clients

Client transactions are recorded as cash or margin transactions. In a margin transaction, the Corporation extends a loan to a client for the purchase of securities, using securities held by the client as collateral. Loan amounts are subject to limits imposed by regulatory bodies, as well as to credit review and the Corporation's daily margin monitoring procedures. Margin loans are payable on demand. Interest is charged on margin loans and paid on customer credit balances based on floating rates indexed to benchmarks. Accounts receivable from and payable to clients are due by the transaction settlement date, except for margin accounts. Amounts receivable from customers that are determined to be uncollectible are expensed and included in general and administrative expense in the statements of income and comprehensive income.

As a result of customer activities, the Corporation is obligated by rules mandated by its primary regulators, including IIROC, to segregate or set aside cash or qualified securities to satisfy such regulations, which have been promulgated to protect customer assets.

6. Cash and cash equivalents

As at December 31 (in thousands)	2016	2015
Cash	$ 35,137	$ 10,329
Short-term investments, at fair value	6,198	40,900
Total cash and cash equivalents	$ 41,335	$ 51,229

7. Cash and cash equivalents held in trust with acceptable institutions

Cash and cash equivalents held in trust with acceptable institutions represents cash and short term investments for customers held directly by the Corporation. which are held in designated bank accounts segregated from the Corporation's own funds. "Acceptable institutions" are entities with which a dealer member that is registered with IIROC is permitted to deal on an unsecured basis without capital penalty.

As at December 31 (in thousands)	2016	2015
Cash	$ 1,284,782	$ 905,736
Short-term investments, at fair value	-	253,500
Total cash and cash equivalents held in trust with acceptable institutions	$ 1,284,782	$ 1,159,236

8. Cash held in trust for RRSP and similar accounts

Cash held with respect to Registered Retirement Savings Plans (RRSPs) is segregated in trust accounts with The Royal Trust Company. Corresponding liabilities are included in accounts payable to clients. Client balances are reported on a trade date basis. Cash held in trust is restricted from use by the Corporation.

9. Financial instruments measured at fair value on a recurring basis

The classification in the fair value hierarchy of the Corporation's financial instruments measured at fair value on a recurring basis is summarized in the table below.

All of the Corporation's deposits with clearing organizations are traded in active markets and have been valued using unadjusted quoted market prices.

	31-Dec-16			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments owned				
Short term investments, at fair value	$ -	$ -	$ -	$ -
Canadian federal government securities	23,995	-	-	23,995
Currency spot and forward contracts	-	-	-	-
Total financial assets	$ 23,995	$ -	$ -	$ 23,995

	31-Dec-15			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments owned				
Short term investments, at fair value	$294,400	$ -	$ -	$294,400
Canadian federal government securities	18,995	-	-	18,995
Currency spot and forward contracts	-	294	-	294
Total financial assets	$313,395	$ 294	$ -	$313,689

	31-Dec-16			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial instruments owned				
Currency spot and forward contracts	$ -	$ 39	$ -	$ 39
Total financial liabilities	$ -	$ 39	$ -	$ 39

	31-Dec-15			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial instruments owned				
Currency spot and forward contracts	$ -	$ -	$ -	$ -
Total financial liabilities	$ -	$ -	$ -	$ -

As at December 31, 2016, invested assets with a fair value of $40 million (2015 – $40 million) have been pledged as collateral by the Corporation.

There were no transfers of financial assets or financial liabilities between levels 1, 2 or 3 of the fair value hierarchy for the years ended December 31, 2016 and 2015.

10. Offsetting financial assets and financial liabilities

The following table presents the amounts that have been offset in the Corporation's statements of financial position, as well as those amounts that are subject to enforceable master netting agreements or similar agreements but do not qualify for netting. Cash or financial instruments not offset in the statements of financial position relate to transactions where master netting agreement or similar agreement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met.

	31-Dec-16				
(in thousands)	Gross amounts	Amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Collateral received, pledged	Net amount
Financial assets					
Securities borrowed	$ 37,589	$ -	$ 37,589	$ (35,798)	$ 1,791
Financial liabilities					
Securities loaned	(49,348)	-	(49,348)	49,348	-

	31-Dec-15				
(in thousands)	Gross amounts	Amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Collateral received, pledged	Net amount
Financial assets					
Securities borrowed	$ 26,279	$ -	$ 26,279	$ (25,177)	$ 1,102
Financial liabilities					
Securities loaned	35,498	-	35,498	(32,484)	3,014

11. Risk management

Trading activities and related risks

The Corporation's customers' trading activities expose it to market, credit and liquidity risks. These risks are managed in accordance with established risk management policies and procedures. To accomplish this, management has established a risk management process that includes:

- a regular review of the risk management process by executive management as part of its oversight role;

- defined risk management policies and procedures supported by a rigorous analytic framework; and
- articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Corporation's risk-taking is consistent with its business strategy, capital structure, and current and anticipated market conditions.

Market risk

The Corporation is exposed to various market risks. Exposures to market risks arise from foreign currency exchange rate fluctuations and changes in interest rates.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Substantially all of the Corporation's assets and liabilities are denominated in Canadian dollars, minimizing the Corporation's currency risk. The Corporation did not have significant exposure to foreign currencies as of December 31, 2016 and 2015.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Corporation is exposed to interest rate risk on cash and margin balances. These risks are managed through the Corporation's investment policies. The following table provides the potential before-tax impact of an immediate and sustained 50 bps increase or decrease in interest rates on net interest income. Interest rate sensitive assets and liabilities include short-term deposits, securities borrowed and loaned transactions, receivables from and payables to clients, and subordinated loan. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Corporation's risk management actions.

For the years ended December 31 (in thousands)	2016	2015
Before-tax impact to net interest income of:		
50 bps increase in rates	$ 2,551	$ 1,113
50 bps decrease in rates	(9,132)	(8,227)

Assumptions and method used in computing the above analysis:

- The 50bps sensitivity is based on reasonably possible changes over a financial year; and
- Balances will remain stable throughout the year.

Credit risk

The Corporation is exposed to risk of loss if an individual, counterparty or issuer fails to perform its obligations under contractual terms ("default risk"). Cash instruments expose the Corporation to default risk. The Corporation has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Corporation executes, settles, and finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities which exposes the Corporation to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Corporation may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to customers or counterparties. Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, the Corporation may purchase the underlying security in the market and seek reimbursement for any losses from the counterparty.

The carrying amount of financial assets recorded in the Corporation's financial statements represent the Corporation's maximum exposure to credit risk without taking account of the value of collateral, if any.

Concentrations of credit risk

The Corporation's exposure to credit risk associated with its trading and other activities is measured on an individual customer and counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and exposure is monitored in light of changing counterparty and market conditions. As of December 31, 2016 and 2015, the Corporation did not have any concentrations of credit risk.

Liquidity risk

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Corporations financial assets and liabilities are short term in nature.

Capital Management

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of debt, which includes the subordinated loan, cash and cash equivalents and equity attributable to the stockholder of the Corporation, comprising paid-in capital, and retained earnings, respectively. The Corporation's risk management committee reviews the capital structure periodically and makes adjustments as necessary. The Corporation's overall strategy remains unchanged from 2015.

Capital management includes maintaining a RAC over nil. The RAC is a notion defined by IIROC, which consists of calculating the net assets of a broker dealer adjusted with illiquidity margin to protect its clients in case of financial failure by the broker. The Corporation must make sure to comply with the financial requirements of IIROC. Regulatory capital requirements were met throughout the 2016 and 2015 fiscal years.

12. Commitments and contingencies

Legal proceedings

The Corporation could be subject to legal actions arising out of the normal course of business. It is the opinion of management that, as at December 31, 2016 and December 31, 2015, there were no such legal actions that could have a material effect on its business or financial condition.

Guarantees

The Corporation is a member of various exchanges and clearinghouses that trade and clear securities and/or derivative contracts. Associated with its membership, the Corporation may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange or clearinghouse. While the rules governing different exchange or clearinghouse memberships vary, in general the Corporation's guarantee obligations would arise only if the exchange or clearinghouse had previously exhausted its resources. The Corporation believes that any potential requirement to make payments under these agreements is remote.

13. Equipment

As at December 31 (in thousands)	2016	2015
Net Book Value, beginning of period	$ 21	$ 27
Cost		
Balance, beginning of period	45	40
Additions	72	6
Retirement of fully depreciated assets	(1)	(1)
Balance, end of period	116	45
Accumulated depreciation		
Balance, beginning of period	(24)	(13)
Depreciation expense	(18)	(12)
Eliminated on retirement of fully depreciated assets	1	1
Balance, end of period	(41)	(24)
Net Book Value	$ 75	$ 21

14. Subordinated Loan

Loan from parent corporation, repayable on demand (in thousands)	Rate	Loan Balance
December 31, 2016	6.50%	$ 30,005
December 31, 2015	6.50%	30,005

This loan is subordinated to the claims of the Corporation's ordinary creditors, and the repayment must be approved by the regulatory bodies governing investment dealers.

15. Related party transactions

The Corporation's related party transactions are with its Parent and some of its affiliates, including Timber Hill Canada Company, a registered broker dealer in Canada, Interactive Brokers LLC and Interactive Brokers Corp., registered broker dealers in the U.S. IBG LLC and its subsidiaries, including the Corporation, are consolidated by IBG, Inc., a publicly traded U.S. corporation. All related party transactions have been executed under arm's length conditions.

Pursuant to various service fee arrangements, the Corporation receives services from its parent and affiliates. The related payables are included in payables to affiliates in the statement of financial position. This loan has no terms and no set maturity.

Included in the statements of financial position are the following amounts with related parties:

As at December 31 (in thousands)	2016	2015
Assets		
Securities borrowed	$ 37,589	$ 26,279
Receivables from clients	25,694	50,144
Receivables from brokers, dealers and clearing organizations	62,915	78,651
Receivables from affiliates	729	258
Total Assets	126,927	155,332
Liabilities		
Payables to clients	30,170	54,807
Payables to brokers, dealers and clearing organizations	270,685	446,009
Subordinated loan	30,005	30,005
thereof with the Parent	*30,005*	*30,005*
Securities loaned	49,348	35,498
Payables to affiliates	2,449	2,348
thereof with the Parent	*1,273*	*1,126*
Total Liabilities	$ 382,657	$ 568,667

Revenues and expenses are in the normal course of business with related parties and are measured at the exchange amounts of consideration paid or received as established and agreed to by the parties. Included in the statements of income and comprehensive income were the following amounts with related parties:

For the years ended December 31 (in thousands)		2016		2015
Revenue				
Commission income	$	5,024	$	3,286
Interest income		3,928		1,434
Other Income		125		-
Total revenue		9,077		4,720
Interest expense		13,078		9,502
thereof with the Parent		*1,956*		*1,994*
Total net revenue		(4,001)		(4,782)
Non-interest expenses				
Execution and clearing		18,462		17,829
Occupancy		114		114
Service and consulting fees		2,493		2,018
thereof with the Parent		*1,873*		*1,626*
Total non-interest expenses	$	21,069	$	19,961

Key management personnel compensation

Key management for the Corporation consists of those persons having authority and responsibility for planning, directing and/or controlling the activities of the Corporation, directly or indirectly. Compensation expense to key management personnel are as follows:

For the years ended December 31 (in thousands)		2016		2015
Short-term employee benefits	$	193	$	190
Share based payments		56		56
Total key management personnel compensation	$	249	$	246

16. Incentive compensation plans

2007 Stock Incentive Plan

Under IBG, Inc.'s 2007 Stock Incentive Plan (the "Stock Incentive Plan"), up to 30 million shares of IBG, Inc.'s common stock may be granted and issued to directors, officers, employees, contractors and consultants of the Parent and its subsidiaries, including the Company. The purpose of the Stock Incentive Plan is to promote the Corporation's long-term financial success by attracting, retaining and rewarding eligible participants.

The Stock Incentive Plan is administered by the Compensation Committee of IBG, Inc.'s Board of Directors. The Compensation Committee has discretionary authority to determine the eligibility to participate in the Stock Incentive Plan and establishes the terms and conditions of the stock awards, including the number of awards granted to each participant and all other terms and conditions applicable to such awards in individual grant agreements. Awards are expected to be made primarily through grants of restricted IBG, Inc.'s common stock. Stock Incentive Plan awards are subject to issuance over time. All previous granted but unearned awards may be cancelled upon the participant's termination of employment or violation of certain applicable covenants prior to issuance, unless determined otherwise by IBG, Inc.'s Compensation Committee.

The Stock Incentive Plan provides that, upon a change in control, the Compensation Committee may, at its discretion, fully vest any granted but not yet earned awards under the Stock Incentive Plan, or provide that any such granted but not yet earned awards will be honored or assumed, or new rights substituted by the new employer on a substantially similar basis and on terms and conditions substantially comparable to those of the Stock Incentive Plan.

IBG, Inc. is expected to continue to grant awards on or about December 31 of each year to eligible participants, including employees of the Corporation, as part of an overall plan of equity compensation. Shares of IBG, Inc.'s common stock vest, and become distributable to participants in accordance with the following schedule:

- 10% on the first vesting date, which is on or about May 9 of each year; and
- an additional 15% on each of the following six anniversaries of the first vesting, assuming continued employment with the Corporation and compliance with non-competition and other applicable covenants.

For the years ended December 31, 2016 and 2015, the Corporation's employees were granted 6,419 and 4,813 shares, with fair value of $244 thousand and $286 thousand, respectively. The following is a summary of Stock Plan share activity for the years ended December 31, 2016 and 2015:

(Number of shares)	Stock Incentive Plan
Balance, January 1, 2015	43,782
Granted	4,813
Distributed to employees	(9,870)
Cancelled	(106)
Balance, December 31, 2015	38,619
Granted	6,419
Distributed to employees	(9,938)
Cancelled	-
Balance, December 31, 2016	35,100

Estimated future grants under the Stock Incentive Plan are being accrued for ratably during each year. Compensation expense recognized in the statements of income and comprehensive income for the years ended December 31, 2016 and 2015, was $346 thousand and $260 thousand, respectively. Estimated future compensation costs for unvested awards, net of credits for cancelled awards at December 31, 2016 are $233 thousand.

Awards granted but not yet earned under the Stock Incentive Plan are subject to the plan's post-employment provisions in the event a participant ceases employment with the Corporation. The Stock Incentive Plan provides that participants who discontinue employment with the Corporation without cause and continue to meet the terms of the plans' post-employment provisions will be eligible to earn 50% of previously granted but not yet earned awards, unless the participant is over the age of 59, in which case the participant would be eligible to receive 100% of previously granted but not yet earned awards. Distributions of remaining awards to former participants will occur over the remaining vesting schedule applicable to each grant. Through December 31, 2016, no shares have been distributed to former employees of the Corporation under these post-employment provisions. grant. Through December 31, 2016, a total of 3,568 shares have been distributed under these post-employment provisions.

17. Income taxes

Income tax expense

For the years ended December 31 (in thousands)		2016		2015
Current tax				
Current tax expense in respect of the current year	$	8,252	$	6,605
Adjustments recognized in the current year in relation to the current tax of prior years		256		(43)
Total current tax expense		8,508		6,562
Deferred tax				
Deferred tax expense recognized in the current year		2		(2)
Adjustments recognized in the current year in relation to the deferred tax of prior years		1		-
Total deferred tax expense (refund)		3		(2)
Total income tax expense	$	8,511	$	6,560

Statutory tax rate reconciliation

For the years ended December 31 (in thousands)		2016		2015
Earnings before income tax	$	30,290	$	24,370
Income tax expense calculated at 26.9%		8,148		6,556
Effect of expenses that are not deductible in determining taxable earnings		110		83
Adjustments recognized in the current year in relation to the current tax of prior years		256		(43)
Other		(3)		(36)
Total income tax expense	$	8,511	$	6,560

Income tax related balances reported in the statements of financial position

As at December 31 (in thousands)		2016		2015
Deferred tax assets	$	2	$	5
Income tax payable		801		771

Deferred tax balances

As at December 31 (in thousands)	2016	2015
Depreciation costs deductible in the future	2	5

18. Risk adjusted capital requirements

The Corporation is subject to *IIROC* Risk Adjusted Capital Rule 17.1, which requires the maintenance of minimum net capital. At December 31, 2016, the Corporation had a positive Risk Adjusted Capital. There were no capital shortfalls during 2016 and 2015.

As at December 31 (in thousands)	2016	2015
Total Financial Statement Capital	$ 128,190	$ 106,441
Non Allowable Assets	3,532	2,518
Net Allowable Assets	124,658	103,893
Total Margin Required	11,908	16,994
Risk Adjusted Capital	114,953	90,126
Early Warning Excess	112,551	86,698
Early Warning Reserve	111,956	85,848

The Early Warning Excess and the Early Warning Reserve are levels established by IIROC to facilitate corrective measures to insure the member's Risk Adjusted Capital remains greater than nil.

19. Events after the reporting period

The Corporation has evaluated events after the reporting period through February 17th, 2017, the issuing date of the financial statements. The Corporation did not note any events after the reporting period requiring disclosure in these financial statements.