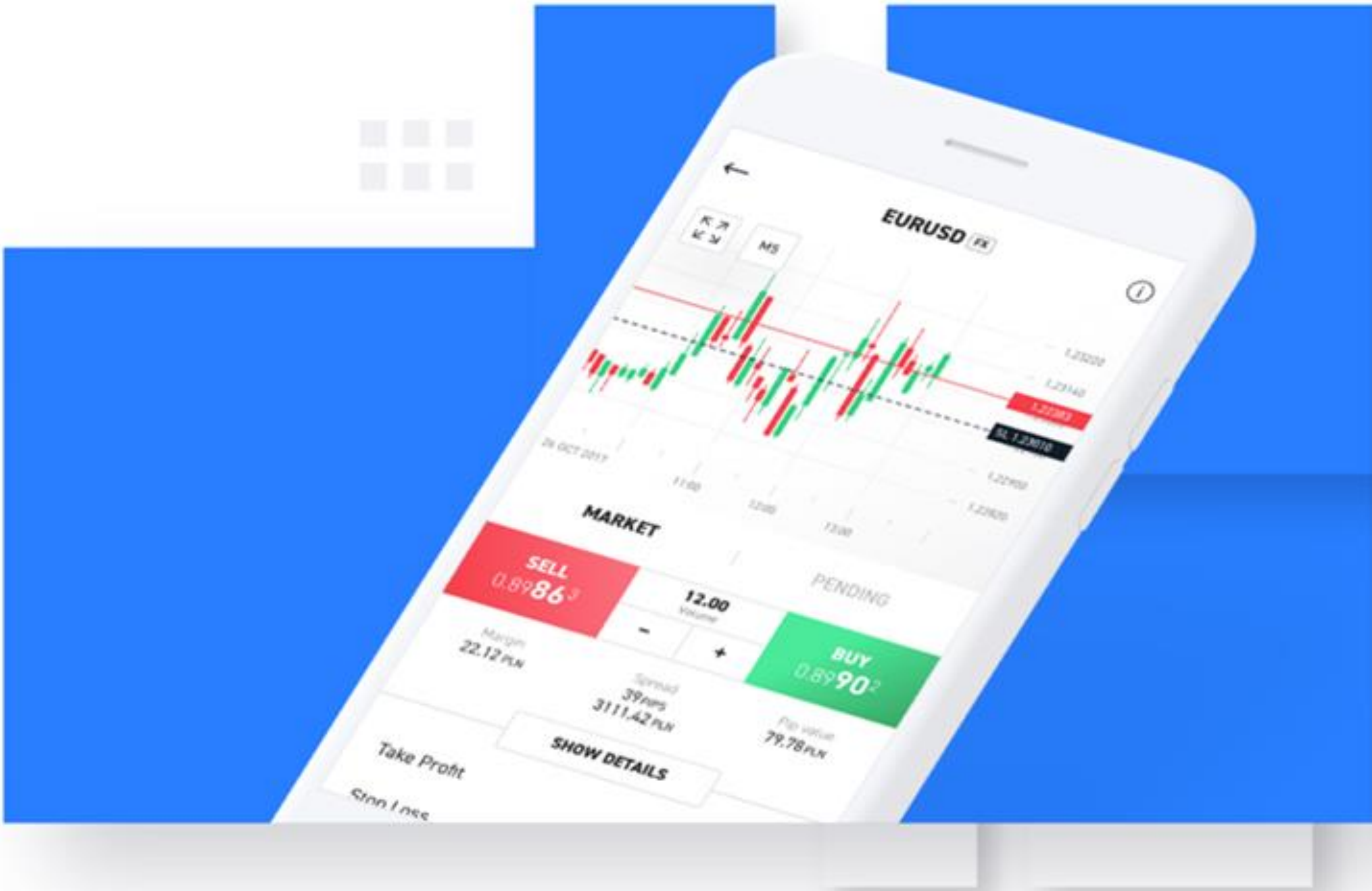

REPORT FOR THE 1ST HALF 2020

X-TRADE BROKERS DM S.A.

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FINANCIAL HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 SIX-MONTH ENDED		IN EUR'000 SIX-MONTH ENDED	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Consolidated comprehensive income statement:				
Total operating income	518 158	88 781	116 668	20 705
Profit on operating activities	379 908	5 193	85 540	1 211
Profit before tax	362 216	7 113	81 556	1 659
Net profit	293 459	5 156	66 075	1 202
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	2,50	0,04	0,56	0,01
Consolidated cash flow statement:				
Net cash from operating activities	228 082	(9 141)	51 355	(2 132)
Net cash from investing activities	(1 925)	(1 776)	(433)	(414)
Net cash from financing activities	(30 161)	(22 260)	(6 791)	(5 191)
Increase/(Decrease) in net cash and cash equivalents	195 996	(33 177)	44 130	(7 737)

	IN PLN'000		IN EUR'000	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Consolidated statement of financial position:				
Total assets	1 776 845	1 138 900	397 861	267 442
Total liabilities	998 800	648 156	223 645	152 203
Share capital	5 869	5 869	1 314	1 378
Equity	778 045	490 744	174 215	115 239
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	6,63	4,18	1,48	0,98

The above data was translated into EUR as follows:

- items in the consolidated comprehensive income statement and consolidated cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,4413;
  - for the comparative period: 4,2880;

- items of consolidated statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
- for the current period: 4,4660;
- for the comparative period: 4,2585.

FINANCIAL SEPARATE HIGHLIGHTS

	IN PLN'000 SIX-MONTH ENDED		IN EUR'000 SIX-MONTH ENDED	
	30.06.2020	**30.06.2019**	**30.06.2020**	**30.06.2019**
Comprehensive income statement:				
Total operating income	494 420	75 400	111 323	17 584
Profit on operating activities	378 634	5 655	85 253	1 319
Profit before tax	380 999	3 655	85 785	852
Net profit	312 631	2 234	70 392	521
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	2,66	0,02	0,60	0,00
Cash flow statement:				
Net cash from operating activities	228 474	1 459	51 443	340
Net cash from investing activities	1 656	(1 526)	373	(356)
Net cash from financing activities	(29 691)	(21 751)	(6 685)	(5 073)
Increase/(Decrease) in net cash and cash equivalents	200 439	(21 818)	45 131	(5 088)

	IN PLN'000		IN EUR'000	
	30.06.2020	**31.12.2019**	**30.06.2020**	**31.12.2019**
Statement of financial position:				
Total assets	1 680 067	1 083 889	376 191	254 524
Total liabilities	897 569	586 622	200 978	137 753
Share capital	5 869	5 869	1 314	1 378
Equity	782 498	497 267	175 212	116 770
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	6,67	4,24	1,49	0,99

The above data was translated into EUR as follows:

- items in the comprehensive income statement and cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,4413;
  - for the comparative period: 4,2880;
- items of statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,4660;
  - for the comparative period: 4,2585.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)
Result of operations on financial instruments	6.1	210 389	46 184	515 398	85 437
Income from fees and charges	6.2	1 097	1 701	2 681	3 332
Other income		8	6	79	12
Total operating income	6	211 494	47 891	518 158	88 781
Salaries and employee benefits	7	(26 904)	(20 793)	(65 686)	(40 530)
Marketing	8	(22 260)	(9 581)	(39 000)	(18 759)
Other external services	9	(5 465)	(5 546)	(13 232)	(11 361)
Costs of maintenance and lease of buildings		(933)	(790)	(1 901)	(1 532)
Amortisation and depreciation	16,17	(1 954)	(1 450)	(3 815)	(3 238)
Taxes and fees		(723)	(822)	(1 392)	(1 530)
Commission expenses	10	(5 984)	(1 872)	(10 524)	(3 904)
Other costs		(1 498)	(1 636)	(2 700)	(2 734)
Total operating expenses		(65 721)	(42 490)	(138 250)	(83 588)
Profit on operating activities		145 773	5 401	379 908	5 193
Finance income	11	2 022	1 615	3 065	3 232
Finance costs	11	(7 853)	(974)	(20 757)	(1 312)
Profit before tax		139 942	6 042	362 216	7 113
Income tax	26	(22 452)	(1 649)	(68 757)	(1 957)
Net profit		117 490	4 393	293 459	5 156
Other comprehensive income		(1 405)	(2 086)	22 014	(2 505)
Items which were reclassified to profit (loss)		–	–	21 880	–
- foreign exchange differences on translation of foreign operations		–	–	*21 880*	–
Items which will be reclassified to profit (loss) after meeting specific conditions		(1 405)	(2 086)	134	(2 505)
- foreign exchange differences on translation of foreign operations		*(749)*	*(1 743)*	*(1 358)*	*(2 077)*
- foreign exchange differences on valuation of separated equity		*(810)*	*(424)*	*1 842*	*(529)*
- deferred income tax		*154*	*81*	*(350)*	*101*
Total comprehensive income		116 085	2 307	315 473	2 651
Net profit attributable to shareholders of the Parent Company		117 490	4 393	293 459	5 156
Total comprehensive income attributable to shareholders of the Parent Company		*116 085*	2 307	*315 473*	2 651
Earnings per share:					
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	1,00	0,03	2,50	0,04
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	1,00	0,03	2,50	0,04
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	1,00	0,03	2,50	0,04
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	1,00	0,03	2,50	0,04

The half-year condensed consolidated financial statements should be read in conjunction with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
ASSETS				
Cash and cash equivalents	13	1 427 816	955 196	877 437
Financial assets at fair value through P&L	14	312 078	149 318	109 146
Income tax receivables		283	71	5 419
Financial assets at amortized cost	15	8 496	6 474	7 047
Prepayments and deferred costs		5 378	4 073	4 215
Intangible assets	16	640	572	624
Property, plant and equipment	17	12 977	14 193	14 614
Deferred income tax assets	26.2	9 177	9 003	9 066
Total assets		1 776 845	1 138 900	1 027 568
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	18	862 345	573 792	522 153
Financial liabilities held for trading	19	63 133	23 529	22 232
Income tax liabilities		904	1 697	285
Liabilities due to lease	20	9 516	10 772	11 749
Other liabilities	21	44 012	19 676	16 749
Provisions for liabilities	22	4 064	3 129	2 757
Deferred income tax provision	26.2	14 826	15 561	13 791
Total liabilities		998 800	648 156	589 716
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	390 730	364 757	364 757
Foreign exchange differences on translation	23	(1 623)	(23 637)	(23 984)
Retained earnings		311 461	72 147	19 602
Equity attributable to the owners of the Parent Company		778 045	490 744	437 852
Total equity		778 045	490 744	437 852
Total equity and liabilities		1 776 845	1 138 900	1 027 568

The half-year condensed consolidated statement of financial position should be read in conjunction with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year condensed consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23, 24	23	24	
As at 1 January 2020	5 869	71 608	364 757	(23 637)	72 147	490 744
Total comprehensive income for the financial year						
Net profit	–	–	–	–	293 459	293 459
Foreign exchange differences on the translation of a subsidiary in Turkey	–	–	–	21 880	–	21 880
Other comprehensive income	–	–	–	134	–	134
Total comprehensive income for the financial year	–	–	–	22 014	293 459	315 473
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	25 973	–	(54 145)	(28 172)
- dividend advance payment	–	–	–	–	(28 172)	(28 172)
- transfer to other reserves	–	–	25 973	–	(25 973)	–
As at 30 June 2019 (unaudited)	5 869	71 608	390 730	(1 623)	311 461	778 045

The half-year condensed consolidated statement of changes in equity should be read in conjunction with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

Consolidated statement of changes in equity for the period from 1 January 2019 to 31 December 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23, 24	23	24	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156
Total comprehensive income for the financial year						
Net profit	–	–	–	–	57 701	57 701
Other comprehensive income	–	–	–	(2 158)	–	(2 158)
Total comprehensive income for the financial year	–	–	–	(2 158)	57 701	55 543
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	29 859	–	(49 814)	(19 955)
- dividend advance payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 31 December 2019 (audited)	5 869	71 608	364 757	(23 637)	72 147	490 744

The consolidated statement of changes in equity should be read in conjunction with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

Half-year condensed consolidated statement of changes in equity for the period from 1 January 2019 to 30 June 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	24	
As at 1 January 2019	5 869	71 608	334 898	(21 479)	64 260	455 156
Total comprehensive income for the financial year						
Net profit	–	–	–	–	5 156	5 156
Other comprehensive income	–	–	–	(2 505)	–	(2 505)
Total comprehensive income for the financial year	–	–	–	(2 505)	5 156	2 651
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	29 859	–	(49 814)	(19 955)
- dividend advance payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 30 June 2019 (unaudited)	5 869	71 608	364 757	(23 984)	19 602	437 852

The half-year condensed consolidated statement of changes in equity should be read in conjunction with the supplementary notes to the half-year condensed consolidated financial statements, which are an integral part of these half-year condensed consolidated financial statements.

HALF-YEAR CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		362 606	7 113
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		45	–
Amortization and depreciation	16,17	3 815	3 238
Foreign exchange (gains) losses from translation of own cash		(995)	949
Other adjustments	28.2	21 797	(2 509)
Changes			
Change in provisions		935	777
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(123 156)	(862)
Change in balance of restricted cash		(275 629)	(79 668)
Change in financial assets at amortised cost		(2 022)	(2 042)
Change in balance of prepayments and accruals		(1 305)	(1 166)
Change in balance of amounts due to customers		288 553	74 312
Change in balance of other liabilities	28.1	24 336	(6 647)
Cash from operating activities		298 590	(6 505)
Income tax paid		(70 671)	(2 842)
Interests		163	206
Net cash from operating activities		228 082	(9 141)
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	17	(1 739)	(1 738)
Expenses relating to payments for intangible assets	16	(186)	(38)
Net cash from investing activities		(1 925)	(1 776)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(1 826)	(2 099)
Interest paid under lease		(163)	(206)
Dividend paid to owners		(28 172)	(19 955)
Net cash from financing activities		(30 161)	(22 260)
Increase (Decrease) in net cash and cash equivalents		195 996	(33 177)
Cash and cash equivalents – opening balance		484 351	467 987
Effect of FX rates fluctuations on balance of cash in foreign currencies		995	(949)
Cash and cash equivalents – closing balance	13	681 342	433 861

The half-year condensed consolidated cash flow statement should be read together with the supplementary notes which are an integral part of these half-year condensed consolidated financial statements.

ADDITIONAL NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information about the Parent Company and composition of the Group

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Company", "Parent Company", "Brokerage") with its headquarters located in Warsaw, at Ogrodowa street 58, 00–876 Warsaw.

X–Trade Brokers Dom Maklerski S.A. is registered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000217580. The Parent Company was granted a statistical REGON number and a tax identification (NIP) number 5272443955.

The Parent Company's operations consist of conducting brokerage activities on the stock exchange (stocks and ETFs) and OTC markets (currency derivatives, commodities, indices, stocks and bonds). The Parent Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

1.1 Information on the reporting entities in the Parent Company's organizational structure

The half-year condensed consolidated financial statements cover the following foreign branches which form the Parent Company:

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: RO27187343.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: DE266307947.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689 and was granted the following tax identification number FR61522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa (branch in Portugal) – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register and as tax identification number under No. PT980436613.

1.2 Composition of the Group

The X–Trade Brokers Dom Maklerski S.A. Group is composed of X–Trade Brokers Dom Maklerski S.A. as the Parent Company and the following subsidiaries:

NAME OF SUBSIDIARY	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
			30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
XTB Limited (UK)	Full	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Full	Poland	100%	100%	100%
XTB Limited (CY)	Full	Cyprus	100%	100%	100%
XTB Yönetim Danışmanlığı Anonim Şirketi	Full	Turkey	100%	100%	100%
XTB International Limited	Full	Belize	100%	100%	100%
XTB Chile SpA	Full	Chile	100%	100%	100%
XTB Services Limited	Full	Cyprus	100%	100%	100%
Lirsar S.A. en liquidacion	Full	Uruguay	100%	100%	100%
X Trading Technologies Sp. z o.o. in liquidation	Full	Poland	–	100%	100%
XTB Africa (PTY) Ltd.	Full	South Africa	100%	100%	100%
XTB Services Asia Pte. Ltd	Full	Singapore	100%	100%	–

On 19 April 2018 the Management Board of Parent Company decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Parent Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB).

X Trade Brokers Menkul Değerler A.S. does not have an active license to operate from December 2019 and has started the process of capital redemption.

On 3 March 2020 general meeting of the company X Trade Brokers Menkul Değerler A.S. with its seat in Turkey took decision to reduce the company's share capital from TRY 22 500 thousand to TRY 100 thousand. Due to that fact in the first quarter of 2020 X- Trade Brokers Dom Maklerski S.A. Group reclassified part of foreign exchange differences arising from the translation in amount of PLN 21 880 thousand of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement.

On 12 March 2020 subsidiary changed its name to XTB Yönetim Danışmanlığı Anonim Şirketi.

On 30 June 2020, amount of negative foreign exchange differences on translation of balances in foreign currencies of Turkish company amounted PLN (2 746) thousand (ref note 23). Exchange differences will be recognized in consolidated financial statement at the date of liquidation of the company.

XTB Limited was established on 19 April 2010 under the name Tyrolese (691) Limited. The company started its operating activities in November 2010 under a changed name – XTB UK Ltd. In 2012 it changed its name to X Financial Solutions Ltd, in 2013 to X Open Hub Limited, and on 8 January 2015 to XTB Limited. The company's results are consolidated under the full method from the date of its establishment.

On 6 March 2013, the Parent Company acquired 100% of the shares in xStore Sp. z o.o. with its registered office in Poland. In 2014, the company changed its name to X Open Hub Sp. z o.o. The company's results are consolidated under the full method from the date of its establishment.

On 15 October 2013 the Parent Company acquired 100% shares in DUB Investments Limited, with its registered office in Cyprus. The company's results are consolidated under the acquisition method as of the date of its acquisition. The fair value of the consideration paid was PLN 1 292 thousand.

As a result of the acquisition of DUB Investments Ltd, the Parent Company identified goodwill of PLN 783 thousand as the difference between the acquisition price and the fair value of the acquired assets. As at the acquisition date, the subsidiary was tested for impairment; as a result of the test the full value of goodwill was charged to costs as at that date.

On 3 May 2018 DUB Investments Limited changed its name to XTB Limited . On 6 June 2018 the Parent Company acquired 1 165 new shares in the capital increase of its subsidiary. As a result of the above transaction the Parent Company kept 100% share in subsidiary's capital.

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The company's results are consolidated under the acquisition method as of the date of its acquisition. In December 2017 Lirsar with its seat in Uruguay was liquidated. Subsidiary's share capital and retained earnings were transferred to Parent Company on 14 December 2017. The company has not been formally liquidated until the balance sheet date.

On 17 February 2017 the Parent Company established XTB Chile SpA. The Parent Company owns 100% of shares in subsidiary. XTB Chile SpA provides services involving the acquisition of clients from the territory of Chile.

On the 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On the 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the Financial Service Commission. As a result of acquisition of 100% of shares the Parent Company took up control over the subsidiary. The fair value of the consideration paid was PLN 837 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method. As at the acquisition date particular net assets of the acquired company XTB International Limited were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Belize market of PLN 261 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years. On 26 September 2019 the Company acquired 500 000 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

Fair value of main categories of assets of XTB International Limited on the date of acquisition:

	FAIR VALUE (IN USD'000)	EXCHANGE RATE	FAIR VALUE (IN PLN'000)
Cash and cash equivalents	237	4,0840	968
Receivables – liabilities	(96)	4,0840	(392)
Separated intangible asset	64	4,0840	261
Total fair value	205		837

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus for EUR 1 000. The fair value of purchased net assets, which in full constituted cash, amounted to EUR 1 000. The company's results are consolidated under the acquisition method as of the date of its acquisition. On 8 August 2017 the Parent Company took up 29 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 5 September 2017 the subsidiary changed its name to XTB Services Limited. On 15 January 2018 the Parent Company took up 50 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary.

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Parent Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. The liquidation of the subsidiary will not have material impact to the Group's consolidated financial statements. The capital from the subsidiary was returned to the Company on 31 October 2019. At 10 January 2020 decision regarding deletion of X Trading Technologies sp. z o.o in liquidation from National Court Register was legalized.

On 10 July 2018 the Parent Company established XTB Africa (PTY) Ltd. with its seat in South Africa. The Parent Company owns 100% of shares in subsidiary. As at the date of publication of this report the company did not conduct any operating activities. On 14 October 2019 the Company acquired 100 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital. As at the date of these financial statements the company has not conduct its operations.

On 19 August 2019 the Company established XTB Services Asia Pte. Ltd. with its seat in Singapore in which it owns 100% of shares. As at the date of these financial statements the company has not conduct its operations. . On 8 April 2020 the Parent Company has started liquidation of XTB Services Asia Pte. Ltd. with its seat in Singapore by Accounting and Corporate Regulatory Authority. As at the date of these financial statements the company has not conduct its operations. In April 2020 the company was put into liquidation. Until the date of these half-year condensed consolidated financial statements the company has not been formally liquidated.

Composition of the Management Board

In the period covered by the half-year condensed consolidated financial statements and in the comparative period, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March 2017 appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Filip Kaczmarzyk	Board Member	10.01.2017	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Jakub Kubacki	Board Member	10.07.2018	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Andrzej Przybylski	Board Member	01.05.2019	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022

2. Basis for drafting the financial statements

2.1 Compliance statement

These half-year condensed consolidated financial statements have been prepared according to the International Accounting Standard 34 “Interim Financial Reporting” approved by the European Union.

The half-year condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2020 to 30 June 2020 with comparative data for the period from 1 January 2019 to 30 June 2019 and as at 31 December 2019 cover the Parent Company’s financial data and financial data of the subsidiaries comprising the “Group”.

These half-year condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities at fair value through P&L and financial instruments at fair value through other comprehensive income which are measured at fair value. The Group’s assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The half-year condensed consolidated financial statements do not cover all information and disclosures required by the International Financial Reporting Standards accepted by the European Union (“IFRS”) to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2019.

The half-year condensed consolidated financial statements were approved by the Management Board of the Parent Company on 20 August 2020. Drafting these half-year condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

The half-year condensed consolidated financial statements were prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. At the date of preparation of these condensed consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies’ continued operations with the exception of subsidiaries XTB Yönetim Danışmanlığı Anonim Şirketi in Turkey described in note 1.2.

The Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The half-year condensed consolidated financial statements include adjustments not recognised in the Group companies’ accounting records, made in order to reconcile their financial statements with IFRS.

2.2 Functional currency and reporting currency

The functional currency and the presentation currency of these financial statements is the Polish zloty ("PLN"), and unless stated otherwise, all amounts are shown in thousands of zloty (PLN'000).

2.3 Comparability of data and consistency of the policies applied

Data presented in the half-year condensed consolidated financial statements is comparable and prepared under the same principles for all periods covered by the half-year condensed consolidated financial statements, except for changes described in note 2.5.

2.4 The impact of COVID-19 on the Company's results

In March 2020 the World Health Organization determined that COVID disease can be treated as a pandemic. Due to significant increase of this disease all over the world, countries take numerous action to limit or delay it's spread. Undertaken measures have increasing impact on global economy. This situation has influence on the above average volatility in the financial and commodity markets which resulted in high transaction activity of customers and converted to growth of Group's revenues and customer base

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the half-year condensed consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 9 „Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform,
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Materiality,
- Amendments to references to Conceptual Framework included in International Financial Reporting Standards.

The Group has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

2.6 New standards and interpretations which have been published but are not yet binding

The following standards and interpretations have been published by the International Accounting Standards Board but are not yet binding:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2022.
- Amendments to IAS 1 — Presentation of Financial Statements" - Classification of Liabilities as Current or Non- Current- not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2022.

3. Professional judgement

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made the following judgements that have the greatest impact on the reported carrying amounts of assets and liabilities.

Amortisation periods of intangible assets

Amortisation period of the isolated intangible asset in the form of the licence for conducting brokerage activities on the Turkish market is assessed based on the expected economic useful life of this asset. The amortisation period was determined according to the expected useful life of the asset on the Turkish market no shorter than 10 years. Should the circumstances leading to a change in the expected useful life change, the amortisation rates also would change, which will have an impact on the value of amortisation charges and the net book value of intangible assets.

3.1 Material estimates and valuations

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

3.2 Impairment of assets

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

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

Deferred income tax assets

At each balance sheet date, the Parent Company assesses the likelihood of settlement of unused tax credits with the estimated future taxable profit, and recognises the deferred tax asset only to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

Period for settlement of the deferred tax asset

The Group recognises a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilisation. Deterioration in tax results in the future might result in the assumption becoming unjustified. The deferred tax asset relates mainly to the losses generated by foreign operations and subsidiaries in the initial period of their operation recognised in the balance sheet. The Group analyses the possibility of recognising such assets, taking into consideration local tax regulations, and analyses future tax budgets assessing the possibility of recovering these assets.

Uncertainty related to tax settlements

Regulations concerning the tax on goods and services, corporate income tax and the burden of social insurance are subject to frequent changes. These frequent changes result in lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applied. The current regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and companies.

Tax settlements and other areas of activity (for example, customs or foreign exchange) may be subject to inspection by control authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from inspections must be paid together with high interest. These conditions cause that tax risk in Poland is higher than in countries with more mature tax systems.

Consequently, the amounts reported and disclosed in the financial statements may change in the future as a result of a final decision of the tax audit.

On 15 July 2016 changes have been introduced to the Tax Code to take into account the provisions of the General Anti Avoidance Rules (GAAR). GAAR is to prevent the formation and use of artificial legal structures created in order to avoid payment of tax in Poland. GAAR defines tax avoidance operation as an action made primarily in order to achieve a tax advantage being in conflict with the subject and purpose of the provisions of the Tax Act. According to GAAR such activity does not result in the achievement of a tax advantage if the behaviour was artificial. Any occurrence of (i) unjustified sharing operations, (ii) the involvement of intermediaries, despite the lack of economic justification or business, (iii) the elements mutually terminating or compensating, and (iv) other actions with a similar effect to the aforementioned, may be treated as a condition of existence false operations covered by GAAR. The new regulations will require greater judgment when assessing the tax consequences of particular transactions.

GAAR clause should apply to transactions made after its entry into force and to the transactions that were carried out prior to the entry into force of the GAAR clause but for which the benefits have been achieved or are still. The implementation of these regulations will enable the Polish tax authorities to question legal arrangements and agreements carried out by the taxpayers, such as restructuring and group reorganization.

3.3 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 33 – Risk management.

3.4 Other estimates

Provisions for liabilities connected with retirement, pension and death benefits are calculated using the actuarial method by an independent actuary as the current value of the Group's future amounts due to employees, based on their employment and salaries as at the balance sheet date. The calculation of the provision amount is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death, and others.

Provision for unused holidays is calculated on the basis of the estimated payment of holiday benefits, based on the number of unused holidays, and remuneration as at the balance sheet date. Provisions for legal risk are calculated on the basis of the estimated amount of outflow of cash in the case in which it is probable that such outflow will occur, if the given case ends unsuccessfully.

Provisions for disputes is determined individually based on the circumstances of a given case. The Company assesses the chance of winning particular case and consequently assesses the need of establishment of provision in case of a loss in relations to all court cases.

4. Adopted accounting principles

The accounting policies applied in the preparation of the half-year condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2019, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2020.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Financial instruments (CFD)		
Index CFDs	252 818	72 595
Commodity CFDs	210 043	5 950
Currency CFDs	44 743	5 336
Stock and ETF CFDs	4 400	1 162
Bond CFDs	138	663
Total CFDs	512 142	85 706
Stocks and ETFs	5 998	400
Gross gain on transactions in financial instruments	518 140	86 106
Bonuses and discounts paid to customers	(459)	(89)
Commission paid to cooperating brokers	(2 283)	(580)
Net gain on transactions in financial instruments	515 398	85 437

Bonuses paid to clients are strictly related to trading in financial instruments by the customer with Group. Until 1 August 2018, i.e. until the date of temporary restriction on contracts for differences in the European Union retail clients received discounts and bonuses under bonus campaigns where the condition for awarding a bonus is the generation of a top-down determined trade volume in financial instruments in a specified period. On the territory of European Union from 1 August 2018 bonuses and discounts are given only to clients classified as professional clients.

The Group concludes cooperation agreements with introducing brokers who receive commissions which depend on the trade generated under the cooperation agreements. The income generated and the costs incurred between the Group and particular brokers relate to the trade between the broker and clients that are not his clients.

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Fees and charges from institutional clients	1 547	2 510
Fees and charges from retail clients	1 134	822
Total income from fees and charges	2 681	3 332

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Operating income		
Central and Eastern Europe	257 124	44 703
- including Poland	*176 930*	*36 212*
Western Europe	215 532	36 936
- including Spain	*92 005*	*21 187*
Latin America	45 502	7 142
Total operating income	518 158	88 781

The country from which the Group derives each time 15% and over of its revenue is Poland. The share of other countries in the structure of the Group's revenue by geographical area does not in any case exceed 15%. Due to the overall share in the Group's revenue, Poland and Spain were set apart for presentation purposes within the geographical area.

The Group breaks its revenue down into geographical area by country in which a given customer was acquired.

7. Salaries and employee benefits

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Salaries	(55 109)	(32 775)
Social insurance and other benefits	(9 086)	(5 882)
Employee benefits	(1 491)	(1 873)
Total salaries and employee benefits	(65 686)	(40 530)

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Marketing online	(37 882)	(17 086)
Marketing offline	(1 108)	(1 662)
Competitions for clients	(10)	(11)
Total marketing expense	(39 000)	(18 759)

Marketing activities carried out by the Group are mainly focused on Internet marketing, which is also supported by other marketing activities.

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Support database systems	(4 280)	(3 569)
Market data delivery	(2 843)	(2 738)
Legal and advisory services	(2 391)	(1 747)
Internet and telecommunications	(1 362)	(1 240)
Accounting and audit services	(1 008)	(1 009)
IT support services	(586)	(441)
Recruitment	(241)	(141)
Postal and courier services	(183)	(87)
Translation	(60)	(66)
Other external services	(278)	(323)
Total other external services	(13 232)	(11 361)

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Bank commissions	(8 517)	(2 417)
Stock exchange fees and charges	(1 837)	(1 328)
Commissions of foreign brokers	(170)	(159)
Total commission expenses	(10 524)	(3 904)

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Interest income		
Interest on own cash	839	2 825
Interest on clients' cash	619	350
Total interest income	1 458	3 175
Income on bonds	1 539	–
Other finance income	68	57
Total finance income	3 065	3 232

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Interest expense		
Interest paid to clients	(1)	(44)
Interest paid under lease agreements	(163)	(206)
Other interest	(12)	(30)
Total interest expense	(176)	(280)
Foreign exchange losses	(20 581)	(1 030)
Other finance costs	–	(2)
Total finance costs	(20 757)	(1 312)

Foreign exchange losses presented in first half of 2020 result mainly from reduction the share capital of subsidiary in Turkey what is presented in note 1.2.

Foreign exchange differences relate to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency.

12. Segment information

For management reporting purposes, the Group's operations are divided into the following two business segments:

1. Retail operations, which include the provision of trading in financial instruments for individual clients.
2. Institutional activity, which includes the provision of trading in financial instruments and offering trade infrastructure to entities (institutions), which in turn provide services of trading in financial instruments for their own clients under their own brand.

These segments do not aggregate other lower-level segments. The management monitors the results of the operating segments separately, in order to decide on the implementation of strategies, allocation of resources and performance assessment. Operations in segment are assessed on the basis of segment profitability and its impact on the overall profitability reported in the financial statements.

Transfer prices between operating segments are based on market prices, according to the principles similar to those applied in settlements with unrelated parties.

The Group concludes transactions only with external clients. Transactions between operating segments are not concluded.

Valuation of assets and liabilities, incomes and expenses of segments is based on the accounting policies applied by the Company.

The Group does not allocate financial activity and corporate income tax burden on business segments

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	427 344	88 054	515 398	515 398
CFDs				
Index CFDs	210 037	42 781	252 818	252 818
Commodity CFDs	165 467	44 576	210 043	210 043
Currency CFDs	42 853	1 890	44 743	44 743
Stock and ETF CFDs	5 744	(1 344)	4 400	4 400
Bond CFDs	(13)	151	138	138
Stocks and ETF	5 998	–	5 998	5 998
Bonuses and discounts paid to customers	(459)	–	(459)	(459)
Commission paid to cooperating brokers	(2 283)	–	(2 283)	(2 283)
Fee and commission income	1 134	1 547	2 681	2 681
Other income	79	–	79	79
Total operating income	428 557	89 601	518 158	518 158
Salaries and employee benefits	(64 358)	(1 328)	(65 686)	(65 686)
Marketing	(38 598)	(402)	(39 000)	(39 000)
Other external services	(13 039)	(193)	(13 232)	(13 232)
Cost of maintenance and lease of buildings	(1 884)	(17)	(1 901)	(1 901)
Amortization and depreciation	(3 770)	(45)	(3 815)	(3 815)
Taxes and fees	(1 371)	(21)	(1 392)	(1 392)
Commission expense	(10 457)	(67)	(10 524)	(10 524)
Other expenses	(2 569)	(131)	(2 700)	(2 700)
Total operating expenses	(136 046)	(2 204)	(138 250)	(138 250)
Operating profit	292 511	87 397	379 908	379 908
Finance income	–	–	–	3 065
Finance costs	–	–	–	(20 757)
Profit before tax	–	–	–	362 216
Income tax	–	–	–	(68 757)
Net profit	–	–	–	293 459

ASSETS AND LIABILITIES AS AT 30.06.2020 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	707 070	39 404	746 474	746 474
Financial assets at fair value through P&L	301 513	10 565	312 078	312 078
Other assets	718 083	210	718 293	718 293
Total assets	1 726 666	50 179	1 776 845	1 776 845
Amounts due to clients	822 933	39 412	862 345	862 345
Financial liabilities held for trading	58 183	4 950	63 133	63 133
Other liabilities	73 006	–	73 006	73 006
Total liabilities	954 122	44 362	998 484	998 484

ASSETS AND LIABILITIES AS AT 31.12.2019 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	436 417	34 428	470 845	470 845
Financial assets at fair value through P&L	137 343	11 975	149 318	149 318
Other assets	518 464	273	518 737	518 737
Total assets	1 092 224	46 676	1 138 900	1 138 900
Amounts due to clients	532 822	40 970	573 792	573 792
Financial liabilities held for trading	18 071	5 458	23 529	23 529
Other liabilities	50 835	–	50 835	50 835
Total liabilities	601 728	46 428	648 156	648 156

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	77 317	8 120	85 437	85 437
CFDs				
Index CFDs	62 281	10 314	72 595	72 595
Commodity CFDs	5 227	723	5 950	5 950
Currency CFDs	8 522	(3 186)	5 336	5 336
Stock CFDs	1 166	(4)	1 162	1 162
Bond CFDs	390	273	663	663
Shares and listed derivative instruments	400	–	400	400
Bonuses and discounts paid to clients	(89)	–	(89)	(89)
Commissions paid to cooperating brokers	(580)	–	(580)	(580)
Fee and commission income	822	2 510	3 332	3 332
Other income	12	–	12	12
Total operating income	78 151	10 630	88 781	88 781
Salaries and employee benefits	(39 726)	(804)	(40 530)	(40 530)
Marketing expense	(18 464)	(295)	(18 759)	(18 759)
Other external services	(10 620)	(741)	(11 361)	(11 361)
Cost of maintenance and lease of buildings	(1 516)	(16)	(1 532)	(1 532)
Amortization and depreciation	(3 193)	(45)	(3 238)	(3 238)
Taxes and fees	(1 522)	(8)	(1 530)	(1 530)
Commission expense	(3 865)	(39)	(3 904)	(3 904)
Other expenses	(2 529)	(205)	(2 734)	(2 734)
Total operating expenses	(81 435)	(2 153)	(83 588)	(83 588)
Operating profit (loss)	(3 284)	8 477	5 193	5 193
Finance income	–	–	–	3 232
Finance costs	–	–	–	(1 312)
Profit before tax	–	–	–	7 133
Income tax	–	–	–	(1 957)
Net profit	–	–	–	5 156

ASSETS AND LIABILITIES AS AT 30.06.2019 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	405 477	38 099	443 576	443 576
Financial assets at fair value through P&L	100 672	8 474	109 146	109 146
Other assets	474 364	482	474 846	474 846
Total assets	980 513	47 055	1 027 568	1 027 568
Amounts due to clients	480 214	41 939	522 153	522 153
Financial liabilities held for trading	17 639	4 593	22 232	22 232
Other liabilities	45 331	–	45 331	45 331
Total liabilities	543 184	46 532	589 716	589 716

13. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
In hand	1	1	1
In current bank accounts	1 427 815	955 195	877 436
Cash and cash equivalents in total	1 427 816	955 196	877 437

Own cash and restricted cash – clients' cash:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Clients' cash and cash equivalents	746 474	470 845	443 576
Own cash and cash equivalents	681 342	484 351	433 861
Cash and cash equivalents in total	1 427 816	955 196	877 437

Clients' cash and cash equivalents include the value of clients' open transactions.

14. Financial assets at fair value through P&L

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Index CFDs	88 443	78 039	57 620
Commodity CFDs	38 029	18 424	14 670
Stock and ETF CFDs	25 591	10 744	9 973
Currency CFDs	21 005	22 852	22 221
Bond CFDs	36	29	334
Bond CFDs	131 383	14 899	–
Stocks and ETF	7 591	4 331	4 328
Total financial assets at fair value through P&L	312 078	149 318	109 146

The Company invests part of funds in financial instruments with 0% risk weight (treasury bonds). At 30 June 2020 the total value of purchased bonds was 131,4 million PLN, at 31 December 2019: 15 thousand PLN, at 30 June 2019 it didn't occur.

Detailed information on the estimated fair value of the instrument is presented in note 33.1.1.

15. Financial assets at amortised cost

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Gross amounts due from clients	4 055	3 414	3 351
Impairment write-downs of receivables	(3 723)	(3 197)	(3 155)
Total amounts due from clients	332	217	196
Gross trade receivables	5 626	3 975	5 002
Deposits	2 436	1 865	1 862
Statutory receivables	1 249	1 271	921
Impairment write-downs of receivables	(1 147)	(854)	(934)
Total financial assets at amortised cost	8 496	6 474	7 047

Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(4 051)	(3 624)	(3 624)
Write-downs recorded	(832)	(847)	(690)
Write-downs reversed	27	426	163
Write-downs utilized	(14)	(6)	62
Impairment write-downs of receivables – at the end of the reporting period	(4 870)	(4 051)	(4 089)

Write-downs of receivables in 2019 and 2018 resulted from the debit balances which arose in clients' accounts in those periods.

16. Intangible assets

Intangible assets in the period from 1 January 2020 to 30 June 2020 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2020	5 654	10 792	4 814	21 260
Additions	186	–	–	186
Sale and scrapping	(35)	–	–	(35)
Net foreign exchange differences	(6)	–	–	(6)
Gross value as at 30 June 2020	5 799	10 792	4 814	21 405
Accumulated amortization as at 1 January 2020	(5 265)	(10 792)	(4 631)	(20 688)
Amortization for the current period	(105)	–	(13)	(118)
Sale and scrapping	35	–	–	35
Net foreign exchange differences	6	–	–	6
Accumulated amortization as at 30 June 2020	(5 329)	(10 792)	(4 644)	(20 765)
Net book value as at 1 January 2020	389	–	183	572
Net book value as at 30 June 2020	470	–	170	640

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

Intangible assets in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2019	5 568	10 792	4 814	21 174
Additions	99	–	–	99
Sale and scrapping	–	–	–	–
Net foreign exchange differences	(13)	–	–	(13)
Gross value as at 31 December 2019	5 654	10 792	4 814	21 260
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	(20 458)
Amortization for the current period	(215)	–	(26)	(241)
Sale and scrapping	–	–	–	–
Net foreign exchange differences	11	–	–	11
Accumulated amortization as at 31 December 2019	(5 265)	(10 792)	(4 631)	(20 688)
Net book value as at 1 January 2019	507	–	209	716
Net book value as at 31 December 2019	389	–	183	572

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

Intangible assets in the period from 1 January 2019 to 30 June 2019 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2019	5 568	10 792	4 814	21 174
Additions	38	–	–	38
Sale and scrapping	–	–	–	–
Net foreign exchange differences	(13)	–	–	(13)
Gross value as at 30 June 2019	5 593	10 792	4 814	21 199
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	(20 458)
Amortization for the current period	(116)	–	(13)	(129)
Sale and scrapping	–	–	–	–
Net foreign exchange differences	12	–	–	12
Accumulated amortization as at 30 June 2019	(5 165)	(10 792)	(4 618)	(20 575)
Net book value as at 1 January 2019	507	–	209	716
Net book value as at 30 June 2019	428	–	196	624

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2 and client base purchased by XTB International. Client base was purchased on 18 April 2017 from company in Chile for the amount of USD 540 thousand.

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2020 to 30 June 2020 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2020	11 935	7 049	14 586	334	117	34 021
Additions	1 694	142	–	–	(97)	1 739
Lease	–	–	935	–	–	935
Sale and scrapping	(5)	–	(832)	–	–	(837)
Net foreign exchange differences	22	72	251	10	–	355
Gross value as at 30 June 2020	13 646	7 263	14 940	344	20	36 213
Accumulated amortization as at 1 January 2020	(9 926)	(5 342)	(4 456)	(104)	–	(19 828)
Amortization for the current period	(1 116)	(248)	(2 270)	(63)	–	(3 697)
Sale and scrapping	5	–	422	–	–	427
Net foreign exchange differences	(22)	(64)	(48)	(4)	–	(138)
Accumulated amortization as at 30 June 2020	(11 059)	(5 654)	(6 352)	(171)	–	(23 236)
Net book value as at 1 January 2020	2 009	1 707	10 130	230	117	14 193
Net book value as at 30 June 2020	2 587	1 609	8 588	173	20	12 977

Property, plant and equipment in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	10 140	6 200	–	–	19	16 359
Lease at 1 January 2019	–	–	13 063	334	–	13 397
Additions	2 192	906	–	–	98	3 196
Lease	–	–	1 523	–	–	1 523
Sale and scrapping	(361)	(41)	–	–	–	(402)
Net foreign exchange differences	(36)	(16)	–	–	–	(52)
Gross value as at 31 December 2019	11 935	7 049	14 586	334	117	34 021
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	(13 842)
Amortization for the current period	(1 603)	(317)	(4 487)	(105)	–	(6 512)
Sale and scrapping	383	66	–	–	–	449
Net foreign exchange differences	32	13	31	1	–	77
Accumulated amortization as at 31 December 2019	(9 926)	(5 342)	(4 456)	(104)	–	(19 828)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	2 517
Net book value as at 31 December 2019	2 009	1 707	10 130	230	117	14 193

Property, plant and equipment in the period from 1 January 2019 to 30 June 2019 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	10 140	6 200	–	–	19	16 359
Leasing (application of IFRS 16)	–	–	13 210	253	–	13 463
Gross value as at 1 January 2019 with the impact of new standards	10 140	6 200	13 210	253	19	29 822
Additions	1 209	105	–	–	424	1 738
Sale and scrapping	(263)	(140)	–	–	–	(403)
Net foreign exchange differences	(44)	(33)	–	–	–	(77)
Gross value as at 30 June 2019	11 042	6 132	13 210	253	443	31 080
Accumulated amortization as at 1 January 2019	(8 738)	(5 104)	–	–	–	(13 842)
Amortization for the current period	(819)	(143)	(2 119)	(28)	–	(3 109)
Sale and scrapping	263	140	–	–	–	403
Net foreign exchange differences	37	29	16	–	–	82
Accumulated amortization as at 30 June 2019	(9 257)	(5 078)	(2 103)	(28)	–	(16 466)
Net book value as at 1 January 2019	1 402	1 096	–	–	19	2 517
Net book value as at 30 June 2019	1 785	1 054	11 107	225	443	14 614

Non-current assets by geographical area

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Central and Eastern Europe	7 715	9 005	8 607
- including Poland	*6 608*	*7 702*	*7 230*
Western Europe	4 559	5 116	5 782
- including Spain	*171*	*366*	*586*
Latin America and Turkey	1 343	644	849
Total non-current assets	13 617	14 765	15 238

18. Amounts due to clients

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Amounts due to retail clients	822 933	532 822	467 681
Amounts due to institutional clients	39 412	40 970	54 472
Total amounts due to clients	862 345	573 792	522 153

Amounts due to clients are connected with transactions concluded by the clients (including cash deposited in the clients' accounts).

19. Financial liabilities held for trading

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Commodity CFDs	24 372	3 900	6 139
Index CFDs	22 262	12 720	8 162
Stock and ETF CFDs	12 607	3 807	2 808
Currency CFDs	3 887	2 979	5 104
Bond CFDs	5	123	19
Total financial liabilities held for trading	63 133	23 529	22 232

20. Liabilities due to lease

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Short-term	3 613	4 323	4 349
Long-term	4 792	6 449	7 400
Total liabilities due to lease	8 405	10 772	11 749

The Company is the lessee in the case of office space and car rental contracts. The value of the leased assets is reported in note 17.

21. Other liabilities

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Provisions for other employee benefits	23 670	10 295	6 409
Trade liabilities	11 572	5 546	6 062
Liabilities due to brokers	4 533	768	241
Statutory liabilities	3 685	2 563	3 546
Liabilities due to employees	390	362	368
Amounts due to the Central Securities Depository of Poland	162	142	123
Total other liabilities	44 012	19 676	16 749

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period, including from the Program of variable remuneration elements, as well as the provision for unused holiday leave, established in the amount of projected benefits, which the Group is obligated to pay in the event of payment of holiday equivalents.

Besides leasing liabilities, there are no other long-term liabilities.

Program of variable remuneration elements

Pursuant to the Variable Remuneration Elements policy applied by the Parent Company, the employees of the Parent Company in the top management positions receive variable remuneration paid in cash and in financial instruments.

The value of provisions for employee benefits includes variable remuneration granted in cash and based on financial instruments, deferred for payment in three consecutive years.

As at 30 June 2020, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 3 907 thousand (31 December 2019: PLN 1 756 thousand, 30 June 2019: PLN 730 thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Provisions for retirement benefits	1 243	1 184	1 175
Provisions for legal risk	2 821	1 945	1 582
Total provisions	4 064	3 129	2 757

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these the half-year condensed consolidated financial statements, the Company is not able to specify when the above liabilities will be repaid. The information on the significant court proceedings, arbitration authority or public administration authority was described in point 5.4 of the Management Board report on the operations of the Group and Company. To the best of our knowledge and belief, the procedures described therein and the future resolution of these proceedings in the context of a possible impact on other clients of the Group do not have a material impact on these the half-year condensed consolidated financial statements.

Movements in provisions in the period from 1 January 2020 to 30 June 2020 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2020	INCREASES	DECREASES		VALUE AS AT 30.06.2020
			USE	REVERSAL	
Provisions for retirement benefits	1 184	59	–	–	1 243
Provisions for legal risk	1 945	935	–	59	2 821
Total provisions	3 129	994	–	59	4 064

Movements in provisions in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES		VALUE AS AT 31.12.2019
			USE	REVERSAL	
Provisions for retirement benefits	1 055	129	–	–	1 184
Provisions for legal risk	925	1 611	131	460	1 945
Total provisions	1 980	1 740	131	460	3 129

Movements in provisions in the period from 1 January 2019 to 30 June 2019 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES USE	REVERSAL	VALUE AS AT 30.06.2019
Provisions for retirement benefits	1 055	120	–	–	1 175
Provisions for legal risk	925	1 191	344	190	1 582
Total provisions	1 980	1 311	344	190	2 757

22.2 Contingent liabilities

The Group is party to court proceedings associated with the Group's operations. The proceedings in which the Group acts as defendant relate mainly to employees' and clients' claims. As at 30 June 2020 the total value of claims brought against the Group amounted to approx. PLN 7 650 thousand (as at 31 December 2019: PLN 7 626 thousand, as at 30 June 2019: PLN 344 thousand). Group has not created provisions for the above proceedings. In the assessment of the Group the probability of loss in these proceedings is low.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 60 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 899 thousand.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 206 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension. The agreement has been extended for an unlimited period with the possibility of termination.

23. Equity

Share capital structure as at 30 June 2020, 31 December 2019and 30 June 2019

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A	117 383 635	0,05	5 869

All shares in the Company have the same nominal value, are fully paid for, and carry the same voting and profit-sharing rights. No preference is attached to any share series. The shares are A-series ordinary registered shares.

Shareholding structure of the Parent Company

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 June 2020 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Other shareholders	38 753 841	1 937	33,01%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 December 2019 and 30 June 2019 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 364 757 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN (1 623) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	593	326	319
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	394	429	416
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	282	282	282
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	268	17	12
XTB Limited CY	248	(92)	(102)
XTB International	184	(76)	(127)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	137	(37)	(42)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	78	7	6
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	49	4	4
XTB Services Limited	48	–	1
XTB Africa (PTY) Ltd.	(90)	71	(13)
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(198)	29	(54)
XTB Chile SpA	(275)	(207)	(72)
XTB Limited UK	(595)	(331)	(911)
XTB Yönetim Danışmanlığı Anonim Şirketi	(2 746)	(24 059)	(23 703)
Total foreign exchange differences on translation	(1 623)	(23 637)	(23 984)

24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2019 in the amount of PLN 54 145 thousand was partially earmarked for the payment of a dividend in the amount of PLN 28 172 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2019 was equal to PLN 0,24. The dividend paid on 15 May 2020 amounted to PLN.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2018 in the amount of PLN 90 898 thousand was partially earmarked for the payment of a dividend in the amount of PLN 61 039 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2018 was equal to PLN 0,52. The dividend was paid with an advance towards the dividend advance payment paid December 2018 in the amount of PLN 41 084 thousand (PLN 0,35 per share). The dividend paid on 10 May 2019 amounted to PLN 19 955 thousand (PLN 0,17 per share).

25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Group uses the amount of net profit attributable to shareholders of the Parent Company as the numerator, i.e., there is no dilutive effect influencing the amount of profit (loss). The calculation of basic and diluted earnings per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Parent Company	293 459	5 156
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	2,50	0,04
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	2,50	0,04

26. Current income tax and deferred income tax

26.1 Current income tax

Income tax disclosed in the current period's profit and loss

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(70 016)	(444)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	1 259	(1 513)
Income tax disclosed in profit and loss	(68 757)	(1 957)

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Profit before tax	362 216	7 113
Income tax based in the applicable tax rate of 19%	(68 821)	(1 351)
Difference resulting from application of tax rates applicable in other countries	55	52
Non-taxable revenue	33	12
Non-deductible expenses	(485)	(69)
Tax loss for the reporting period not disclosed in the deferred tax	–	(168)
Realisation of tax losses for the preceding periods	37	20
Writing off tax losses activated in previous years	–	(103)
Other items affecting the tax burden amount	424	(350)
Income tax disclosed in profit or loss	(68 757)	(1 957)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 June 2020 (unaudited)

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.06.2020
Deferred income tax assets:			
Property, plant and equipment	81	74	155
Financial liabilities held for trading	3 809	4 901	8 710
Provisions for liabilities	24	–	24
Prepayments and deferred costs	1 551	1 991	3 542
Other liabilities	1 829	(19)	1 810
Tax losses of previous periods to be settled in future periods	8 916	78	8 994
Total deferred income tax assets	16 210	7 025	23 235

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.06.2020
Deferred income tax provision:			
Financial assets at fair value through P&L	22 325	5 745	28 070
Other liabilities	93	(93)	–
Financial assets at amortised cost	237	114	351
Total deferred income tax provision	22 655	5 766	28 421
Deferred tax disclosed in profit or (loss)	–	1 259	–

(IN PLN'000)	STAN NA 01.01.2020	INCLUDED IN EQUITY	STAN NA 30.06.2020
Deferred income tax provision included directly in the equity:			
Separate equity of branches	113	350	463
Total deferred income tax provision included directly in the equity	113	350	463

Change in the balance of deferred tax for the period from 1 January to 31 December 2019 (audited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax assets:			
Property, plant and equipment	83	(2)	81
Financial liabilities held for trading	5 001	(1 192)	3 809
Provisions for liabilities	506	(482)	24
Prepayments and deferred costs	1 412	139	1 551
Other liabilities	20	1 809	1 829
Tax losses of previous periods to be settled in future periods	9 271	(355)	8 916
Total deferred income tax assets	16 293	(83)	16 210

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax provision:			
Financial assets at fair value through P&L	19 235	3 090	22 325
Other liabilities	–	93	93
Financial assets at amortised cost	142	95	237
Prepayments and deferred costs	16	(16)	–
Total deferred income tax provision	19 393	3 262	22 655
Deferred tax disclosed in profit or (loss)	–	(3 345)	–

(IN PLN'000)	AS AT 01.01.2019	INCLUDED IN EQUITY	AS AT 31.12.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(99)	113
Total deferred income tax provision included directly in the equity	212	(99)	113

Change in the balance of deferred tax for the period from 1 January to 30 June 2019 (unaudited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.06.2019
Deferred income tax assets:			
Property, plant and equipment	83	3	86
Financial liabilities held for trading	5 001	(1 318)	3 683
Provisions for liabilities	506	(189)	317
Prepayments and deferred costs	1 412	(513)	899
Other liabilities	20	–	20
Tax losses of previous periods to be settled in future periods	9 271	(348)	8 923
Total deferred income tax assets	16 293	(2 365)	13 928

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.06.2019
Deferred income tax provision:			
Financial assets at fair value through P&L	19 235	(954)	18 281
Financial assets at amortised cost	142	118	260
Prepayments and deferred costs	16	(16)	–
Total deferred income tax provision	19 393	(852)	18 541
Deferred tax disclosed in profit or (loss)	–	(1 513)	–

(IN PLN'000)	AS AT 01.01.2019	INCLUDED IN EQUITY	AS AT 30.06.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(100)	112
Total deferred income tax provision included directly in the equity	212	(100)	112

Geographical division of deferred income tax assets

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Central and Eastern Europe	163	57	81
- including Poland	–	–	–
Western Europe	9 014	8 935	8 939
- including Spain	–	–	–
Latin America and Turkey	–	11	46
Total deferred income tax assets	9 177	9 003	9 066

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2020 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX ASSETS
Poland	13 785	28 533	–	14 748
Czech Republic	66	–	66	–
Slovakia	97	–	97	–
Germany	2 756	–	2 756	–
France	4 592	–	4 592	–
Great Britain	1 666	–	1 666	–
Chile	273	351	–	78
Total	23 235	28 884	9 177	14 826

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2019 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX ASSETS
Poland	6 969	22 530	–	15 561
Czech Republic	29	–	29	–
Slovakia	28	–	28	–
Germany	2 683	–	2 683	–
France	4 449	–	4 449	–
Great Britain	1 803	–	1 803	–
Chile	249	238	11	–
Total	16 210	22 768	9 003	15 561

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2019 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX ASSETS
Poland	4 623	18 393	–	13 770
Czech Republic	45	–	45	–
Slovakia	36	–	36	–
Germany	2 726	–	2 726	–
France	4 485	–	4 485	–
Great Britain	1 728	–	1 728	–
Turkey	46	–	46	–
Chile	239	260	–	21
Total	13 928	18 653	9 066	13 791

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 30 June 2020 it holds 66,99% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

Mr. Jakub Zabłocki is the majority stakeholder of the Company and XXZW Investment Group S.A.

27.2 Figures concerning related party transactions

As at 30 June 2020 the Parent Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1,6 thousand due to his investment account (as at 31 December 2019 the Company had liabilities in the amount of PLN 1 thousand, as at 30 June 2019 the Parent Company had liabilities in the amount of PLN 1 thousand). In the period from 1 January to 30 June 2020, 1January to 31 December 2019 and 1 January to 30 June 2019 the Parent Company has not noted profit or loss from the transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 30 June 2020 the paid gross salary and bonuses amounted to PLN 971 thousand and in the analogical period of 2019 amounted to PLN 1 155 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Benefits to Management Board members	(2 389)	(1 762)
Benefits to Supervisory Board members	(129)	(127)
Total benefits to the Management Board and Supervisory Board	(2 518)	(1 889)

These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 22 of the half-year condensed consolidated financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 3 908 thousand.

27.4 Loans granted to the Management and Supervisory Board Members

As at 30 June 2020, 31 December 2019 and 30 June 2019 there are no loans granted to the Management and Supervisory Board Members.

28. Supplementary information and explanations to the cash flow statement

28.1 Change in balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Change in other liabilities	24 336	(6 995)
Rent free period settlement	–	348
Change in the balance of other liabilities	24 336	(6 647)

28.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	22 014	(2 505)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(217)	(4)
Change in other adjustments	21 797	(2 509)

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets in the Group's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Group's foreign entities and the rate of translation of amortization and depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets.

29. Post balance sheet events

There were no events after the balance sheet date.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Currency CFDs	1 101 627	1 921 898	1 787 128
Index CFDs	1 539 549	2 136 475	1 556 887
Commodity CFDs	861 512	515 599	370 792
Stock and ETF CFDs	487 938	235 037	128 791
Bond CFDs	140 377	23 896	16 290
Bonds	132 350	14 500	–
Stock and ETF	7 498	4 229	4 225
Total financial instruments	4 270 851	4 851 634	3 864 113

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2020 transactions with brokers represent 7% of the total nominal value of instruments (as at 31 December 2019: 9% of the total nominal value of instruments, as at 30 June 2019: 2% of the total nominal value of instruments).

30.2 Customers' financial instruments

Presented below is a list of customers' instruments deposited in the accounts of the brokerage house:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	385 575	108 978	83 238
Other securities registered in customers' securities accounts	207	207	207
Total customers' financial instruments	385 782	109 185	83 445

30.3 Transaction limits

Unused transaction limits granted:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Institutional clients	11 056	4 918	6 050
Total unused transaction limits granted	11 056	4 918	6 050

31. Items regarding the compensation scheme

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	4 709	3 987	3 987
- increases	*435*	*722*	*343*
b) closing balance	5 144	4 709	4 330
2. XTB's share in the profits from the compensation scheme	315	317	285

32. Capital management

The Group's principles of capital management are established in the "Capital management policy at X–Trade Brokers Dom Maklerski S.A.". The document is approved by the Parent Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Parent Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Group and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Group to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Group's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Group establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Group's risk appetite. To establish its capital-related goals, the Group takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board. Capital planning is focused on an assessment of the Group's current and future capital requirements (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Group has prepared contingency plans to be launched in the event of a capital liquidity shortage, described in detail in the "Capital management policy at X–Trade Brokers Dom Maklerski S.A." and in the "Recovery Plan" approved by the Polish Financial Supervision Authority.

As part of ICAAP, the Group assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Group's operations and evaluates its quality. The Group estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Group and taking into account stress test results.

The Parent Company is obligated to maintain the capitals (equity) to cover the higher of the following values:

- capital requirements calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 25 April 2017 on internal capital, risk management system, supervisory assessment program and supervisory examination and evaluation as well as remuneration policy in a brokerage house (Journal of Laws 2017, item 856).

The principles of calculation of own funds are established in the CRR resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS.

The Parent Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR"). At present, the total equity of the Group belongs to the highest category – Tier 1.

Prudential consolidation according to the CRR applies to subsidiaries in excess of the threshold referred to in Article 19 of the CRR. As regards the Group, the Parent Company includes its subsidiary X XTB Yönetim Danışmanlığı Anonim Şirketi in prudential consolidation, from 31 October 2015 includes its subsidiary XTB Limited in Great Britain, from 30 April 2017 includes its subsidiary XTB International and from 31 July 2018 includes its subsidiary XTB Limited in Cyprus.

In accordance with the Act on macroprudential supervision of the financial system and crisis management in the financial system of 5 August 2015, since 1 January 2016 the Group is obliged to maintain capital buffers. In the period covered by the half-year condensed consolidated financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
The Group's own funds	452 360	408 570	406 468
Tier I Capital	452 360	408 570	406 468
Common Equity Tier I capital	452 360	408 570	406 468
Total Group's risk exposure	2 901 906	2 563 461	2 447 163
Capital conservation buffer	72 548	64 087	61 179
Countercyclical capital buffer	4 640	4 512	4 001
Combined buffer requirement	77 188	68 599	65 180
Total capital ratio	15,6%	15,9%	16,6%
Total capital ratio including buffers	12,9%	13,3%	14,0 %
Minimal required total capital ratio including buffers (article 92 section1 letter c) of CRR)	8%	8%	8%

The mandatory capital adequacy was not breached in the periods covered by the half-year condensed consolidated financial statements.

The table below presents data on the level of capitals and on the total capital requirement divided into requirements due to specific types of risks calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as an estimation of the average values calculated based on statuses at the end of specific days.

In the table below, in order to ensure comparability of the presentation, the total capital requirement was presented as 8% of the total risk exposure, calculated in accordance with the CRR.

(IN PLN'000)	AS AT 30.06.2020 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2019 (AUDITED)	AS AT 30.06.2019 (UNAUDITED)
1. Capital/Own funds	452 360	403 185	408 570	406 468
1.1. Base capital/Common Equity Tier I without deductions	467 606	420 920	441 633	441 633
1.2. Additional items of common equity/Supplementary capital Tier I	–.	–.	–	–
1.3. Items decreasing share capitals	(15 246)	(17 735)	(33 063)	(35 165)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–.	–.	–	–
I. Level of capitals subject to monitoring/Own funds	452 360	403 185	408 570	406 468
1. Market risk	138 942	121 856	122 863	127 973
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	9 674	6 347	6 294	4 268
3. Credit risk	35 029	30 774	27 413	23 603
4. Operating risk	48 507	48 507	48 507	39 929
5. Exceeding the limit of exposure concentration and the limit of high exposures	–.	–.	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	232 152	207 484	205 077	195 773
IIb. Total risk exposure	2 901 906	2 593 553	2 563 461	2 447 163
Capital conservation buffer	72 548	64 839	64 087	61 179
Countercyclical capital buffer	4 640	4 403	4 512	4 001
Combined buffer requirement	77 188	69 242	68 599	65 180

Pursuant to CRR the duty to calculate the capital requirement in respect of fixed costs arises only in the event that the entity does not calculate the capital requirement in respect of operating risk.

33. Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken, as well as to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Parent Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Company's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Company's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Company and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Company.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Company's own investments, defines the overall capital requirement and estimates internal capital.

The Risk Control Department is managed by the Member of the Management Board responsible for the supervision of the risk management system

The Parent Company's Supervisory Board approves risk management system

33.1 Fair value

33.1.1 Carrying amount and fair value

The fair value of cash and cash equivalents is estimated as being close to their carrying amount.

The fair value of loans granted and other receivables, amounts due to clients and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items.

33.1.2 Fair value hierarchy

The Group discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- Level 1: quoted prices (unadjusted) in active markets for the assets or liabilities;
- Level 2: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- Level 3: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

(IN PLN'000)	30.06.2020 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	138 974	173 104	–	312 078
Total financial assets	138 974	173 104	–	312 078
Financial liabilities				
Financial liabilities held for trading	–	63 133	–	63 133
Total financial liabilities	–	63 133	–	63 133

(IN PLN'000)	31.12.2019 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	19 230	130 088	–	149 318
Total financial assets	19 230	130 088	–	149 318
Financial liabilities				
Financial liabilities held for trading	–	23 529	–	23 529
Total financial liabilities	–	23 529	–	23 529

(IN PLN'000)	30.06.2019 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	4 328	104 818	–	109 146
Total financial assets	4 328	104 818	–	109 146
Financial liabilities				
Financial liabilities held for trading	–	22 232	–	22 232
Total financial liabilities	–	22 232	–	22 232

In the periods covered by the half-year condensed consolidated financial statements, there were no transfers of items between the levels of the fair value hierarchy.

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, i.e. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Group. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

The impact of adjustments due to credit risk of the contractor, estimated by the Group, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Group. Therefore, the Group does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy.

33.2 Market risk

In the period covered by these half-year condensed consolidated financial statements, the Group entered into OTC contracts for differences (CFDs). The Group may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

The following risks are specified, depending on the risk factor:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Commodity price risk
- Equity investment price risk

The Group's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles.

As part of the internal procedures, the Group applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single instruction. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

33.2.1 Currency risk

The Group enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Group also offers instruments which price is denominated in foreign currencies. Also, the Group has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Group's assets and liabilities in foreign currencies as at the balance sheet date is presented below. The values for all base currencies are expressed in PLN'000:

Assets and liabilities denominated in foreign currencies as at 30 June 2020 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	192 932	431 565	34 379	116 731	4 922	14 098	19 436	814 063	1 427 816
Financial assets at fair value through P&L	32 716	60 078	7 161	16 360	1 269	3 432	12 779	133 795	312 078
Income tax receivables	–	–	–	12	–	–	–	12	283
Financial assets at amortised cost	465	4 740	182	324	35	254	1 241	7 241	8 496
Prepayments and deferred costs	157	642	232	100	–	21	16	1 168	5 378
Intangible assets	–	15	–	49	–	–	6	70	640
Property, plant and equipment	7	4 533	85	982	–	4	1 159	6 770	12 977
Deferred income tax assets	–	7 445	1 666	66	–	–	–	9 177	9 177
Total assets	226 277	509 018	43 705	134 624	6 226	17 809	34 637	972 296	1 776 845
Liabilities									
Amounts due to Clients	74 642	367 549	24 894	102 929	4 574	13 562	13 949	602 099	862 345
Financial liabilities held for trading	19 434	15 422	2 000	4 234	486	508	7 143	49 227	63 133
Income tax liabilities	–	394	–	–	–	–	510	904	904
Liabilities due to lease	–	8 527	–	76	–	–	892	9 495	9 516
Other liabilities	2 087	13 186	3 479	1 496	–	357	1 123	21 728	44 012
Provisions for liabilities	–	–	–	–	–	–	2 616	2 616	4 064
Deferred income tax provision	–	–	–	–	–	–	78	78	14 826
Total liabilities	96 163	405 078	30 373	108 735	5 060	14 427	26 311	686 147	998 800

Assets and liabilities denominated in foreign currencies as at 31 December 2019 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	65 575	334 517	15 965	63 673	7 906	10 786	32 678	531 100	955 196
Financial assets at fair value through P&L	18 799	50 681	2 731	15 100	1 769	1 940	3 096	94 116	149 318
Income tax receivables	–	13	–	58	–	–	–	71	71
Financial assets at amortised cost	396	3 002	205	237	11	151	1 351	5 353	6 474
Prepayments and deferred costs	189	270	271	101	–	18	25	874	4 073
Intangible assets	–	13	–	56	–	–	8	77	572
Property, plant and equipment	–	4 991	244	1 107	–	10	451	6 803	14 193
Deferred income tax assets	–	7 160	1 804	29	–	–	10	9 003	9 003
Total assets	84 959	400 647	21 220	80 361	9 686	12 905	37 619	647 397	1 138 900
Liabilities									
Amounts due to Clients	40 977	272 991	11 501	63 177	5 740	10 232	10 730	415 348	573 792
Financial liabilities held for trading	7 340	6 796	833	1 316	392	135	1 175	17 987	23 529
Income tax liabilities	–	49	–	–	–	–	359	408	1 697
Liabilities due to lease	–	10 289	180	95	–	–	182	10 746	10 772
Other liabilities	716	5 373	1 908	598	1	193	1 281	10 070	19 676
Provisions for liabilities	–	–	–	–	–	–	1 677	1 677	3 129
Deferred income tax provision	–	–	–	–	–	–	–	–	15 561
Total liabilities	49 033	295 498	14 422	65 186	6 133	10 560	15 404	456 236	648 156

Assets and liabilities denominated in foreign currencies as at 30 June 2019 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	61 212	305 355	11 921	54 807	7 257	9 951	35 357	61 212	877 43
Financial assets at fair value through P&L	14 313	43 462	1 043	8 476	878	2 931	3 190	74 293	109 146
Income tax receivables	–	11	–	106	–	–	334	451	5 419
Financial assets at amortised cost	534	4 760	62	79	4	174	196	5 809	7 047
Prepayments and deferred costs	141	695	420	207	–	55	96	1 614	4 215
Intangible assets	–	12	–	14	–	–	9	35	624
Property, plant and equipment	–	5 554	413	1 153	–	13	643	7 776	14 614
Deferred income tax assets	–	7 247	1 728	45	–	–	46	9 066	9 066
Total assets	76 200	367 096	15 587	64 887	8 139	13 124	39 871	584 905	1 027 568
Liabilities									
Amounts due to Clients	41 446	247 522	7 207	51 371	4 802	9 343	12 665	374 356	522 153
Financial liabilities held for trading	6 327	5 703	451	1 180	260	172	619	14 712	22 232
Income tax liabilities	–	254	–	–	–	–	30	284	285
Liabilities due to lease	–	10 820	422	114	–	–	359	11 715	11 749
Other liabilities	460	5 348	1 352	590	–	276	1 162	9 188	16 749
Provisions for liabilities	–	–	–	–	–	–	2 223	2 223	2 757
Deferred income tax provision	–	–	–	–	–	–	20	20	13 791
Total liabilities	48 233	269 647	9 432	53 255	5 062	9 791	17 078	412 498	589 716

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Group's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5% to PLN. The carrying amount of financial instruments was revalued.

The sensitivity of the Group's equity and profit before tax to a 5% increase or decrease of the PLN exchange rate is presented below:

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020 (UNAUDITED)		30.06.2019 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	13 481	(13 481)	5 195	5 195
Equity, of which:	14 120	7 480	3 303	3 303
Foreign exchange differences on translation	14 120	7 480	3 303	3 303

The sensitivity of equity is connected with foreign exchange differences in the translation of value in functional currencies of the foreign operations.

33.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Group to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Group, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates.

The basic interest rate risk for the Group is the mismatch of interest rates paid to clients in connection with funds deposited in cash accounts in the Group, and of the bank account and bank deposits where the Group's clients' funds are invested.

In addition, the source of the Group's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments. As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in clients' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Group from the bank maintaining the bank account in which clients' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of interest rate mismatch adverse to the brokerage house is very low.

Since the Group maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Financial assets			
Cash and cash equivalents	1 427 815	955 196	877 437
Total financial assets	1 427 815	955 196	877 437
Financial liabilities			
Amounts due to clients	–	2 641	27 333
Other liabilities	9 904	10 743	11 749
Total financial liabilities	9 904	13 384	39 082

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 30 June 2020 and from 1 January to 30 June 2019, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED) INCREASE BY 50 PB	30.06.2020 (UNAUDITED) DECREASE BY 50 PB	30.06.2019 (UNAUDITED) INCREASE BY 50 PB	30.06.2019 (UNAUDITED) DECREASE BY 50 PB
Profit/(loss) before tax	6 097	(6 097)	4 308	4 308

Sensitivity analysis of financial assets and liabilities whose fair value is exposed to interest rate risk

In the period covered by these half-year condensed consolidated financial statements and in the comparative period, the Group did not hold any financial assets or liabilities whose fair value would be exposed to the risk of changes in interest rates.

33.2.3 Other price risk

Other price risk is exposure of the Group's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (in a scope not resulting from interest rates).

The carrying amount of financial instruments exposed to other price risk is presented below:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	5 248	4 650	4 650
Base metals	230	193	193
Other	28 004	9 344	9 344
Total commodity	33 481	14 187	14 187
Equity instruments			
Stocks	30 529	13 745	13 745
Indicies	78 809	57 382	57 382
Total equity instruments	109 338	71 127	71 127
Debt instruments	35	15 224	325
Total financial assets at fair value through P&L	142 854	100 538	85 639
Financial liabilities held for trading			
Commodity			
Precious metals	4 178	2 126	2 126
Base metals	97	24	24
Other	15 550	3 506	3 506
Total commodity	19 824	5 656	5 656
Equity instruments			
Stocks	10 046	2 356	2 356
Indicies	12 621	7 912	7 912
Total equity instruments	22 667	10 268	10 268
Debt instruments	4	10	10
Total financial liabilities held for trading	42 495	15 934	15 934

The Group's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5 per cent with regard to equity and profit before tax is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020 (UNAUDITED)		30.06.2019 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	3 826	(3 826)	(696)	696
Base metals	(12)	12	(152)	152
Other	(16 659)	16 659	(4 144)	4 144
Total commodity	(12 845)	12 845	(4 992)	4 992
Equity instruments				
Stocks	(55)	55	(7)	7
Indicies	15 500	(15 500)	30 741	(30 741)
Total equity instruments	15 445	(15 445)	30 734	(30 734)
Debt instruments	349	(349)	734	(734)
Total income/(expenses) for the period	2 950	(2 949)	26 476	(26 476)

33.3 Liquidity risk

For the Group, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Group takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

The objective of liquidity management at X–Trade Brokers is to maintain the amount of cash on the appropriate bank accounts that will cover all the operations necessary to be carried on such accounts. In order to manage liquidity in relation to certain bank accounts associated with the operations of financial instruments, the Group uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action. Where the upper limit is achieved, the Group makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Group makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

Tasks relating to the maintenance and updating of the rules of the liquidity model are performed by the Parent Company's Risk Control Department. Risk Control Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the Parent Company's Accounting Department in order to make certain operations in the accounts.

The subsidiaries manage liquidity by analysing the anticipated cash flows and by matching the maturities of assets with the maturities of liabilities. The subsidiaries do not use any models for managing liquidity. Liquidity management based on the liquidity gap analysis is effective and sufficient – in subsidiaries, there were no incidents related to lack of liquidity or the lack of possibility of meeting financial obligations. In extraordinary cases, the subsidiaries' liquidity may be provided by the Parent Company.

The procedure also provides for the possibility of deviating from its application, and such procedure requires the consent of at least two members of the Parent Company's Management. Information on deviations is transmitted to the Risk Control Department of the Parent Company.

The Parent Company has also implemented liquidity contingency plans, which were not used in the period covered by the financial statements and in the comparative period, due to the fact that the amount of the most liquid assets (own cash and cash equivalents) greatly exceeds the amount of liabilities.

As part of ongoing business and the tasks related to liquidity risk management, the managers of appropriate organisational units of the Parent Company monitor the balance of funds deposited in the account in the context of planned liquidity needs related to the Parent Company's operating activities. In its liquidity analysis, the existing possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans are taken into consideration.

The contractual payment periods of financial assets and liabilities are presented below. The marginal and cumulative contractual liquidity gap, calculated as the difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

Contractual payment periods of financial assets and liabilities as at 30 June 2020 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	1 427 816	1 427 816	1 427 816				
Financial assets at fair value through P&L							
Listed stocks and ETFs	7 591	7 591	7 591	–	–	–	–
Bonds	131 383	131 383	131 383				
CFDs	173 104	173 104	173 104	–	–	–	–
Total financial assets at fair value through P&L	312 078	312 078	312 078	–	–	–	–
Financial assets at amortised cost	8 496	8 496	6 060	–	2 436	–	–
Total financial assets	1 748 390	1 748 390	1 745 954	–	2 436	–	–
Financial liabilities							
Amounts due to clients	862 345	862 345	862 345	–	–	–	–
Financial liabilities held for trading							
CFDs	63 133	63 133	63 133	–	–	–	–
Total financial liabilities held for trading	63 133	63 133	63 133	–	–	–	–
Liabilities due to lease	9 516	9 516	998	2 871	5 372	275	–
Other liabilities	44 012	44 012	20 180	19 289	–	–	4 543
Total financial liabilities	979 006	979 006	946 656	22 160	5 372	275	4 543
Contractual liquidity gap in maturities (payment dates)			799 298	(22 160)	(2 936)	(275)	(4 543)
Contractual cumulative liquidity gap			799 298	777 138	774 202	773 927	769 384

Umow Contractual payment periods of financial assets and liabilities as at 31 December 2019 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	955 196	955 196	955 196	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETFs	4 331	4 331	4 331	–	–	–	–
Bonds	14 899	14 899	14 899	–	–	–	–
CFDs	130 088	130 088	130 088	–	–	–	–
Total financial assets at fair value through P&L	149 318	149 318	149 318	–	–	–	–
Financial assets at amortised cost	6 474	6 474	4 609	–	1 865	–	–
Total financial assets	1 110 988	1 110 988	1 109 123	–	1 865	–	–
Financial liabilities							
Amounts due to clients	573 792	573 792	573 792	–	–	–	–
Financial liabilities held for trading							
CFDs	23 529	23 529	23 529	–	–	–	–
Total financial liabilities held for trading	23 529	23 529	23 529	–	–	–	–
Liabilities due to lease	10 772	10 772	1 187	3 136	5 679	770	–
Other liabilities	19 676	19 676	9 239	8 511	–	–	1 926
Total financial liabilities	627 769	627 769	607 747	11 647	5 679	770	1 926
Contractual liquidity gap in maturities (payment dates)			501 376	(11 647)	(3 814)	(770)	(1 926)
Contractual cumulative liquidity gap			501 376	489 729	485 915	485 145	483 219

Contractual payment periods of financial assets and liabilities as at 30 June 2019 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	877 437	877 437	877 437	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETFs	4 328	4 328	4 328	–	–	–	–
CFDs	104 818	104 818	104 818	–	–	–	–
Total financial assets at fair value through P&L	109 146	109 146	109 146	–	–	–	–
Financial assets at amortised cost	7 047	7 047	5 185	–	1 862	–	–
Total financial assets	993 630	993 630	991 768	–	1 862	–	–
Financial liabilities							
Amounts due to clients	522 153	522 153	522 153	–	–	–	–
Financial liabilities held for trading							
CFDs	22 232	22 232	22 232	–	–	–	–
Total financial liabilities held for trading	22 232	22 232	22 232	–	–	–	–
Liabilities due to lease	11 749	11 749	1 098	3 249	6 488	914	–
Other liabilities	16 749	16 749	10 217	4 534	–	–	1 998
Total financial liabilities	572 883	572 883	555 700	7 783	6 488	914	1 998
Contractual liquidity gap in maturities (payment dates)			436 068	(7 783)	(4 626)	(914)	(1 998)
Contractual cumulative liquidity gap			436 068	428 285	423 659	422 745	420 747

The Group does not expect the cash flows presented in the maturity analysis to occur significantly earlier or in significantly different amounts.

33.4 Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Group's exposure to credit risk:

(IN PLN'000)	30.06.2020 (UNAUDITED)		31.12.2019 (AUDITED)		30.06.2019 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	1 427 816	1 427 816	955 196	955 196	877 437	877 437
Financial assets at fair value through P&L *	312 078	9 940	130 088	6 676	109 146	6 037
Financial assets at amortised cost	8 496	8 496	6 474	6 474	7 047	7 047
Total financial assets	1 748 390	1 755 212	1 110 988	968 346	993 630	890 521

** As at 30 June 2020 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 104 921 thousand (31 December 2019: PLN 130 190 thousand, 30 June 2019: PLN 104 921 thousand). This exposure was collateralised with clients' cash, which, as at 30 June 2020, covered the amount of PLN 190 441 thousand (31 December 2019: PLN 101 350 thousand, 30 June 2019: PLN 95 480 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

The credit quality of the Group's financial assets is assessed based on external credit quality assessments, risk weights assigned based on the CRR, taking account of the mechanisms used to mitigate credit risk, the number of days past due, and the probability of counterparty insolvency.

The Group's assets fall within the following credit rating brackets:

- Fitch Ratings – from F1+ to B
- Standard & Poor's Ratings Services – from A-1+ to B
- Moody's – from P-1 to N/A

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 30 June 2020, the Group had deposit accounts in 43 banks and institutions (31 December 2019: in 44 banks and institutions, 30 June 2019: in 43 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.06.2020 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2019 (AUDITED) (IN PLN'000)	ENTITY	30.06.2019 (UNAUDITED) (IN PLN'000)
Bank 1	615 416	Bank 1	257 494	Bank 1	237 041
Bank 2	157 960	Bank 2	197 799	Bank 2	159 136
Bank 3	140 555	Bank 3	135 374	Bank 3	108 053
Bank 4	103 084	Bank 4	93 637	Bank 4	73 931
Bank 5	91 837	Bank 5	43 170	Bank 5	42 780
Bank 6	54 946	Bank 6	36 649	Bank 6	41 345
Bank 7	41 451	Bank 7	27 005	Bank 7	33 886
Bank 8	36 111	Bank 8	25 291	Bank 8	27 484
Bank 9	31 211	Bank 9	22 982	Bank 9	21 492
Bank 10	28 502	Bank 10	17 982	Bank 10	19 291
Other	126 743	Other	97 813	Other	112 998
Total	1 427 816	Total	955 196	Total	877 437

The table below presents a short-term assessment of the credit quality of the Group's cash and cash equivalents according to credit quality steps determined based on external credit quality assessments (where step 1 means the best credit quality and step 6 – the worst) and the risk weights assigned based on the CRR. Long-term assessment of the credit quality were used in case of exposures without short-term assessment of the credit quality or maturity longer than 3 months.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000)		
	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Cash and cash equivalent			
Step 1	1 312 191	804 016	790 508
Step 2	26 946	49 735	3 322
Step 3	83 544	78 403	59 035
Step 4	3 127	20 941	22 688
Step 5	-	2 101	1 884
Step 6	2 008	-	-
Total	1 427 816	955 196	877 437

Financial assets at fair value through P&L

Financial assets at fair value through P&L result from transactions in financial instruments entered into with the Group's customers and the related hedging transactions.

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Group's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 50 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets at fair value through P&L is high and does not show significant diversity.

The Group's top 10 exposures to counterparty credit risk taking into account collateral (net exposure) are presented in the table below (numbering of counterparties determined individually for each period:

30.06.2020 (UNAUDITED)		31.12.2019 (AUDITED)		30.06.2019 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	2 578	Entity 1	3 071	Entity 1	2 411
Entity 2	2 003	Entity 2	1 212	Entity 2	1 295
Entity 3	1 057	Entity 3	295	Entity 3	1 243
Entity 4	542	Entity 4	267	Entity 4	207
Entity 5	273	Entity 5	262	Entity 5	131
Entity 6	236	Entity 6	180	Entity 6	77
Entity 7	208	Entity 7	109	Entity 7	72
Entity 8	181	Entity 8	103	Entity 8	33
Entity 9	157	Entity 9	88	Entity 9	33
Entity 10	145	Entity 10	84	Entity 10	25
Total	7 379	Total	5 671	Total	5 527

Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the Group's business. Non-overdue other receivables are collected on a regular basis and, from the perspective of credit quality, they do not pose a material risk to the Group

Warsaw, 20 August 2020

Omar Arnaout President of the Management Board	Filip Kaczmarzyk Member of the Management Board
Jakub Kubacki Member of the Management Board	Paweł Szejko Member of the Management Board
Andrzej Przybylski Member of the Management Board	Urszula Tanajewska The person responsible for bookkeeping

HALF-YEAR CONDENSED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)
Result of operations on financial instruments	6.1	197 255	40 671	492 290	72 265
Income from fees and charges	6.2	963	1 583	2 051	3 123
Other income		8	6	79	12
Total operating income	6	198 226	42 260	494 420	75 400
Salaries and employee benefits	7	(21 422)	(16 912)	(53 225)	(32 951)
Marketing	8	(11 463)	(4 748)	(21 353)	(10 130)
Other external services	9	(14 329)	(9 114)	(27 483)	(17 373)
Costs of maintenance and lease of buildings		(620)	(546)	(1 191)	(1 069)
Amortisation and depreciation	16,17	(1 740)	(1 178)	(3 299)	(2 724)
Taxes and fees		(542)	(773)	(1 129)	(1 311)
Commission expenses	10	(3 627)	(1 488)	(7 098)	(3 118)
Other costs		(309)	(513)	(1 008)	(1 069)
Total operating expenses		(54 052)	(35 272)	(115 786)	(69 745)
Profit on operating activities		144 174	6 988	378 634	5 655
Impairment of investments in subsidiaries		(128)	(1 912)	(1 626)	(2 250)
Finance income	11	(5 376)	56	4 156	847
Finance costs	11	(81)	(438)	(165)	(597)
Profit before tax		138 589	4 694	380 999	3 655
Income tax	26	(22 292)	(1 496)	(68 368)	(1 421)
Net profit		116 297	3 198	312 631	2 234
Other comprehensive income		(331)	(215)	772	(239)
Items which will be reclassified to profit (loss) after meeting specific conditions		(331)	(215)	772	(239)
- foreign exchange differences on translation of foreign operations		325	*128*	*(720)*	*189*
- foreign exchange differences on valuation of separated equity		(810)	*(424)*	*1 842*	*(529)*
- deferred income tax		154	*81*	*(350)*	*101*
Total comprehensive income		115 966	2 983	313 403	1 995
Earnings per share:					
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,99	0,03	2,66	0,02
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,99	0,03	2,66	0,02
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,99	0,03	2,66	0,02
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,99	0,03	2,66	0,02

The half-year condensed comprehensive income statement should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

HALF-YEAR CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
ASSETS				
Cash and cash equivalents	12	1 309 162	855 811	783 407
Financial assets at fair value through P&L	13	285 400	136 549	100 447
Investments in subsidiaries	14	36 507	54 463	52 614
Income tax receivables		278	71	5 070
Financial assets at amortised cost	15	24 367	12 747	11 261
Prepayments and deferred costs		4 930	3 541	3 463
Intangible assets	16	464	380	418
Property, plant and equipment	17	11 448	13 138	13 339
Deferred income tax assets	26.2	7 511	7 189	7 292
Total assets		1 680 067	1 083 889	977 311
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	781 961	519 550	472 211
Financial liabilities held for trading	19	44 021	19 159	18 349
Income tax liabilities		344	1 335	199
Liabilities due to lease	20	8 405	10 119	10 822
Other liabilities	21	46 642	19 446	16 176
Provisions for liabilities	22	1 448	1 452	534
Deferred income tax provision	26.2	14 748	15 561	13 770
Total liabilities		897 569	586 622	532 061
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	390 592	364 619	364 619
Foreign exchange differences on translation	23	1 798	1 026	920
Retained earnings		312 631	54 145	2 234
Total equity		782 498	497 267	445 250
Total equity and liabilities		1 680 067	1 083 889	977 311

The half-year condensed statement of financial position should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

HALF-YEAR CONDENSED STATEMENT OF CHANGES IN EQUITY

Half-year condensed statement of changes in equity for the period from 1 January 2020 to 30 June 2020

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	23,24	
As at 1 January 2020	5 869	71 608	364 619	1 026	54 145	497 267
Total comprehensive income for the financial year						
Net profit	–	–	–	–	312 631	312 631
Other comprehensive income	–	–	–	772	–	772
Total comprehensive income for the financial year	–	–	–	772	312 631	313 403
Transactions with owners recognized directly in equity						
Appropriation of profit	–	–	25 973	–	(54 145)	(28 172)
- dividend payment	–	–	–	–	(28 172)	(28 172)
- transfer to other reserves	–	–	25 973	–	(25 973)	–
As at 30 June 2020 (unaudited)	5 869	71 608	390 592	1 798	312 631	782 498

The half-year condensed statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

Statement of changes in equity for the period from 1 January 2019 to 31 December 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	23,24	
As at 1 January 2019	5 869	71 608	334 760	1 159	49 814	463 210
Total comprehensive income for the financial year						
Net profit	–	–	–	–	54 145	54 145
Other comprehensive income	–	–	–	(133)	–	(133)
Total comprehensive income for the financial year	–	–	–	(133)	54 145	54 012
Transactions with owners recognized directly in equity						
Appropriation of profit	–	–	29 859	–	(49 814)	(19 955)
- dividend payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 31 December 2019 (audited)	5 869	71 608	364 619	1 026	54 145	497 267

The statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

Half-year condensed statement of changes in equity for the period from 1 January 2019 to 30 June 2019

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	23,24	
As at 1 January 2019	5 869	71 608	334 760	1 159	49 814	463 210
Total comprehensive income for the financial year						
Net profit	–	–	–	–	2 234	2 234
Other comprehensive income	–	–	–	(239)	–	(239)
Total comprehensive income for the financial year	–	–	–	(239)	2 234	1 995
Transactions with owners recognized directly in equity						
Appropriation of profit	–	–	29 859	–	(49 814)	(19 955)
- dividend payment	–	–	–	–	(19 955)	(19 955)
- transfer to other reserves	–	–	29 859	–	(29 859)	–
As at 30 June 2019 (unaudited)	5 869	71 608	364 619	920	2 234	445 250

The half-year condensed statement of changes in equity should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

HALF-YEAR CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		380 999	3 655
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment	20,21	3 299	2 724
Amortization and depreciation		(995)	949
Foreign exchange (gains) losses from translation of own cash		14 479	697
(Gain) Loss on investment activity	34.2	553	(239)
Changes			
Change in provisions		(4)	(515)
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(123 989)	(361)
Change in balance of restricted cash		(251 917)	(66 575)
Change in financial assets at amortised cost		(11 620)	1 806
Change in balance of prepayments and accruals		(1 389)	(1 112)
Change in balance of amounts due to customers		262 411	67 011
Change in balance of other liabilities	34.1	27 196	(4 293)
Cash from operating activities		299 023	3 747
Income tax paid		(70 701)	(2 472)
Interests		152	184
Net cash from operating activities		228 474	1 459
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	21	(1 635)	(1 509)
Expenses relating to payments for intangible assets	20	(186)	(36)
Dywidendy otrzymane od jednostek zależnych		3 477	19
Środki pieniężne netto z działalności inwestycyjnej		1 656	(1 526)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(1 367)	(1 612)
Interest paid under lease		(152)	(184)
Dividend paid to owners		(28 172)	(19 955)
Net cash from financing activities		(29 691)	(21 751)
Increase (Decrease) in net cash and cash equivalents		200 439	(21 818)
Cash and cash equivalents – opening balance		435 039	412 950
Effect of FX rates fluctuations on balance of cash in foreign currencies		995	(949)
Cash and cash equivalents – closing balance	15	636 473	390 183

The half-year condensed cash flow statement should be read together with the supplementary notes which are an integral part of these half-year condensed financial statements.

ADDITIONAL NOTES TO THE HALF-YEAR CONDENSED FINANCIAL STATEMENTS

1. General information

1.1 Name and registered seat of the Company

Name:	X-Trade Brokers Dom Maklerski Spółka Akcyjna
Legal form:	Joint Stock Company
Country:	Poland
Company registered seat:	Ogrodowa 58, 00-876 Warsaw
Regon statistical number:	015803782
Tax Identification Number:	5272443955
Registration in the National Court Register:	0000217580

1.2 Company business

X-Trade Brokers Dom Maklerski is a joint-stock company established pursuant to a notarial deed of 2 September 2004 - Repertory A-2712/2004. The Company was established for an indefinite period.

On 22 September 2004, the Company was entered in the National Court Register by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under No. 0000217580. The Company was granted a statistical REGON number 015803782 and a tax identification (NIP) number 5272443955.

The Company's operations consist of conducting brokerage activities on the stock exchange (stocks and ETFs) and OTC markets (currency derivatives, commodities, indices, stocks and bonds). The Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

1.3 Information on the reporting entities in the Company's organizational structure

The half-year condensed financial statements cover the following foreign branches which form the Company:

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: CUI 24270192.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: 4721939029.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689.

- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa (branch in Portugal) – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under No. 980436613.

1.4 Composition of the Company's Management Board

In the period covered by these financial statements, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March 2017 appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Filip Kaczmarzyk	Board Member	10.01.2017	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Jakub Kubacki	Board Member	10.07.2018	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Andrzej Przybylski	Board Member	01.05.2019	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022

2. Basis for drafting the financial statements

2.1 Compliance statement

These half-year condensed financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union.

The half-year condensed financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2020 to 30 June 2020 with comparative data for the period from 1 January 2019 to 30 June 2019, as at 31 December 2019 and cover the Company's financial data and financial data of the branch offices.

These half-year condensed financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities at fair value through P&L and financial instruments at fair value through other comprehensive income which are measured at fair value. The Company's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The half-year condensed financial statements do not cover all information and disclosures required by International Financial Reporting Standards approved by European Union (IFRS) to be presented in annual financial statements and they should be read jointly with the financial statements of the X-Trade Brokers Dom Maklerski S.A. for the year 2019.

The half-year condensed financial statements were approved by the Management Board of the Company on 20 August 2020. Drafting these half-year condensed financial statements, the Company decided that none of the standards would be applied retrospectively.

The half-year condensed financial statements were prepared based on the assumption that the Company would continue as a going concern in the foreseeable future. At the date of preparation of these half-year condensed financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the company's continued operations.

The Company and its branch offices maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The half-year condensed financial statements include adjustments not recognised in the companies' accounting records, made in order to reconcile their financial statements with the IFRS.

2.2 Functional currency and reporting currency

The functional currency and the presentation currency of these financial statements is the Polish zloty ("PLN"), and unless stated otherwise, all amounts are shown in thousands of zloty (PLN'000).

2.3 Comparability of data and consistency of the policies applied

Data presented in the half-year condensed financial statements is comparable and prepared under the same principles for all periods covered by the half-year condensed financial statements, apart from changes described in note 2.5.

2.4 The impact of COVID-19 on the Company's results

In March 2020 the World Health Organization determined that COVID disease can be treated as a pandemic. Due to significant increase of this disease all over the world, countries take numerous action to limit or delay it's spread. Undertaken measures have increasing impact on global economy. This situation has influence on the above average volatility in the financial and commodity markets which resulted in high transaction activity of customers and converted to growth of Company's revenues and customer base.

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the half-year condensed financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 9 „Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform,
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Materiality,
- Amendments to references to Conceptual Framework included in International Financial Reporting Standards.

The Company has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

2.6 New standards and interpretations which have been published but are not yet binding

The following standards and interpretations have been published by the International Accounting Standards Board but are not yet binding:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2020;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2022.

- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2020;

3. Material estimates and valuations

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

3.1 Impairment of assets

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

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

Deferred income tax assets

At each balance sheet date, the Company assesses the likelihood of settlement of unused tax credits with the estimated future taxable profit, and recognises the deferred tax asset only to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, which is described in note 30.2.2.

Period for settlement of the deferred tax asset

The Company recognises a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilisation. Deterioration in tax results in the future might result in the assumption becoming unjustified. The deferred tax asset relates mainly to the losses generated by foreign operations and subsidiaries in the initial period of their operation recognised in the balance sheet. The Company analyses the possibility of recognising such assets, taking into consideration local tax regulations, and analyses future tax budgets assessing the possibility of recovering these assets.

Uncertainty related to tax settlements

Regulations concerning the tax on goods and services, corporate income tax and the burden of social insurance are subject to frequent changes. These frequent changes result in lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applied. The current regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and companies.

Tax settlements and other areas of activity (for example, customs or foreign exchange) may be subject to inspection by control authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from inspections must be paid together with high interest. These conditions cause that tax risk in Poland is higher than in countries with more mature tax systems.

Consequently, the amounts reported and disclosed in the financial statements may change in the future as a result of a final decision of the tax audit.

On 15 July 2016 changes have been introduced to the Tax Code to take into account the provisions of the General Anti Avoidance Rules (GAAR). GAAR is to prevent the formation and use of artificial legal structures created in order to avoid payment of tax in Poland. GAAR defines tax avoidance operation as an action made primarily in order to achieve a tax advantage being in conflict with the subject and purpose of the provisions of the Tax Act. According to GAAR such activity does not result in the achievement of a tax advantage if the behaviour was artificial. Any occurrence of (i) unjustified sharing operations, (ii) the involvement of intermediaries, despite the lack of economic justification or business, (iii) the elements mutually terminating or compensating, and (iv) other actions with a similar effect to the aforementioned, may be treated as a condition of existence false operations covered by GAAR. The new regulations will require greater judgment when assessing the tax consequences of particular transactions.

GAAR clause should apply to transactions made after its entry into force and to the transactions that were carried out prior to the entry into force of the GAAR clause but for which the benefits have been achieved or are still. The implementation of these regulations will enable the Polish tax authorities to question legal arrangements and agreements carried out by the taxpayers, such as restructuring and group reorganization.

3.2 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 33 – Risk management.

3.3 Other estimates

Provisions for liabilities connected with retirement, pension and death benefits are calculated using the actuarial method by an independent actuary as the current value of the Company's future amounts due to employees, based on their employment and salaries as at the balance sheet date. The calculation of the provision amount is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death, and others.

Provision for unused holidays is calculated on the basis of the estimated payment of holiday benefits, based on the number of unused holidays, and remuneration as at the balance sheet date. Provisions for legal risk are calculated on the basis of the estimated amount of outflow of cash in the case in which it is probable that such outflow will occur, if the given case ends unsuccessfully.

Provisions for disputes is determined individually based on the circumstances of a given case. The Company assesses the chance of winning particular case and consequently assesses the need of establishing the provision in case of a loss in relations to all court cases.

4. Adopted accounting principles

The accounting policies applied in the preparation of the half-year condensed financial statements are consistent with the accounting policies applied in the preparation of the annual financial statements for the financial year ended 31 December 2019, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2020.

5. Seasonality of operations

The Company's operations are not seasonal..

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Financial instruments (CFD)		
Index CFDs	252 818	72 595
Commodity CFDs	210 043	5 950
Currency CFDs	44 743	5 336
Stock and ETF CFDs	4 400	1 162
Bond CFDs	138	663
Total CFDs	512 142	85 706
Stocks and ETFs	5 999	400
Dividends from subsidiaries	1 348	1 554
Gross gain on transactions in financial instruments	519 489	87 660
Intermediary services	(26 747)	(15 185)
Commission paid to cooperating brokers	(452)	(210)
Net gain on transactions in financial instruments	492 290	72 265

Intermediary services are services performed on the foreign markets by the Company's subsidiaries.

The Company concludes cooperation agreements with introducing brokers who receive commissions which depend on the trade generated under the cooperation agreements. The income generated and the costs incurred between the Company and particular brokers relate to the trade between the broker and customers that are not his customers.

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Fees and charges from institutional clients	1 365	2 320
Fees and charges from retail clients	686	803
Total income from fees and charges	2 051	3 123

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Operating income		
Central and Eastern Europe	257 191	44 581
- including Poland	*176 997*	*36 090*
Western Europe	204 817	30 222
- including Spain	*92 005*	*21 187*
Latin America and Turkey	32 412	597
Total operating income	494 420	75 400

The countries from which the Company derives each time 15% and over of its revenue are: Poland and Spain. The share of other countries in the structure of the Company's revenue by geographical area does not in any case exceed 15%. Due to the overall share in the Company's revenue, Poland and Spain were set apart for presentation purposes within the geographical area.

The Company breaks its revenue down into geographical area by country in which a given customer was acquired.

7. Salaries and employee benefits

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Salaries	(44 101)	(26 243)
Social insurance and other benefits	(8 272)	(5 334)
Employee benefits	(852)	(1 374)
Total salaries and employee benefits	(53 225)	(32 951)

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Marketing online	(20 662)	(8 825)
Marketing offline	(691)	(1 304)
Competitions for clients	–	(1)
Total marketing	(21 353)	(10 130)

Marketing activities carried out by the Company are mainly focused on Internet marketing, which is also supported by other marketing activities.

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Intermediary services	(16 429)	(7 453)
Support database systems	(4 275)	(3 494)
Market data delivery	(2 843)	(2 732)
Legal and advisory services	(1 347)	(1 166)
Internet and telecommunications	(980)	(1 009)
Accounting and audit services	(716)	(714)
IT support services	(230)	(233)
Postal and courier services	(179)	(82)
Recruitment	(155)	(118)
Other external services	(329)	(372)
Total other external services	(27 483)	(17 373)

Intermediary services represent remuneration paid to subsidiaries. The increase in 2020 relates to intensive development of these companies' operation on the foreign markets.

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Bank commissions	(5 091)	(1 631)
Stock exchange fees and charges	(1 837)	(1 328)
Commissions of foreign brokers	(170)	(159)
Total commission expenses	(7 098)	(3 118)

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Interest income		
Interest on own cash	27	490
Interest on customers' cash	619	350
Total interest income	646	840
Foreign exchange gains	1 969	–
Income on Bonds	1 539	–
Other finance income	2	7
Total finance income	4 156	847

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Interest expense		
Interest paid to customers	(152)	(184)
Interest paid under lease agreements	–	(41)
Other interest	(12)	(30)
Total interest expense	(164)	(255)
Foreign exchange losses	–	(340)
Other finance costs	(1)	(2)
Total finance costs	(165)	(597)

Foreign exchange differences relate to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency.

12. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
In current bank accounts	1 309 162	855 811	783 407
Cash and cash equivalents in total	1 309 162	855 811	783 407

Own cash and restricted cash – customers' cash:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Customers' cash and cash equivalents	672 689	420 772	393 224
Own cash and cash equivalents	636 473	435 039	390 183
Cash and cash equivalents in total	1 309 162	855 811	783 407

Customers' cash and cash equivalents include the value of clients' open transactions.

13. Financial assets at fair value through P&L

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Index CFDs	75 802	74 021	55 321
Commodity CFDs	32 129	15 437	12 752
Stock and ETF CFDs	19 821	9 881	9 308
Currency CFDs	18 733	18 057	18 517
Bond CFDs	34	25	324
Stocks and ETF	7 498	4 229	4 225
Debt instruments (treasury bonds)	131 383	14 899	–
Total financial assets at fair value through P&L	285 400	136 549	100 447

The Company invests part of funds in financial instruments with 0% risk weight (treasury bonds). At 30 June 2020 the total value of purchased bonds was 131,4 million PLN, at 31 December 2019: 15 thousand PLN, at 30 June 2019 it didn't occur.

Detailed information on the estimated fair value of the instrument is presented in note 34.1.1.

14. Investment in subsidiaries

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
At the beginning of the reporting period	54 463	54 864	54 864
Increase	–	2 189	-
Decrease	(36 410)	(200)	-
Impairment of investments in subsidiaries	18 454	(2 390)	(2 250)
At the end of the reporting period	36 507	54 463	52 614

Impairment of investments in subsidiaries

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Impairment write-downs of investments in subsidiaries – at the beginning of the reporting period	(20 910)	(18 520)	(18 520)
Write-downs utilized	20 080	–	–
Write-downs recorded	(1 626)	(2 390)	(2 250)
Impairment write-downs of investments in subsidiaries – at the end of the reporting period	(2 456)	(20 910)	(20 770)

Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	30.06.2020 (UNAUDITED) CARRYING AMOUNT OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	31.12.2019 (AUDITED) CARRYING AMOUNT OF SHARES (IN PLN'000)	UDZIAŁ W KAPITALE %	30.06.2019 (UNAUDITED) CARRYING AMOUNT OF SHARES (IN PLN'000)	CARRYING AMOUNT OF SHARES (IN PLN'000)
XTB Limited	Great Britain	20 139	100%	20 139	100%	20 139	100%
X Open Hub Sp. z o.o.	Poland	5	100%	5	100%	5	100%
XTB Limited	Cyprus	7 560	100%	7 560	100%	7 560	100%
XTB Yönetim Danışmanlığı Anonim Şirketi	Turkey	2 501	100%	20 457	100%	20 596	100%
XTB International Limited	Belize	4 420	100%	4 420	100%	2 427	100%
XTB Chile SpA	Chile	403	100%	403	100%	403	100%
XTB Services Limited	Cyprus	337	100%	337	100%	337	100%
XTB Africa (PTY) Ltd.	South Africa	1 142	100%	1 142	100%	947	100%
X Trading Technology Sp. z o.o. w likwidacji	Poland	–	–	–	100%	200	100%
Lirsar S.A. en liquidacion	Uruguay	–	100%	–	100%	–	100%
XTB Services Asia Pte. Ltd	Singapore	–	100%	–	100%	–	100%
Total		36 507		54 463		52 614	

On 7 December 2017 the Company established X Trading Technologies Sp. z o.o. in which it owns 100% of shares. X Trading Technologies Sp. z o.o. provides services in the scope of other money brokering and activities relating to software. On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. As a result the company changed its name to X Trading Technologies Sp. z o.o. in liquidation. The capital from the subsidiary was returned to the Company on 31 October 2019. At 10 January 2020 decision regarding deletion of X Trading Technologies sp. z o.o in liquidation from National Court Register was legalized.

On 14 October 2019 the Company acquired 100 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital. As at the date of these financial statements the company has not conduct its operations.

On 19 August 2019 the Company established XTB Services Asia Pte. Ltd. with its seat in Singapore in which it owns 100% of shares. As at the date of these financial statements the company has not conduct its operations.

In April 2020 the company was put into liquidation. Until the date of these half-year condensed financial statements the company has not been formally liquidated.

On 12 March 2020 subsidiary X Trade Brokers Menkul Değerler A.S changed its name to XTB Yönetim Danışmanlığı Anonim Şirketi. On 3 March 2020 general meeting of the company XTB Yönetim Danışmanlığı Anonim Şirketi with its seat in Turkey took decision to reduce the company's share capital from TRY 22 500 thousand to TRY 100 thousand.

The scope of activities of subsidiaries:

- XTB Limited (UK) – brokerage activity
- X Open Hub Sp. z o.o. – applications and electronic trading technology offering
- XTB Limited (CY) – brokerage activity
- X Trade Brokers Menkul Değerler A.Ş. – brokerage activity
- XTB International Limited – brokerage activity
- XTB Chile SpA – the activity of acquiring clients
- XTB Services Limited – marketing activity
- X Trading Technologies Sp. z o.o. in liquidation – money brokering and software activities
- XTB Africa (PTY) Ltd. – brokerage activity
- XTB Services Asia Pte Ltd – brokerage activity.

Impairment of investments in subsidiaries

As at 30 June 2020, due to the circumstances indicating value impairment as decrease of value of net assets value below purchase price, the Company recognized a write-off due to impairment of its investment in a subsidiary in Turkey in the amount of PLN 2 456 thousand. The impairment was recognized due to the decision made by the Company's Management Board on the 18 May 2017 to withdraw from activity in Turkey through taking actions intended to phase out XTB's activity on this market and liquidation of the subsidiary in Turkey. The impairment write-off was created up to the amount of net assets for which almost entirely cash is held in the bank. As at 30 June 2019 the write-off due to impairment of Turkish subsidiary amounted to PLN 20 770 thousand, as at 31 December 2019 the write-off due to impairment of Turkish subsidiary amounted to PLN 20 910 thousand. As at the balance sheet date the process of withdrawing the activity was not finalized. Since December 2019 XTB Yönetim Danışmanlığı Anonim Şirketi does not have an active license to running business and has started the capital redemption process.

15. Financial assets at amortized cost

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Gross amounts due from customers	20 190	11 211	6 795
Impairment write-downs of receivables	(2 799)	(2 564)	(2 536)
Total amounts due from customers	17 391	8 647	4 259
Trade receivables	3 472	1 897	3 457
Deposits	1 802	1 411	1 407
Trade receivables due from related parties	1 403	500	1 837
Statutory receivables	328	301	301
Impairment write-downs of receivables	(29)	(9)	–
Total financial assets at amortised cost	24 367	12 747	11 261

Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(2 573)	(2 583)	(2 583)
Write-downs recorded	(284)	(127)	(2)
Write-downs reversed	27	139	49
Write-downs utilized	–	(2)	–
Impairment write-downs of receivables – at the end of the reporting period	(2 830)	(2 573)	(2 536)

Write-downs of receivables in 2020 and 2019 resulted from the debit balances which arose in customers' accounts in those periods.

16. Intangible assets

Intangible assets in the period from 1 January 2020 to 30 June 2020 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	TOTAL
Gross value as at 1 January 2020	5 556	10 792	16 348
Additions	186	–	186
Sale and scrapping	(35)	–	(35)
Net foreign exchange differences	3	–	3
Gross value as at 30 June 2020	5 710	10 792	16 502
Accumulated amortization as at 1 January 2020	(5 176)	(10 792)	(15 968)
Amortization for the current period	(104)	–	(104)
Sale and scrapping	35	–	35
Net foreign exchange differences	(1)	–	(1)
Accumulated amortization as at 30 June 2020	(5 246)	(10 792)	(16 038)
Net book value as at 1 January 2020	380	–	380
Net book value as at 30 June 2020	464	–	464

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

Intangible assets in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	TOTAL
Gross value as at 1 January 2019	5 461	10 792	16 253
Additions	97	–	97
Sale and scrapping	–	–	–
Net foreign exchange differences	(2)	–	(2)
Gross value as at 31 December 2019	5 556	10 792	16 348
Accumulated amortization as at 1 January 2019	(4 966)	(10 792)	(15 758)
Amortization for the current period	(211)	–	(211)
Sale and scrapping	–	–	–
Net foreign exchange differences	1	–	1
Accumulated amortization as at 31 December 2019	(5 176)	(10 792)	(15 968)
Net book value as at 1 January 2019	495	–	495
Net book value as at 31 December 2019	380	–	380

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

Intangible assets in the period from 1 January 2019 to 30 June 2019 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	TOTAL
Gross value as at 1 January 2019	5 461	10 792	16 253
Additions	36	–	36
Sale and scrapping	–	–	–
Net foreign exchange differences	(3)	–	(3)
Gross value as at 30 June 2019	5 494	10 792	16 286
Accumulated amortization as at 1 January 2019	(4 966)	(10 792)	(15 758)
Amortization for the current period	(113)	–	(113)
Sale and scrapping	–	–	–
Net foreign exchange differences	3	–	3
Accumulated amortization as at 30 June 2019	(5 076)	(10 792)	(15 868)
Net book value as at 1 January 2019	495	–	495
Net book value as at 30 June 2019	418	–	418

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform.

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2020 to 30 June 2020 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2020	10 979	6 454	13 089	334	117	30 973
Additions	1 614	118	–	–	(97)	1 635
Leasing	–	–	19	–	–	19
Sale and scrapping	(5)	–	(366)	–	–	(371)
Net foreign exchange differences	55	89	260	10	–	414
Gross value as at 30 June 2020	12 643	6 661	13 002	344	20	32 670
Accumulated amortization as at 1 January 2020	(9 315)	(4 850)	(3 566)	(104)	–	(17 835)
Amortization for the current period	(1 020)	(221)	(1 891)	(63)	–	(3 195)
Sale and scrapping	5	–	–	–	–	5
Net foreign exchange differences	(48)	(79)	(66)	(4)	–	(197)
Accumulated amortization as at 30 June 2020	(10 378)	(5 150)	(5 523)	(171)	–	(21 222)
Net book value as at 1 January 2020	1 664	1 604	9 523	230	117	13 138
Net book value as at 30 June 2020	2 265	1 511	7 479	173	20	11 448

Property, plant and equipment in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	9 422	5 709	–	–	19	15 150
Lease at 1.01.2019	–	–	11 797	334	–	12 131
Additions	1 931	810	–	–	98	2 839
Lease	–	–	1 292	–	–	1 292
Sale and scrapping	(361)	(41)	–	–	–	(402)
Net foreign exchange differences	(13)	(24)	–	–	–	(37)
Gross value as at 31 December 2019	10 979	6 454	13 089	334	117	30 973
Accumulated amortization as at 1 January 2019	(8 226)	(4 674)	–	–	–	(12 900)
Amortization for the current period	(1 485)	(263)	(3 579)	(105)	–	(5 432)
Sale and scrapping	383	66	–	–	–	449
Net foreign exchange differences	13	21	13	1	–	48
Accumulated amortization as at 31 December 2019	(9 315)	(4 850)	(3 566)	(104)	–	(17 835)
Net book value as at 1 January 2019	1 196	1 035	–	–	19	2 250
Net book value as at 31 December 2019	1 664	1 604	9 523	230	117	13 138

Property, plant and equipment in the period from 1 January 2019 to 30 June 2019 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
			OFFICES	VEHICLES		
Gross value as at 1 January 2019	9 422	5 709	–	–	19	15 150
Lease at 1.01.2019	–	–	11 938	253	–	12 191
Additions	1 054	31	–	–	424	1 509
Sale and scrapping	(263)	(140)	–	–	–	(403)
Net foreign exchange differences	(15)	(26)	–	–	–	(41)
Gross value as at 30 June 2019	10 198	5 574	11 938	253	443	28 406
Accumulated amortization as at 1 January 2019	(8 226)	(4 674)	–	–	–	(12 900)
Amortization for the current period	(769)	(124)	(1 690)	(28)	–	(2 611)
Sale and scrapping	263	140	–	–	–	403
Net foreign exchange differences	14	22	5	–	–	41
Accumulated amortization as at 30 June 2019	(8 718)	(4 636)	(1 685)	(28)	–	(15 067)
Net book value as at 1 January 2019	1 196	1 035	–	–	19	2 250
Net book value as at 30 June 2019	1 480	938	10 253	225	443	13 339

Non-current assets by geographical area

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	7 709	8 997	8 598
- including Poland	*6 601*	*7 694*	*7 221*
Western Europe	4 203	4 521	5 159
- including Spain	*171*	*366*	*586*
Total non-current assets	11 912	13 518	13 757

18. Amounts due to clients

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Amounts due to retail clients	746 037	491 294	430 272
Amounts due to institutional clients	35 924	28 256	41 939
Total amounts due to clients	781 961	519 550	472 211

Amounts due to customers are connected with transactions concluded by the customers (including cash deposited in the customers' accounts).

19. Financial liabilities held for trading

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Commodity CFDs	19 487	2 619	5 485
Index CFDs	12 444	11 824	7 787
Stock and ETF CFDs	9 892	3 286	2 346
Currency CFDs	2 194	1 307	2 725
Bond CFDs	4	123	6
Total financial liabilities held for trading	44 021	19 159	18 349

20. Liabilities due to lease

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Short-term	3 613	3 792	3 450
Long-term	4 792	6 327	7 372
Total liabilities due to lease	8 405	10 119	10 822

The Company is the lessee in the case of office space and car rental contracts. The value of the leased assets is reported in note 17.

21. Other liabilities

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Provisions for other employee benefits	20 595	8 041	4 898
Trade liabilities	17 275	8 052	7 658
Liabilities due to brokers	4 533	768	241
Statutory liabilities	3 786	2 158	2 947
Liabilities due to employees	291	285	309
Amounts due to the Central Securities Depository of Poland	162	142	123
Total other liabilities	46 642	19 446	16 176

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period, including from the Program of variable remuneration elements, as well as the provision for unused holiday leave, established in the amount of projected benefits, which the Company is obligated to pay in the event of payment of holiday equivalents.

Program of variable remuneration elements

Pursuant to the Variable Remuneration Elements policy applied by the Company, the employees of the Company in the top management positions receive variable remuneration paid in cash and in financial instruments.

The value of provisions for employee benefits includes variable remuneration granted in cash and based on financial instruments, deferred for payment in three consecutive years.

As at 30 June 2020, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 3 908 thousand (31 December 2019: PLN 1 756 thousand, 30 June 2019: PLN 730 thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Provisions for retirement benefits	126	126	144
Provisions for legal risk	1 322	1 326	390
Total provisions	1 448	1 452	534

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Company is a party.

Movements in provisions in the period from 1 January 2020 to 30 June 2020 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2020	INCREASES	DECREASES		VALUE AS AT 30.06.2020
			USE	REVERSAL	
Provisions for retirement benefits	126	–	–	–	126
Provisions for legal risk	1 326	–	–	4	1 322
Total provisions	1 452	–	–	4	1 448

Movements in provisions in the period from 1 January 2019 to 31 December 2019 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES		VALUE AS AT 31.12.2019
			USE	REVERSAL	
Provisions for retirement benefits	125	1	–	–	126
Provisions for legal risk	924	993	131	460	1 326
Total provisions	1 049	994	131	460	1 452

Movements in provisions in the period from 1 January 2019 to 30 June 2019 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2019	INCREASES	DECREASES		VALUE AS AT 30.06.2019
			USE	REVERSAL	
Provisions for retirement benefits	125	19	–	–	144
Provisions for legal risk	924	–	344	190	390
Total provisions	1 049	19	344	190	534

22.2 Contingent liabilities

The Company is party to court proceedings associated with the Company's operations. The proceedings in which the Company acts as defendant relate mainly to employees' and clients' claims. As at 30 June 2020 the total value of claims brought against the Company amounted to approx. PLN 7 650 thousand (as at 31 December 2019: PLN 7 626 thousand, as at

30 June 2019: PLN 344 million). Company has not created provisions for the above proceedings. In the assessment of the Company the probability of loss in these proceedings is less than 50%.

On May 9, 2014, Company issued a guarantee in the amount of PLN 60 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 899 thousand.

On 7 July 2017 the Company issued a guarantee in the amount of PLN 5 374 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension. The agreement has been extended for an unlimited period with the possibility of termination.

23. Equity

Share capital structure as at 30 June 2020, 31 December 2019 and 30 June 2019

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A	117 383 635	0,05	5 869

All shares in the Company have the same nominal value, are fully paid for, and carry the same voting and profit-sharing rights. No preference is attached to any share series. The shares are A-series ordinary registered shares.

Shareholding structure of the Company

To the best Company's knowledge, the shareholding structure of the Company as at 30 June 2020 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Other shareholders	38 753 841	1 937	33,01%
Total	117 383 635	5 869	100,00%

To the best Company's knowledge, the shareholding structure of the Company as at 31 December 2019 and 30 June 2019 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 629 794	3 932	66,99%
Systexan SARL	22 280 207	1 114	18,98%
Quercus TFI S.A.	5 930 000	297	5,05%
Other shareholders	10 543 634	526	8,98%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 390 592 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN 1 798 thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	394	429	416
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	593	326	319
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	282	282	282
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	268	17	12
Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	137	(37)	(42)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	78	7	6
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	49	4	4
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(3)	(2)	(77)
Total foreign exchange differences on translation	1 798	1 026	920

24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2019 in the amount of PLN 54 145 thousand was partially earmarked for the payment of a dividend in the amount of PLN 28 172 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2019 was equal to PLN 0,24. The dividend paid on 15 May 2020 amounted to PLN.

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2018 in the amount of PLN 90 898 thousand was partially earmarked for the payment of a dividend in the amount of PLN 61 039 thousand, the remaining amount was transferred to reserve capital.

The amount of dividend per share paid for 2018 was equal to PLN 0,52. The dividend was paid with an advance towards the dividend advance payment paid December 2018 in the amount of PLN 41 084 thousand (PLN 0,35 per share). The dividend paid on 10 May 2019 amounted to PLN 19 955 thousand (PLN 0,17 per share).

25. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Company uses the amount of net profit attributable to shareholders of the Company as the numerator, i.e., there is no dilutive effect influencing the amount of profit (loss). The calculation of basic and diluted earnings per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	312 631	2 234
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	2,66	0,02
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	2,66	0,02

26. Current income tax and deferred tax

26.1 Income tax

Income tax disclosed in the current period's profit and loss

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(69 853)	(203)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	1 485	(1 218)
Income tax disclosed in profit and loss	(68 368)	(1 421)

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Profit before tax	380 999	3 655
Income tax based in the applicable tax rate of 19%	(72 390)	(694)
Difference resulting from application of tax rates applicable in other countries	(74)	(54)
Non-taxable revenue	269	2
Non-deductible expenses	(484)	(41)
Tax loss for the reporting period not disclosed in the deferred tax	–	(168)
Realisation of tax losses for the preceding periods	37	13
Other items affecting the tax burden amount	4 274	(479)
Income tax disclosed in profit or loss	(68 368)	(1 421)

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 June 2020 (unaudited)

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.06.2020
Deferred income tax assets:			
Property, plant and equipment	81	74	155
Financial liabilities held for trading	3 809	4 901	8 710
Provisions for liabilities	24	–	24
Prepayments and deferred costs	1 304	1 966	3 270
Other liabilities	1 829	(19)	1 810
Tax losses of previous periods to be settled in future periods	7 111	216	7 327
Total deferred income tax assets	14 158	7 138	21 296

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.06.2020
Deferred income tax provision:			
Financial assets at fair value through P&L	22 324	5 746	28 070
Prepayments and deferred costs	93	(93)	–
Total deferred income tax provision	22 417	5 653	28 070
Deferred tax disclosed in profit or (loss)	–	1 485	–

(IN PLN'000)	AS AT 01.01.2020	PROFIT OR (LOSS)	AS AT 30.06.2020
Deferred income tax provision included directly in the equity:			
Separate equity of branches	113	350	463
Total deferred income tax provision included directly in the equity	113	350	463

Change in the balance of deferred tax for the period from 1 January to 31 December 2019 (audited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax assets:			
Property, plant and equipment	88	(7)	81
Financial liabilities held for trading	5 001	(1 192)	3 809
Provisions for liabilities	200	(176)	24
Prepayments and deferred costs	1 412	(108)	1 304
Other liabilities	20	1 809	1 829
Tax losses of previous periods to be settled in future periods	7 383	(272)	7 111
Total deferred income tax assets	14 104	54	14 158

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax provision:			
Financial assets held for trading	19 235	3 089	22 324
Other liabilities	–	93	93
Prepayments and deferred costs	17	(17)	–
Total deferred income tax provision	19 252	3 165	22 417
Deferred tax disclosed in profit or (loss)	–	(3 111)	–

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 31.12.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(99)	113
Total deferred income tax provision included directly in the equity	212	(99)	113

Change in the balance of deferred tax for the period from 1 January to 30 June 2019 (unaudited)

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.06.2019
Deferred income tax assets:			
Property, plant and equipment	88	3	91
Financial liabilities held for trading	5 001	(1 318)	3 683
Provisions for liabilities	200	(173)	27
Prepayments and deferred costs	1 412	(512)	900
Other liabilities	20	–	20
Tax losses of previous periods to be settled in future periods	7 383	(189)	7 194
Total deferred income tax assets	14 104	(2 189)	11 915

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.06.2019
Deferred income tax provision:			
Financial assets at fair value through P&L	19 235	(954)	18 281
Prepayments and deferred costs	17	(17)	–
Total deferred income tax provision	19 252	(971)	18 281
Deferred tax disclosed in profit or (loss)	–	(1 218)	–

(IN PLN'000)	AS AT 01.01.2019	PROFIT OR (LOSS)	AS AT 30.06.2019
Deferred income tax provision included directly in the equity:			
Separate equity of branches	212	(100)	112
Total deferred income tax provision included directly in the equity	212	(100)	112

Geographical division of deferred income tax assets

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Central and Eastern Europe	163	57	81
Western Europe	7 348	7 132	7 217
Total deferred income tax assets	7 511	7 189	7 298

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2020 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	AKTYWA Z TYTUŁU PODATKU ODROCZONEGO	DEFERRED INCOME TAX ASSETS
Poland	13 785	28 533	–	14 748
Czech Republic	66	–	66	–
Slovakia	97	–	97	–
Germany	2 756	–	2 756	–
France	4 592	–	4 592	–
Total	21 296	28 533	7 511	14 748

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2019 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	AKTYWA Z TYTUŁU PODATKU ODROCZONEGO	DEFERRED INCOME TAX ASSETS
Poland	6 969	22 530	–	15 561
Czech Republic	29	–	29	–
Slovakia	28	–	28	–
Germany	2 683	–	2 683	–
France	4 449	–	4 449	–
Total	14 158	22 530	7 189	15 561

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2019 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	AKTYWA Z TYTUŁU PODATKU ODROCZONEGO	DEFERRED INCOME TAX ASSETS
Poland	4 623	18 393	–	13 770
Czech Republic	45	–	45	–
Slovakia	36	–	36	–
Germany	2 726	–	2 726	–
France	4 485	–	4 485	–
Total	11 915	18 393	7 292	13 770

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 30 June 2020 it holds 66,99% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

Mr. Jakub Zabłocki is the ultimate company for the Company and XXZW Investment Group S.A.

27.2 Figures concerning related party transactions

As at 30 June 2020 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1,6 thousand due to his investment account (as at 31 December 2019 the Company had liabilities in the amount of PLN 1 thousand, as at 30 June 2019 the Company had liabilities in the amount of PLN 1 thousand). In the period from 1 January to 30 June 2020 the Company has not noted profit or loss from the transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 30 June 2020 the paid gross salary and bonuses amounted to PLN 971 thousand and in the analogical period of 2019 amounted to PLN 1 155 thousand.

27.3 Incomes and costs

The below table presents incomes and costs with related parties regarding the intermediary and liquidity agreements performed for the Company.

(IN PLN'000)	1.01.2020 – 30.06.2020		1.01.2019 – 30.06.2019	
	INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	29 416	(8 117)	686	(4 764)
XTB Limited (CY)	6 030	(1 360)	897	(1 453)
XTB International	47 597	(16 494)	7 590	(8 529)

The below table presents incomes and costs with related parties regarding the trading infrastructure software and service agreements performed for the Company.

(IN PLN'000)		1.01.2020 – 30.06.2020		1.01.2019 – 30.06.2019	
		INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	infrastructure software	91	(778)	125	(439)
X Open Hub Sp. z o.o.	infrastructure software	1 145	(578)	2 050	(382)
XTB Services Limited	marketing	–	(15 851)	–	(7 071)

27.4 Receivables

The below table presents receivables from related parties regarding the intermediary and liquidity agreements performed for the Company.

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
XTB Limited (UK)	12 549	2 759	1 104
XTB Limited (CY)	34	94	89
XTB International	4 481	5 579	2 870

The below table presents receivables from related parties regarding the trading infrastructure software and service agreements performed for the Company.

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
XTB Limited (UK)	10	18	30
X Open Hub Sp. z o.o.	1 393	482	425

As at 30 June 2019 the Company has receivables due from subsidiary in Turkey in the amount of PLN 1 382 thousand relating to the dividend payment. The dividend was received by the Company on 18 July 2019.

27.5 Liabilities

The below table presents liabilities due to related parties regarding the intermediary and liquidity agreements performed for the Company.

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
XTB Limited (UK)	5 667	7 468	5 437
XTB Limited (CY)	490	364	251
XTB International	12 957	2 253	4 007

The below table presents liabilities due to related parties regarding the trading infrastructure software and service agreements performed for the Company.

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
XTB Limited (UK)	50	20	85
X Open Hub Sp. z o.o.	61	93	14
XTB Services Limited	2 668	896	914

27.6 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Benefits to the Management Board members	(2 389)	(1 762)
Benefits to the Supervisory Board members	(129)	(127)
Total benefits to the Management Board and Supervisory Board	(2 518)	(1 889)

These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Members of the Management Board of the Company are included in the scheme of variable remuneration elements specified in note 21 of the half-year condensed financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 3 908 thousand.

27.7 Loans granted to the Management and Supervisory Board Members

As at 30 June 2020, 31 December 2019 and 30 June 2019 there are no loans granted to the Management and Supervisory Board Members.

28. Supplementary information and explanations to the cash flow statement

28.1 Change in the balance of financial assets at amortized cost

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Change in financial assets at amortised cost	(11 620)	271
Receivables due to dividend from the subsidiary	–	1 535
Change in the balance of financial assets at amortised cost	(11 620)	1 806

28.2 Change in balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Change in other liabilities	27 196	(4 498)
Rent free period settlement	–	205
Change in the balance of other liabilities	27 196	(4 293)

28.3 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED)	30.06.2019 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	772	(239)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(219)	–
Change in other adjustments	553	(239)

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets in the Company's foreign entities and the difference between the rate applied to value amortization and depreciation cost of fixed assets and intangible assets in the Company's foreign entities and the rate of translation of amortization and depreciation amounts on such assets. This value results from the chart of movements in tangible and intangible assets.

29. Post balance sheet events

There were no events after the balance sheet date.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Index CFDs	1 499 256	1 920 211	1 512 249
Currency CFDs	1 084 774	1 910 696	1 727 088
Commodity CFDs	848 987	442 634	345 552
Stock and ETF CFDs	455 132	152 825	128 561
Bond CFDs	140 377	14 510	16 239
Stock and ETF	7 498	4 229	4 225
Total financial instruments	4 036 024	4 445 105	3 733 914

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2020 transactions with brokers represent 7% of the total nominal value of instruments (as at 31 December 2019: 7% of the total nominal value of instruments, as at 30 June 2019: 2% of the total nominal value of instruments).

30.2 Customers' financial instruments

Presented below is a list of customers' instruments deposited in the accounts of the brokerage house:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	385 575	108 978	83 238
Other securities registered in customers' securities accounts	207	207	207
Total customers' financial instruments	385 782	109 185	83 445

30.3 Transaction limits

The amount of unused transaction limits granted to related entities was as at 30 June 2019 PLN 47 192 thousand, as at 31 December 2019 PLN 46 875 thousand and as at 30 June 2019 was PLN 45 366 thousand.

31. Items regarding the compensation scheme

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	4 709	3 987	3 987
- increases	*435*	*722*	*343*
b) closing balance	5 144	4 709	4 330
2. XTB's share in the profits from the compensation scheme	315	317	285

32. Capital management

The Company's principles of capital management are established in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A.". The document is approved by the Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Company and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Company to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Company's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Company establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Company's risk appetite. To establish its capital-related goals, the Company takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board.

Capital planning is focused on an assessment of the Company's current and future capital requirements (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Company has prepared contingency plans to be launched in the event of a capital adequacy problem, described in detail in the "Capital management policy in X–Trade Brokers Dom Maklerski S.A.".

As part of ICAAP, the Company assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Company's operations and evaluates its quality. The Company estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Company and taking into account stress test results.

The Company is obligated to maintain the capitals (equity) to cover the higher of the following values:

- capital requirements calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 25 April 2017 on internal capital, risk management system, supervisory assessment program and supervisory examination and evaluation as well as remuneration policy in a brokerage house (Journal of Laws 2017, item 856).

The principles of calculation of own funds are established in the CRR resolution, “The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A.” and are not regulated by IFRS.

The Company calculated equity in accordance with part two of the Regulation of the European Parliament and of the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 (“CRR”). At present, the total equity of the Company belongs to the best category – Tier 1.

In accordance with the Act on macroprudential supervision of the financial system and crisis management in the financial system of 5 August 2015, since 1 January 2016 the Company is obliged to maintain capital buffers. In the period covered by the financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
The Company's own funds	457 641	422 760	424 912
Tier I Capital	457 641	422 760	424 912
Common Equity Tier I capital	457 641	422 760	424 912
Total risk exposure	2 775 019	2 428 395	2 429 450
Capital conservation buffer	69 375	60 710	60 736
Countercyclical capital buffer	11 240	7 871	6 068
Combined buffer requirement	80 616	68 581	66 804
Total capital ratio	16,5%	17,4%	17,5%
Total capital ratio including buffers	13,6%	14,6%	14,7%
Minimal required total capital ratio including buffers (article 92 section1 letter c) of CRR)	8%	8%	8%

The mandatory capital adequacy was not breached in the periods covered by the half-year condensed financial statements.

The table below presents data on the level of capitals and on the total capital requirement divided into requirements due to specific types of risks calculated in accordance with separate regulations together with average monthly values. Average monthly values were calculated as an estimation of the average values calculated based on statuses at the end of specific days.

In the table below, in order to ensure comparability of the presentation, the total capital requirement was presented as 8% of the total risk exposure, calculated in accordance with the CRR.

(IN PLN'000)	AS AT 30.06.2020 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2019 (AUDITED)	AS AT 30.06.2019 (UNAUDITED)
1. Capital/Own funds	457 641	429 689	422 760	424 912
1.1. Base capital/Common Equity Tier I without deductions	467 606	449 932	441 633	441 633
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(9 965)	(20 244)	(18 873)	(16 721)
I. Level of capitals subject to monitoring/Own funds	457 641	429 689	422 760	424 912
1. Market risk	136 531	120 016	121 492	126 869
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	11 421	7 132	6 621	4 266
3. Credit risk	38 604	34 417	30 713	27 261
4. Operating risk	35 445	35 528	35 445	35 960
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	222 002	197 093	194 271	194 356
IIb. Total risk exposure	2 775 019	2 463 657	2 428 395	2 429 450
Capital conservation buffer	69 375	61 591	60 710	60 736
Countercyclical capital buffer	11 240	9 260	7 871	6 068
Combined buffer requirement	80 616	70 851	68 581	66 804

Pursuant to CRR the duty to calculate the capital requirement in respect of fixed costs arises only in the event that the entity does not calculate the capital requirement in respect of operating risk.

33. Risk management

The Company is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Company takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken, as well as to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Company's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Company's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Company and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Company.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Company's own investments, defines the overall capital requirement and estimates internal capital.

The Risk Control Department is managed by the Member of the Management Board responsible for the supervision of the risk management system

The Company's Supervisory Board approves risk management system.

33.1 Fair value

33.1.1 Carrying amount and fair value

The fair value of cash and cash equivalents is estimated as being close to their carrying amount.

The fair value of loans granted and other receivables, amounts due to customers and other liabilities is estimated as being close to their carrying amount in view of the short-term maturities of these balance sheet items

33.1.2 Fair value hierarchy

The Company discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- Level 1: quoted prices (unadjusted) in active markets for the assets or liabilities;
- Level 2: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- Level 3: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

(IN PLN'000)	30.06.2020 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	138 881	146 519	–	285 400
Total financial assets	138 881	146 519	–	285 400
Financial liabilities				
Financial liabilities held for trading	–	44 021	–	44 021
Total financial liabilities	–	44 021	–	44 021

(IN PLN'000)	31.12.2019 (AUDITED) LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	19 128	117 421	–	136 549
Total financial assets	19 128	117 421	–	136 549
Financial liabilities				
Financial liabilities held for trading	–	19 159	–	19 159
Total financial liabilities	–	19 159	–	19 159

(IN PLN'000)	30.06.2019 (UNAUDITED) LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	4 225	96 222	–	100 447
Total financial assets	4 225	96 222	–	100 447
Financial liabilities				
Financial liabilities held for trading	–	18 349	–	18 349
Total financial liabilities	–	18 349	–	18 349

In the periods covered by the half-year condensed financial statements, there were no transfers of items between the levels of the fair value hierarchy.

The fair value of contracts for differences (CFDs) is determined based on the market prices of underlying instruments, derived from independent sources, ie. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Company. The valuation is performed using closing prices or the last bid and ask prices. CFDs are measured as the difference between the current price and the opening price, taking account of accrued commissions and swap points.

The impact of adjustments due to credit risk of the contractor, estimated by the Company, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Company. Therefore, the Company does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy.

33.2 Market risk

In the period covered by these financial statements, the Company entered into OTC contracts for differences (CFDs) and digital options. The Company may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

The following risks are specified, depending on the risk factor:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Commodity price risk
- Equity investment price risk

The Company's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Company's practice in this area is consistent with the following principles:

As part of the internal procedures, the Company applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, maximum value of a single instruction. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews the limit usage on a regular basis, and controls the hedges entered into.

33.2.1 Currency risk

The Company enters into transactions principally in instruments bearing currency risk. Aside from transactions where the FX rate is an underlying instrument, the Company also offers instruments which price is denominated in foreign currencies. Also, the Company has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Company's assets and liabilities in foreign currencies as at the balance sheet date is presented below. The values for all base currencies are expressed in PLN'000:

Assets and liabilities denominated in foreign currencies as at 30 June 2020 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	151 667	400 901	8 400	116 731	2 559	14 098	1 729	696 085	1 309 162
Financial assets held for trading	21 973	57 894	571	16 360	751	3 432	6 134	107 115	285 400
Investments in subsidiaries	–	–	–	–	–	–	–	–	36 507
Income tax receivables	–	–	–	12	–	–	–	12	278
Financial assets at amortised cost	12 211	6 303	1 190	324	2 257	254	701	23 240	24 367
Prepayments and deferred costs	–	617	–	100	–	21	–	738	4 930
Intangible assets	–	15	–	49	–	–	–	64	464
Property, plant and equipment	–	4 261	–	982	–	4	–	5 247	11 448
Deferred income tax assets	–	7 445	–	66	–	–	–	7 511	7 511
Total assets	185 851	477 436	10 161	134 624	5 567	17 809	8 564	840 012	1 680 067
Liabilities									
Amounts due to customers	43 894	351 859	4 244	102 929	2 383	13 562	2 843	521 714	781 961
Financial liabilities held for trading	8 927	14 389	1 141	4 234	241	508	675	30 115	44 021
Income tax liabilities	–	344	–	–	–	–	–	344	344
Lease liabilities	–	8 308	–	76	–	–	–	8 384	8 405
Other liabilities	7 673	13 535	1 335	1 496	–	357	67	24 463	46 642
Provisions for liabilities	–	–	–	–	–	–	–	–	1 448
Deferred income tax provision	–	–	–	–	–	–	–	–	14 748
Total liabilities	60 494	388 435	6 720	108 735	2 624	14 427	3 585	585 020	897 569

Assets and liabilities denominated in foreign currencies as at 31 December 2019 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	39 345	312 337	2 238	63 673	2 370	10 786	1 248	431 997	855 811
Financial assets held for trading	13 345	49 262	521	15 100	528	1 940	651	81 347	136 549
Investments in subsidiaries	–	–	–	–	–	–	–	–	54 463
Income tax receivables	–	13	–	58	–	–	–	71	71
Financial assets at amortised cost	5 862	2 361	1 286	237	1 503	151	313	11 713	12 747
Prepayments and deferred costs	–	262	–	101	–	18	–	381	3 541
Intangible assets	–	13	–	56	–	–	–	69	380
Property, plant and equipment	–	4 640	–	1 107	–	10	–	5 757	13 138
Deferred income tax assets	–	7 160	–	29	–	–	–	7 189	7 189
Total assets	58 552	376 048	4 045	80 361	4 401	12 905	2 212	538 524	1 083 889
Liabilities									
Amounts due to customers	22 730	262 360	2	63 177	1 923	10 232	684	361 108	519 550
Financial liabilities held for trading	5 337	6 311	173	1 316	111	135	234	13 617	19 159
Income tax liabilities	–	46	–	–	–	–	–	46	1 335
Lease liabilities	–	9 997	–	95	–	–	–	10 092	10 119
Other liabilities	2 382	5 266	1 492	598	–	193	23	9 954	19 446
Provisions for liabilities	–	–	–	–	–	–	–	–	1 452
Deferred income tax provision	–	–	–	–	–	–	–	–	15 561
Total liabilities	30 449	283 980	1 667	65 186	2 034	10 560	941	394 817	586 622

Assets and liabilities denominated in foreign currencies as at 30 June 2019 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Cash and cash equivalents	38 051	283 411	2 400	54 807	2 431	9 950	1 024	392 074	783 407
Financial assets held for trading	10 743	42 459	230	8 476	410	2 931	343	65 592	100 447
Investments in subsidiaries	–	–	–	–	–	–	–	–	52 614
Income tax receivables	–	11	–	106	–	–	–	117	5 070
Financial assets at amortised cost	2 880	4 205	276	79	829	174	1 892	10 335	11 261
Prepayments and deferred costs	–	624	–	207	–	55	–	886	3 463
Intangible assets	–	12	–	14	–	–	–	26	418
Property, plant and equipment	–	5 344	–	1 153	–	13	–	6 510	13 339
Deferred income tax assets	–	7 248	–	45	–	–	–	7 293	7 292
Total assets	51 674	343 314	2 906	64 887	3 670	13 123	3 259	482 833	977 311
Liabilities									
Amounts due to customers	23 669	237 588	118	51 371	1 506	9 343	818	324 413	472 211
Financial liabilities held for trading	3 819	5 304	117	1 180	87	172	150	10 829	18 349
Income tax liabilities	–	199	–	–	–	–	–	199	199
Lease liabilities	–	10 676	–	114	–	–	–	10 790	10 822
Other liabilities	1 703	5 350	995	590	15	276	–	8 929	16 176
Provisions for liabilities	–	–	–	–	–	–	–	–	534
Deferred income tax provision	–	–	–	–	–	–	–	–	13 770
Total liabilities	29 191	259 117	1 230	53 255	1 608	9 791	968	355 160	532 061

A change in exchange rates, in particular, the PLN exchange rate, affects the balance sheet valuation of the Company's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5% to PLN. The carrying amount of financial instruments was revalued.

The sensitivity of the Company's equity and profit before tax to a 5% increase or decrease of the PLN exchange rate is presented below:

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020 (UNAUDITED)		30.06.2019 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	13 109	(13 109)	4 960	(4 960)
Equity, of which:	1 190	(1 190)	1 075	(1 075)
Foreign exchange differences on translation	1 190	(1 190)	1 075	(1 075)

The sensitivity of equity is connected with foreign exchange differences in the translation of value in functional currencies of the foreign operations.

33.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Company to the adverse impact of exchange rate fluctuations. Such risk may result from the contracts entered into by the Company, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates. The basic interest rate risk for the Company is the mismatch of interest rates paid to customers in connection with funds deposited in cash accounts in the Company, and of the bank account and bank deposits where the Company's customers' funds are invested.

In addition, the source of the Company's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments.

As a rule, the change in bank interest rates does not significantly affect the Company's financial position, since the Company determines interest rates for funds deposited in customers' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Company from the bank maintaining the bank account in which customers' funds are deposited. Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of interest rate mismatch adverse to the brokerage house is very low.

Since the Company maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Company's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Financial assets			
Cash and cash equivalents	1 309 162	855 811	783 407
Total financial assets	1 309 162	855 811	783 407
Financial liabilities			
Amounts due to customers	–	1	22 339
Other liabilities	8 405	10 119	10 822
Total financial liabilities	8 405	10 120	33 161

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 30 June 2020 and from 1 January to 30 June 2019, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020 (UNAUDITED)		30.06.2019 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	5 445	(5 445)	3 896	(3 896)

33.2.3 Other price risk

Other price risk is exposure of the Company's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (in a scope not resulting from interest rates).

The carrying amount of financial instruments exposed to other price risk is presented below:

(IN PLN'000)	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	5 026	3 595	4 227
Base metals	218	312	186
Other	26 887	11 530	8 339
Total commodity	32 130	15 437	12 752
Equity instruments			
Stocks	27 319	14 110	13 533
Indicies	75 806	74 023	55 341
Total equity instruments	103 125	88 133	68 874
Debt instruments	34	14 924	324
Total financial assets at fair value through P&L	135 290	118 494	81 950
Financial liabilities held for trading			
Commodity			
Precious metals	4 133	1 430	2 088
Base metals	95	11	24
Other	15 260	1 178	3 374
Total commodity	19 488	2 619	5 486
Equity instruments			
Stocks	9 892	3 286	2 346
Indicies	12 445	11 827	7 796
Total equity instruments	22 337	15 113	10 142
Debt instruments	4	123	6
Total financial liabilities held for trading	41 829	17 855	15 634

The Company's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5 per cent with regard to equity and profit before tax is presented below.

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2020 (UNAUDITED) INCREASE BY 5%	30.06.2020 (UNAUDITED) DECREASE BY 5%	30.06.2019 (UNAUDITED) INCREASE BY 5%	30.06.2019 (UNAUDITED) DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	3 825	(3 825)	(691)	(691)
Base metals	(12)	12	(152)	(152)
Other	(16 660)	16 660	(4 145)	(4 145)
Total commodity	(12 847)	12 847	(4 988)	(4 988)
Equity instruments				
Stocks	(57)	57	(7)	(7)
Indicies	15 500	(15 500)	30 743	30 743
Total equity instruments	15 443	(15 443)	30 736	30 736
Debt instruments	349	(349)	734	734
Total income/(expenses) for the period	2 946	(2 946)	26 482	26 482

33.3 Liquidity risk

For the Company, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Company takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

The objective of liquidity management in X–Trade Brokers is to maintain the amount of cash on the appropriate bank accounts that will cover all the operations necessary to be carried on such accounts.

In order to manage liquidity in relation to certain bank accounts associated with the operations of financial instruments, the Company uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action.

Where the upper limit is achieved, the Company makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Company makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

Tasks relating to the maintenance and updating of the rules of the liquidity model are performed by the Company's Risk Control Department. Risk Control Department employees are required to analyse liquidity at least once a week, as well as to transfer the relevant information to the Company's Accounting Department in order to make certain operations in the accounts.

The procedure also provides for the possibility of deviating from its application, and such procedure requires the consent of at least two members of the Company's Management. Information on deviations is transmitted to the Risk Control Department of the Company.

The Company has also implemented liquidity contingency plans, which were not used in the period covered by the financial statements and in the comparative period, due to the fact that the amount of the most liquid assets (own cash and cash equivalents) greatly exceeds the amount of liabilities.

As part of ongoing business and the tasks related to liquidity risk management, the managers of appropriate organisational units of the Company monitor the balance of funds deposited in the account in the context of planned liquidity needs related to the Company's operating activities. In its liquidity analysis, the existing possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans are taken into consideration.

Supervision and control operations concerning the balance of cash accounts are also performed by the Risk Control Department of Company on a daily basis.

The contractual payment periods of financial assets and liabilities are presented below. The marginal and cumulative contractual liquidity gap, calculated as the difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

Contractual payment periods of financial assets and liabilities as at 30 June 2020 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	1 309 162	1 309 162	1 309 162	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETF	7 498	7 498	7 498	–	–	–	–
Bonds	131 383	131 383	131 383	–	–	–	–
CFDs	146 519	146 519	146 519	–	–	–	–
Total financial assets at fair value through P&L	285 400	285 400	285 400	–	–	–	–
Investments in subsidiaries	36 507	36 507	–	–	–	–	36 507
Financial assets at amortised cost	24 367	24 367	22 565	–	1 802	–	–
Total financial assets	1 655 436	1 655 436	1 617 127	–	1 802	–	36 507
Financial liabilities							
Amounts due to customers	781 961	781 961	781 961	–	–	–	–
Financial liabilities held for trading							
CFDs	44 021	44 021	44 021	–	–	–	–
Total financial liabilities held for trading	44 021	44 021	44 021	–	–	–	–
Lease liabilities	8 405	8 405	885	2 531	4 714	275	–
Other liabilities	46 642	46 642	25 885	16 548	–	–	4 209
Total financial liabilities	881 029	881 029	852 752	19 079	4 714	275	4 209
Contractual liquidity gap in maturities (payment dates)			764 375	(19 079)	(2 912)	(275)	32 298
Contractual cumulative liquidity gap			764 375	745 296	742 384	742 109	774 407

Contractual payment periods of financial assets and liabilities as at 31 December 2019 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	855 811	855 811	855 811	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETF	4 229	4 229	4 229	–	–	–	–
Bonds	14 899	14 899	14 899	–	–	–	–
CFDs	117 421	117 421	117 421	–	–	–	–
Total financial assets at fair value through P&L	136 549	136 549	136 549	–	–	–	–
Investments in subsidiaries	54 463	54 463	–	–	–	–	54 463
Financial assets at amortised cost	12 747	12 747	11 336	–	1 411	–	–
Total financial assets	1 059 570	1 059 570	1 003 696	–	1 411	–	54 463
Financial liabilities							
Amounts due to customers	519 550	519 550	519 550	–	–	–	–
Financial liabilities held for trading							
CFDs	19 159	19 159	19 159	–	–	–	–
Total financial liabilities held for trading	19 159	19 159	19 159	–	–	–	–
Lease liabilities	10 119	10 119	986	2 807	5 556	770	–
Other liabilities	19 446	19 446	11 264	6 514	–	–	1 668
Total financial liabilities	568 274	568 274	550 959	9 321	5 556	770	1 668
Contractual liquidity gap in maturities (payment dates)			452 737	(9 321)	(4 145)	(770)	52 795
Contractual cumulative liquidity gap			452 737	443 416	439 271	438 501	491 296

Contractual payment periods of financial assets and liabilities as at 30 June 2019 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	783 407	783 407	783 407	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks and ETF	4 225	4 225	4 225	–	–	–	–
CFDs	96 222	96 222	96 222	–	–	–	–
Total financial assets at fair value through P&L	100 447	100 447	100 447	–	–	–	–
Investments in subsidiaries	52 614	52 614	–	–	–	–	52 614
Financial assets at amortised cost	11 261	11 261	9 854	–	1 407	–	–
Total financial assets	947 729	947 729	893 708	–	1 407	–	52 614
Financial liabilities							
Amounts due to customers	472 211	472 211	472 211	–	–	–	–
Financial liabilities held for trading							
CFDs	18 349	18 349	18 349	–	–	–	–
Total financial liabilities held for trading	18 349	18 349	18 349	–	–	–	–
Other liabilities	10 822	10 822	852	2 598	6 458	914	–
Total financial liabilities	16 176	16 176	11 155	3 323	–	–	1 698
Financial liabilities	517 558	517 558	502 567	5 921	6 458	914	1 698
Contractual liquidity gap in maturities (payment dates)			391 141	(5 921)	(5 051)	(914)	50 916
Contractual cumulative liquidity gap			391 141	385 220	380 169	379 255	430 171

The Company does not expect the cash flows presented in the maturity analysis to occur significantly earlier on in significantly different amounts.

33.4 Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Company's exposure to credit risk:

(IN PLN'000)	30.06.2020 (UNAUDITED) CARRYING AMOUNT	30.06.2020 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2019 (AUDITED) CARRYING AMOUNT	31.12.2019 (AUDITED) MAKSYMALNA EKSPOZYCJA NA RYZYKO KREDYTOWE	30.06.2019 (UNAUDITED) CARRYING AMOUNT	30.06.2019 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	1 309 162	1 309 162	855 811	855 811	783 407	783 407
Financial assets at fair value through P&L *	285 400	16 794	136 549	4 926	100 447	6 524
Investments in subsidiaries	36 507	36 507	54 463	54 463	52 614	52 614
Financial assets at amortised cost	24 367	24 367	12 747	12 747	11 261	11 261
Total financial assets	1 655 436	1 386 830	1 059 570	927 947	947 729	853 806

** As at 30 June 2020 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 96 222 thousand (31 December 2019: PLN 117 421 thousand, 30 June 2019: PLN 96 222 thousand). This exposure was collateralised with clients' cash, which, as at 30 June 2020, covered the amount of PLN 165 994 thousand (31 December 2019: PLN 111 922 thousand, 30 June 2019: PLN 89 698 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

The credit quality of the Company's financial assets is assessed based on external credit quality assessments, risk weights assigned based on the CRR, taking account of the mechanisms used to mitigate credit risk, the number of days past due, and the probability of counterparty insolvency.

The Company's assets fall within the following credit rating brackets:

- Fitch Ratings – from F1+ to F2B
- Standard & Poor's Ratings Services – from A-1+ to A-2
- Moody's – from P-1 to P-2

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and customers' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 30 June 2020, the Company had deposit accounts in 24 banks and institutions (31 December 2019: in 20 banks and institutions, 30 June 2019: in 22 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

(IN PLN'000)	30.06.2020 (UNAUDITED) ENTITY	(IN PLN'000)	31.12.2019 (AUDITED) (IN PLN'000)	ENTITY	30.06.2019 (UNAUDITED) (IN PLN'000)
Bank 1	612 470	Bank 1	236 152	Bank 1	221 211
Bank 2	176 763	Bank 2	197 799	Bank 2	159 136
Bank 3	113 567	Bank 3	135 374	Bank 3	108 053
Bank 4	69 433	Bank 4	91 670	Bank 4	73 931
Bank 5	62 691	Bank 5	43 170	Bank 5	41 867
Bank 6	56 227	Bank 6	36 649	Bank 6	41 345
Bank 7	45 663	Bank 7	25 291	Bank 7	33 886
Bank 8	44 393	Bank 8	22 982	Bank 8	21 492
Bank 9	28 502	Bank 9	17 982	Bank 9	19 291
Bank 10	25 071	Bank 10	12 146	Bank 10	13 571
Other	74 382	Other	36 596	Other	49 624
Total	1 309 162	Total	855 811	Total	783 407

The table below presents a short-term assessment of the credit quality of the Company's cash and cash equivalents according to credit quality steps determined based on external credit quality assessments (where step 1 means the best credit quality and step 6 – the worst) and the risk weights assigned based on the CRR. Long-term assessment of the credit quality were used in case of exposures without short-term assessment of the credit quality or maturity longer than 3 months.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000)		
	30.06.2020 (UNAUDITED)	31.12.2019 (AUDITED)	30.06.2019 (UNAUDITED)
Cash and cash equivalent			
Step 1	1 246 506	770 501	752 886
Step 2	20 362	47 269	1 193
Step 3	42 294	38 041	29 328
Total	1 309 162	855 811	783 407

Financial assets at fair value through P&L

Financial assets at fair value through P&L result from transactions in financial instruments entered into with the Company's customers and the related hedging transactions.

Credit risk involving financial assets at fair value through P&L is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Company's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage serve as a security. If a customer's current balance is 50 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The initial margin amount is established depending on the type of financial instrument, customer account, account currency and the balance of the cash account in the transaction system, as a percent of the transaction's nominal value. A detailed mechanism is set forth in the rules binding on the customers. In addition, in order to mitigate counterparty credit risk, the Company includes special clauses in agreements with selected customers, in particular, requirements regarding minimum balances in cash accounts.

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets at fair value through P&L is high and does not show significant diversity.

The Company's top 10 exposures to counterparty credit risk taking into account collateral (net exposure) are presented in the table below (numbering of counterparties determined individually for each period:

30.06.2020 (UNAUDITED)		31.12.2019 (AUDITED)		30.06.2019 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	8 186	Entity 1	3 071	Entity 1	2 411
Entity 2	2 578	Entity 2	1 212	Entity 2	1 295
Entity 3	2 003	Entity 3	874	Entity 3	1 243
Entity 4	657	Entity 4	791	Entity 4	428
Entity 5	542	Entity 5	295	Entity 5	207
Entity 6	273	Entity 6	267	Entity 6	207
Entity 7	208	Entity 7	262	Entity 7	131
Entity 8	181	Entity 8	180	Entity 8	77
Entity 9	157	Entity 9	175	Entity 9	74
Entity 10	145	Entity 10	109	Entity 10	72
Total	14 928	Total	7 236	Total	6 145

Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the Company's business. Non-overdue other receivables are collected on a regular basis and, from the perspective of credit quality, they do not pose a material risk to the Company.

Warsaw, 20 August 2020

Omar Arnaout President of the Management Board	Filip Kaczmarzyk Member of the Management Board
Jakub Kubacki Member of the Management Board	Paweł Szejko Member of the Management Board
Andrzej Przybylski Member of the Management Board	Urszula Tanajewska The person responsible for bookkeeping

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP AND COMPANY

1. Basic information

1.1 General information

The Parent Company in the Capital Group X-Trade Brokers Dom Maklerski S.A. (the „Group", „Capital Group") is X Trade Brokers Dom Maklerski S.A. (hereinafter: the „Company" „Parent Entity", „Parent Company", „Brokerage", „XTB") with its headquarters located in Warsaw, at Ogrodowa street 58, 00-876 Warsaw.

The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus and Belize.. The Group's business is regulated and supervised by competent authorities on the markets on which the Group operates, including EU countries, where it operates on the basis of a single European passport. Currently, the Group is focusing on growing its business in 12 key countries, including Poland, Spain, the Czech Republic, Portugal, France and Germany and has prioritised Latin America, Africa and Asia as a region for future development.

XTB Group continuously conducts activities aimed at extending the offer for its clients and optimizing internal and external processes. Extending the offer mainly concerns the stock offer and ETF, while there are currently over 2 500 instruments available. There are also CFD products, which gives in total almost 4 700 instruments available for trade by the Group's clients. Process optimization is mainly about speeding up on-boarding and development of self-service processes through xStation platform. The Management Board believes that the platform is currently one of the most developed trading platform on the CFD and stock market. The company is constantly trying to develop the platform with elements supporting transactions on OTC markets. The Management Board believes that the Group has built solid foundations ensuring its a good position to generate growth in the future.

The first half of 2020 was record breaking for XTB for many reasons. Consolidated net profit amounted to PLN 293,5 million compared to PLN 5,2 million a year earlier. Consolidated revenue amounted to PLN 518,2 million (H1 2019: PLN 88,8 million) and operating expenses reached PLN 138,3 million (H1 2019: PLN 83,6 million). In this period the Group also noted a record number of new clients i.e. over 52 thousand compared to 16 thousand a year earlier (an increase of 225,9% y/y).

These semi-annual condensed financial statements for the first half of 2020 (separate and consolidated) have been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" as endorsed by the European Union. Other standards, amendments to existing standards and interpretations of the International Financial Reporting Interpretations Committee recently adopted or awaiting adoption have no bearing on the Group's business or its impact would not be material. Detailed description of the rules for preparing the abovementioned of financial statements has been included in item 2 of the Semi-Annual Condensed Consolidated Financial Statements as well as in the separate financial statements.

Products and services

The Group is an international provider of trading and investment products, services and solutions, specialising in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets. The group also offers investments in shares and ETF instruments on the same trading platform. The Group operates in two segments: retail and institutional segment. The Group's retail operations mainly include online trading of derivatives based on assets and underlying instruments that are traded on the financial and commodity markets. Institutional customers of the Group offers technologies thanks to which they can offer their clients the possibility of trading in financial instruments under their own brand. The Group also acts as a liquidity provider for institutional clients.

The Group offers two trading platforms to both retail clients and institutional clients:

- xStation
- MetaTrader 4 (MT4),

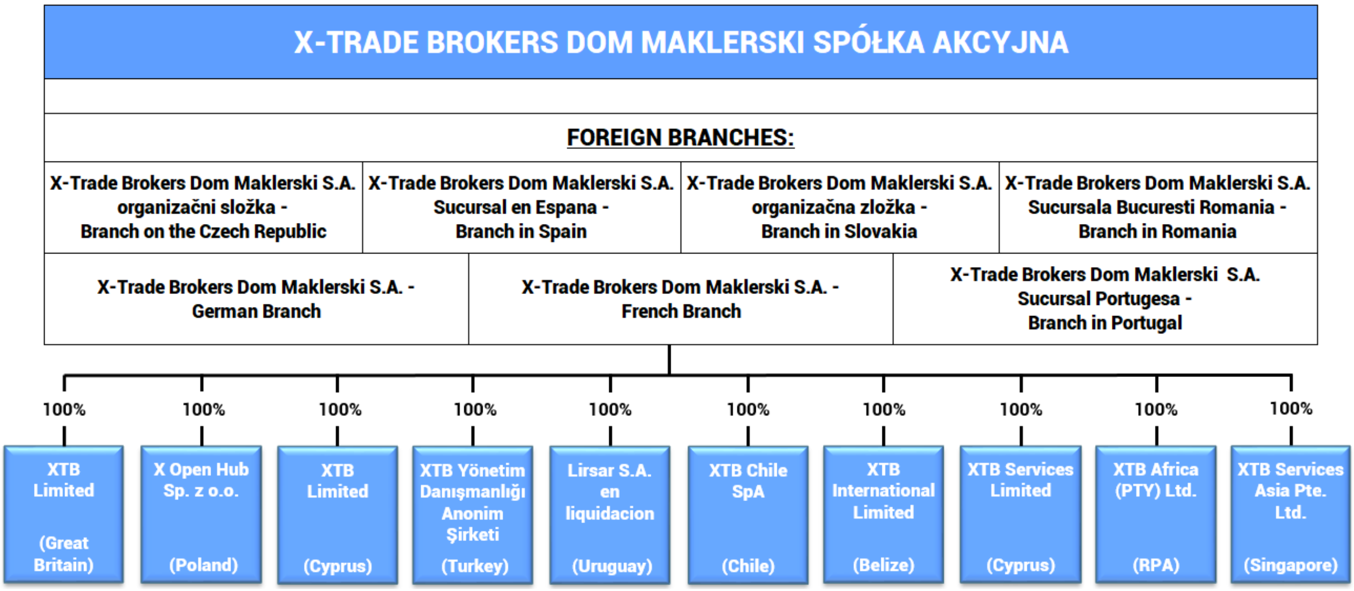
which are supported by the Group's advanced, proprietary technology infrastructure. The Group's retail clients are given access to one of the above-mentioned front-end trading platforms and to the range of its components, along with access to back-office systems. Institutional clients are granted full access to the set-up and management facilities, the branding system and the risk management tools.

The Group also offers its clients various trading alternatives based on the level of client sophistication (from beginner to expert) and on the mode of access (from smartphones to web-based interfaces to desktop applications). These applications provide retail clients investing in CFDs based on various financial instruments with tools, including charts, analytics, research and online trading. The functionality of the Group's offer enables clients to open and deposit funds in accounts, place and move orders and request statements via the Internet. The Group's core technology uses software products designed for their functionality and scalability.The Group is actively introducing new improvements to the transaction platform that make it more intuitive and easy to use. As at the end of I half of 2020, the Group offered more than 2 000 CFDs with leverage, including approximately 50 instruments based on currency pairs, approximately 20 based on commodities, approximately 30 based on indices, alomst 1 800 based on shares of companies listed on stock exchanges in 12 countries and over 100 based on American and European ETFs. Currently, the joint stock offer includes over 2 600 instruments, including over 2 400 shares and over 200 ETFs. Currently, the group offers its clients almost 4 700 instruments. Institutional clients may also use the xRisk platform, which provides a complete risk management system.

1.2 Description of the Group's organization

As at 30 June 2020 the Group comprised Parent Company and 10 subsidiaries. The Company has 7 foreign branches.

The chart below presents the Group's structure, including the Company's foreign branches, including its share in the share capital / number of votes at the general meeting or the shareholders meeting to which the shareholder or shareholder is entitled.



The results of all subsidiaries are fully consolidated from the date of their creation/acquisition.

Neither the Parent Company nor any Group company holds shares in other companies that may have a material impact on its assets and liabilities, financial position and profit or loss.

Subsidiaries

Basic information about the Group companies, which are directly or indirectly dependent on the Company, is provided below.

<u>XTB Limited, Great Britain</u>

XTB Limited business comprises, among other things, the following types of operations:

- making arrangements regarding investments for clients,
- dealing in investments as an agent,
- dealing in investments as the principal.

<u>X Open Hub Sp. z o.o., Poland</u>

Main scope of business of the company is offering electronic applications and trading technology.

<u>XTB Limited (formerly: DUB Investments Ltd.), Cyprus</u>

XTB Limited business comprises:

- accepting and forwarding orders relating to one or more financial instruments.

On 12 July 2016 Cypriot Securities and Exchange Commission, „CySEC" approved to expand the brokerage license of the company by the following investment services:

- execution of orders on behalf of clients,
- dealing on own account and following ancillary services:
  - safekeeping and administration of financial instruments on behalf of clients; including custodianship and related services such as cash/additional insurance,
  - granting investors credits or loans to one or more financial instruments, where the firm granting the credit or loans is involved in the transaction,

– foreign exchange services where these are connected to the provision of investment services.

Expanding of brokerage license includes all financial instruments listed in Section C of Annex 1 of MiFiD Directive.

On May 3 2018, DUB Investments Limited changed its name to XTB Limited. On June 6 2018, the parent company acquired 1 165 shares in the increased share capital of the subsidiary, maintaining a 100% share in its capital.

XTB Yönetim Danışmanlığı Anonim Şirketi (formerly: X Trade Brokers Menkul Değerler A.Ş.), Turkey

In 2020 XTB Yönetim Danışmanlığı Anonim Şirketi did not conduct any operating activities. In the past the company business encompassed among other.:

- investment consulting,
- trading derivatives,
- leverage trading on the forex market,
- trading intermediation.

On 10 February 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report the subsidiary did not have any active licence to operate.

On 3 March 2020 the General Meeting of company XTB XTB Yönetim Danışmanlığı Anonim Şirketi with its office in Turkey decided to reduce the company's share capital from TRY 22 500 thousands to TRY 100 thousands. Therefore, X- Trade Brokers Dom Maklerski S.A. Group, on the basis of Management Board decision of 15 April 2020, made a decision on recognition in accounting records reclassification of the part of negative foreign exchange differences in the amount of 21,9 million PLN arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement.

The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation and was recognized in consolidated financial results for the 1st Half 2020. However, it did not affect the liquidity position of XTB nor the total amount of Group's equity as at the date of its booking.

The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end of H1 2020 amounted to PLN 2,7 million and is derived among other the exchange rate of Turkish lira, will be recognized in consolidated result at the date of liquidation of this company.

On 12 March 2020 the subsidiary changed its name to XTB Yönetim Danışmanlığı Anonim Şirketi.

Lirsar S.A in liquidacion, Uruguay

On 21 May 2014 the Parent Company acquired 100% of shares in Lisar S.A. with its seat in Uruguay. The capital from the subsidiary with accumulated profits was returned to the Parent Company on 14 December 2017. Until the date of report submission the company was not formally liquidated.

XTB Chile SpA, Chile

On 17 February 2017 the Parent Company established XTB Chile SpA. The Company owns 100% of shares in subsidiary. XTB Chile SpA will provide services involving the acquisition of clients from the territory of Chile.

XTB International Limited, Belize

On 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. On 26 September 2019 the Parent Company acquired 500 000 shares in the increased share capital of the subsidiary while maintaining a 100% share in its capital The company provides brokerage services based on the obtained permission issued by the International Financial Service Commission.

XTB Services Limited, Cyprus

On 27 July 2017 the Parent Company acquired 100% shares in Jupette Limited with its registered office in Cyprus. On 5 August 2017 the subsidiary changed its name to XTB Services Limited. The company provides marketing and marketing-sales services.

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary of XTB Africa (PTY) Ltd with its seat in RPA. The company hold 100% shares in a subsidiary. On 14 October 2019 the Parent Company acquired 100 shares in the increased capital of the subsidiary, maintaining 100% share in its capital. As at the date of report publication, the company did not conduct any operating activities and was in the process of obtaining a license to conduct brokerage activities.

XTB Services Asia Pte. Ltd., Singapore

On 19 August 2019 the Company established XTB Services Asia Pte. Ltd. with its seat in Singapore in which it owns 100% of shares. As at 31 June 2020 the subsidiary did not conduct operations. On 8 April 2020 the Group started a liquidation process of the subsidiary XTB Service Asia Pte. Ltd. with its seat in Singapore to the Accounting and Corporate Regulatory Authority.

In the reporting period, i.e. from 1 January to 30 June 2020 and until the date of submitting this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

2. Summary and analysis of the results of the Group

Consolidated net profit amounted to PLN 293,5 million compared to PLN 5,2 million a year earlier. Consolidated revenue amounted to PLN 518,2 million (H1 2019: PLN 88,8 million) and operating expenses reached PLN 138,3 million (H1 2019: PLN 83,6 million). In this period the Group also noted a record number of new clients i.e. 52 434, which means an increase by 225,9% compared to the first half of 2019.

The results of the first half of 2020 were charged with the reclassification of negative foreign exchange differences in the amount of PLN 21,9 million arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement. The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation. However, it did not affect the liquidity position of XTB nor the total amount of Group's equity as at the date of its booking. The value of consolidated net profit, after adjusting it for the mentioned one-off event would be PLN 315,4 million.

2.1 Factors affecting operating and financial results

The Group's operating and financial results are primarily influenced by:

- number of active clients, transaction volume and amount of deposits;
- volatility in financial and commodity markets;
- general market, geopolitical and economic conditions;
- competition in the FX/CFD market and
- regulatory environment.

The key factors influencing the Group's financial and operating results for the 6 months ended 30 June of 2020 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's result for the I half of 2020

The table below presents the selected items of the consolidated statement of comprehensive income for the periods.

(in PLN'000)	SIX-MONTH PERIOD ENDED				
	30.06.2020	31.12.2019	CHANGE IN VALUE	CHANGE %	30.06.2019
Result of operations on financial instruments	515 398	147 669	367 729	249,0	85 437
Income from fees and charges	2 681	2 297	384	16,7	3 332
Other income	79	557	(478)	(85,8)	12
Total operating income	518 158	150 523	367 635	244,2	88 781
Salaries and employee benefits	(65 686)	(45 494)	20 192	44,4	(40 530)
Marketing	(39 000)	(18 957)	20 043	105,7	(18 759)
Other external services	(13 232)	(13 277)	(45)	-0,3	(11 361)
Costs of maintenance and lease of buildings	(1 901)	(1 626)	275	16,9	(1 532)
Amortisation and depreciation	(3 815)	(3 515)	300	8,5	(3 238)
Taxes and fees	(1 392)	(1 420)	(28)	(2,0)	(1 530)
Commission expenses	(10 524)	(4 425)	6 099	137,8	(3 904)
Other expenses	(2 700)	(1 590)	1 110	69,8	(2 734)
Total operating expenses	(138 250)	(90 304)	47 946	53,1	(83 588)
Operating profit (EBIT)	379 908	60 219	319 689	530,9	5 193
Finance income	3 065	2 669	396	14,8	3 232
Finance costs, including:	(20 757)	(565)	20 192	3 573,8	(1 312)
- negative foreign exchange differences relating to a company in Turkey	*(21 880)*	-	*21 880*	*100*	-
Profit before tax	362 216	62 323	299 893	481,2	7 113
Income tax	(68 757)	(9 778)	58 979	603,2	(1 957)
Net profit	293 459	52 545	240 914	458,5	5 156

Revenues

In the first half of 2020 XTB noted a record revenue increase from PLN 88,8 million to PLN 518,2 million, i.e. by 483,6% y/y. The significant factors determining the level of revenues were above-average volatility on financial and commodity markets caused by among others coronavirus COVID-19 global pandemic and a constantly growing client base combined with their high transaction activity noted in the number of concluded transactions in lots. As a consequence the transaction volume in CFD instruments amounted to 1 613,9 thousand lots (H1 2019: 779,7 thousand lots) and a profitability per lot reached PLN 321 (H1 2019: PLN 114).

	THREE-MONTH PERIOD ENDED							
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Total operating income (in PLN'000)	211 494	306 664	89 571	60 952	47 891	40 890	42 786	47 578
Transaction volume in CFD instruments in lots[1]	829 017	784 840	394 146	423 333	385 317	394 421	458 869	345 118
Profitability per lot (in PLN)[2]	255	391	227	144	124	104	93	138

[1]) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.
[2]) Total operating income divided by the transaction volume in CFDs in lots.

XTB has a solid foundation in the form of constantly growing client base and the number of active clients. In the first half of 2020 the Group reported a new record in the number of new clients amounted to 52 434 compared to 16 089 a year earlier. This is the effect of continuing the optimized sales and marketing strategy, bigger penetration of already existed markets, successive introduction of new products to the offer and expansion into a new geographic markets. Similarly to the number of new clients, the number of active client was also record high. The number of active client increased from 23 688 to 52 084, i.e. by 119,9% y/y. The intention of Management Board in 2020 and subsequent years is to further increase the client base.

								PERIOD ENDED
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
New clients[1]	30 523	21 911	10 424	10 042	9 246	6 843	5 742	4 884
Average number of active clients[2]	52 084	45 660	26 582	25 171	23 688	22 245	21 279	21 515

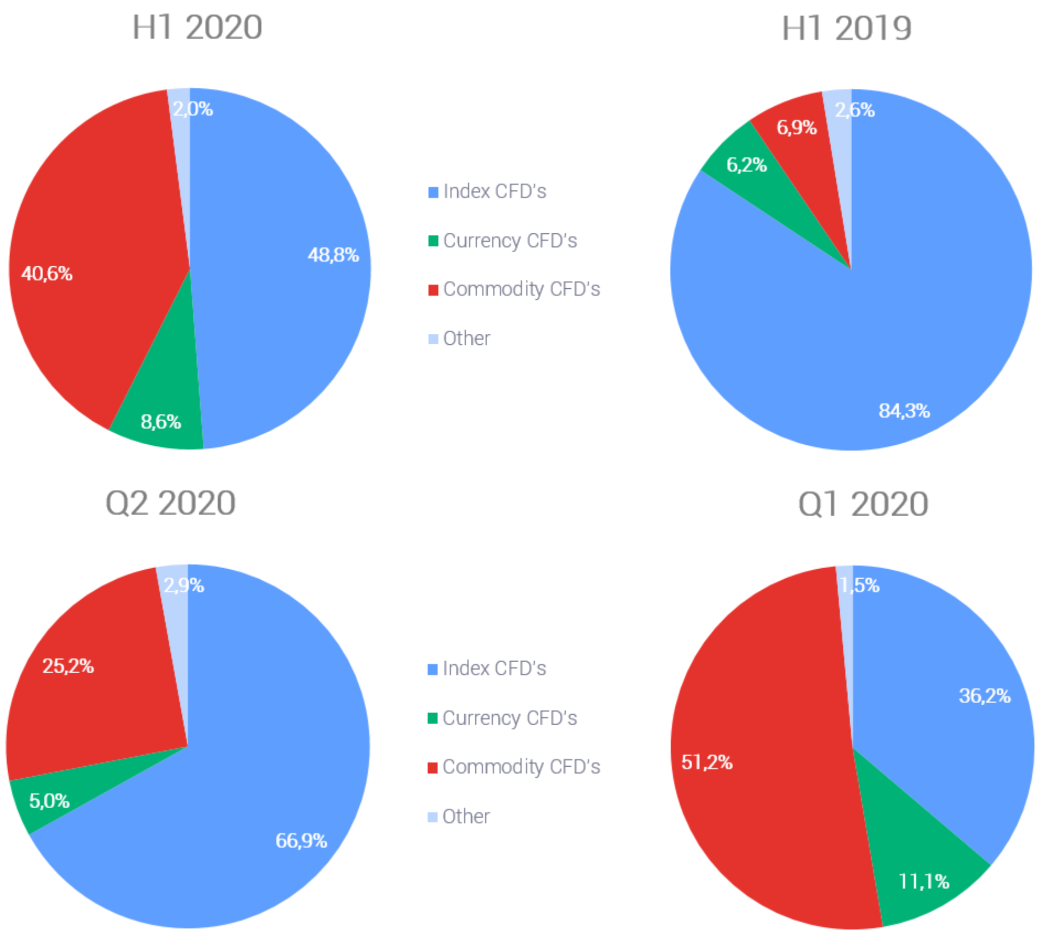
[1]) The number of new Group's clients in the individual periods.
[2]) The average quarterly number of clients respectively for 6 and 3 months of 2020 and 12, 9, 6 and 3 months of 2019 and 12, 9 months of 2018.

XTB's aim is to provide clients with diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2020 and subsequent years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the first half of 2020 reached 48,8% against 84,3% a year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US500, US100 and contract based on volatility index listed on the U.S. organized market. The second most profitable class of assets were CFD based on commodities. Their share in the structure of revenues on financial instruments in the first half of 2020 reached 40,6% (H1 2019: 6,9%). The most profitable instruments among this asset class were CFD instruments based on oil prices, gold and natural gas contracts. Revenues of CFD based on currency reached 8,6% of all revenues, compared to 6,2% a year earlier.

XTB clients, looking for investment opportunities to earn money, generally trade in financial instruments that are characterized by high market volatility in a given period. This may lead to fluctuations in the revenue structure by the asset class, which should be treated as a natural element of the business model. From the point of view of XTB, it is important that the range of financial instruments in the Group's offer is as broad as possible and allows clients to use every upcoming market opportunity to earn money.

The structure of revenue by asset class (in %)



(in PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020	31.12.2019	CHANGE %	30.06.2019
Index CFDs	252 818	102 521	146,6	72 595
Commodity CFDs	210 043	6 071	3 359,8	5 950
Currency CFDs	44 743	37 288	20,0	5 336
Stock CFDs and ETFs	4 400	1 151	282,3	1 162
Bond CFDs	138	108	27,8	663
Total CFDs	512 142	147 139	248,1	85 706
Shares and ETFs	5 998	799	650,7	400
Gross gain on transactions in financial instruments	518 140	147 938	250,2	86 106
Bonuses and discounts paid to costumers	(459)	(211)	117,5	(89)
Commission paid to cooperating brokers	(2 283)	(58)	3 836,2	(580)
Net gain on transaction in financial instruments	515 398	147 669	249,0	85 437

XTB places great importance on the geographical diversification of revenues. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 34,1% (H1 2019: 40,8%) and 17,8% (H1 2019: 23,9%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(in PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020	31.12.2019	CHANGE %	30.06.2019
Central and Eastern Europe	257 124	76 631	235,5	44 703
- including Poland	*176 930*	*59 178*	*199,0*	*36 212*
Western Europe	215 532	53 998	299,1	36 936
- including Spain	*92 005*	*26 455*	*247,8*	*21 187*
Latin America	45 502	19 894	128,7	7 142
Total operating income	518 158	150 523	244,2	88 781

XTB puts also strong emphasis on diversification of segment revenues. Therefore the Group develops institutional activities (X Open Hub), under which it provides liquidity and technology to other financial institutions, including brokerage houses. Revenues from this segment are subject to significant fluctuations from period to period, analogically to the retail segment, which is typical for the business model adopted by the Group.

(in PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020	31.12.2019	CHANGE %	30.06.2019
Retail segment	428 557	140 306	205,4	78 151
Institutional segment (X Open Hub)	89 601	10 217	777,0	10 630
Total operating income	518 158	150 523	244,2	88 781

XTB's business model includes high volatility of revenues depending on the period. Operating results are mainly affected by: (i) volatility on financial and commodity markets; (ii) the number of active clients; (iii) volume of concluded transactions on financial instruments; (iv) general market, geopolitical and economic conditions; (v) competition on the FX/CFD market and (vi) regulatory environment.

As a rule, the Group's revenues are positively affected by higher activity of financial markets due to the fact that in such periods, a higher level of turnover is realized by the Group's clients and higher profitability per lot. The periods of clear and long market trends are favourable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial markets and commodities generally leads to an increased volume of trading on the Group's trading platforms. On the other hand, the decrease in this activity and the related decrease in the transaction activity of the Group's clients leads, as a rule, to a decrease in the Group's operating income. Due to the above, operating income and the Group's profitability may decrease in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves within a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional movements on the markets, which creates favourable conditions for transactions concluded in a narrow *range trading*. In this case, a greater number of transactions that bring profits to clients is observed, which leads to a decrease in the Group's result on *market making*.

The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model.

Expenses

In the first half of 2020 operating expenses amounted to PLN 138,3 million and were higher by PLN 54,7 million in relation to the same period a year earlier (H1 2019: PLN 83,6 million). The most significant changes occurred in:

- costs of salaries and employee benefits, an increase of PLN 25,2 million mainly due to provisions established for variable components of remuneration (bonuses) and unused holidays and an increase in employment;
- marketing costs, an increase of PLN 20,2 million mainly due to higher expenditures on marketing online campaigns;
- commission expenses, an increase of PLN 6,6 million as a result of larger amounts paid to payment service providers through which clients deposit their funds on transaction accounts;
- other external costs, an increase of PLN 1,9 million as a result of higher expenditures on: (i) IT systems and licenses (an increase of PLN 0,7 million y/y); (ii) legal and consulting services (an increase of PLN 0,6 million y/y).

(in PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2020	30.06.2019	CHANGE %	30.06.2019
Salaries and employee benefits	65 686	45 494	44,4	40 530
Marketing	39 000	18 957	105,7	18 759
Other external services	13 232	13 277	(0,3)	11 361
Costs of maintenance and lease of buildings	1 901	1 626	16,9	1 532
Amortization and depreciation	3 815	3 515	8,5	3 238
Taxes and fees	1 392	1 420	(2,0)	1 530
Commission expenses	10 524	4 425	137,8	3 904
Other expenses	2 700	1 590	69,8	2 734
Total operating expenses	138 250	90 304	53,1	83 588

In q/q terms, operating costs decreased of PLN 6,8 million mainly due to lower by PLN 11,9 million costs of salaries and employee benefits and higher by PLN 5,5 million marketing expenditures.

	THREE-MONTH PERIOD ENDED							
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Total operating expenses (in PLN'000)	65 721	72 529	47 324	42 980	42 490	41 098	40 862	48 837
- marketing	*22 260*	*16 740*	*10 222*	*8 735*	*9 581*	*9 178*	*7 878*	*8 669*
New clients	30 523	21 911	10 424	10 042	9 246	6 843	5 742	4 884
Average number of active clients	58 508	45 660	30 815	28 136	25 131	22 245	20 568	20 277

The Management Board expects that during the whole 2020 operating costs will be higher than in 2019. The final level of operating costs will depend on the level of variable remuneration components paid to employees, the level of marketing expenditures, the dynamics of geographical expansion into new markets and the impact of potential product interventions and other external factors on the level of revenues generated by the Group.

The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures depends on their impact on the Group's results and profitability, the rate of foreign expansion and on clients responsiveness to the actions taken. The impact of a new product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions.

In terms of remuneration costs and employee benefits, in the subsequent quarters of 2020 it is assumed that their amount may fluctuate between the levels recorded in Q2 2020, and those noted in Q4 and Q3 of 2019. In the third quarter of this year, due to holiday period, the Management Board plans to limit online marketing activities. This may result in a decrease in marketing costs by approximately 20-30% and lower client base growth. In turn, in the fourth quarter of this year the Management Board aims to strengthen branding activity in the Group.

Dividend and capital requirements

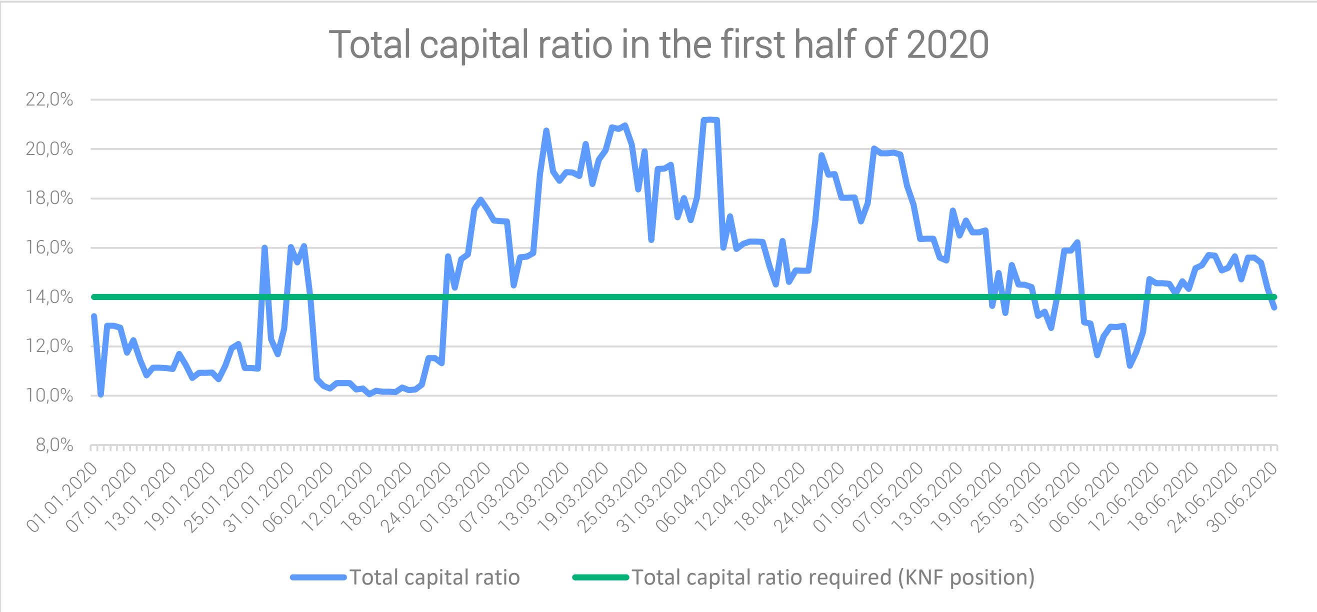
The XTB dividend policy assumes recommendation by the Management Board to the General Meeting a dividend payment in the amount taking into account the level of net profit presented in the standalone annual financial report of the Company and a variety of factors relating to the Company, including prospects for further operations, future net profits, demand for cash, financial situation, the level of capital adequacy ratios, expansion plans, legal requirements in this area and KNF guidelines. In particular, the Management Board, when submitting proposals for dividend payment, will be guided by the need to ensure an appropriate level of the Company's capital adequacy ratios and the capital necessary for the development of the Group. The Management Board maintains that its intention is to recommend in the future the adoption of resolutions to the General Meeting on dividend payment taking into account factors mentioned above, at the level of 50% to 100% of Company's standalone net profit of a given financial year. The standalone net profit for the first half of 2020 amounted to PLN 312,6 million.

Taking into account the position of the KNF published on 22 May 2018, regarding the dividend policy of brokerage houses in the medium term, it is recommended to pay dividends only by brokerage houses that especially:

- at the end of each quarter, have a total capital ratio of at least 14% - then it is possible to pay a dividend in the amount not higher than 100% of the net profit for a given year, or
- as at the last calendar day of a given year had a total capital ratio of at least 14% - then it is possible to pay a dividend at the level not exceeding 75% of the net profit for a given year;
- obtain a BION supervisory assessment of 1 or 2.

As at the date of publication of this current report, the Company is waiting for the latest BION assessment. In recent years the Company received it from KNF in July.

The chart below presents levels of the total capital ratio in the first half of 2020.



The total capital ratio informs about the relation between own funds and risk-weighted assets. It shows whether the brokerage house is able to cover the minimum capital requirement for market, credit, operational and other risks with its own funds. At the end of the first quarter of this year the total capital ratio in the Company amounted to 18,0%, and at the end of the second quarter of 2020: 13,6%. This means that on condition of obtaining the total capital ratio as at 31.12.2020 at the level of at least 14% and meeting the other criteria, it will be possible to pay a dividend from the Company's standalone net profit for the 2020 at the level of up to 75% of its profit.

The Management Board wants to protect the interest of shareholders in terms of the possibility of paying dividends from net profit of 2020 and plans to apply to KNF for permission to include part of the profit for H1 2020 (maximum to 25% of this net profit) to Equity Tier I. As a result of these actions, if the KNF approval will be obtained, the Company's capital base and the total capital ratio should be increased. In the opinion of the Management Board, this will secure the achievement of the total capital ratio as at 31.12.2020 at the level of at least 14%.

Cash

XTB, as an investment company, operates in the market making model for CFD instruments. It means that the Company offers liquidity on the market by accepting, on its own account, purchase and sale transactions of financial instruments concluded and initiated by its retail and institutional clients. The Group does not engage, strictly speaking, in proprietary trading in anticipation of changes in prices or values of the underlying instruments. The activity in market making model causes market risk which, in accordance with applicable law, must be covered by maintaining sufficiently high equity (capital ratio). On the asset side in the balance sheet, this is shown in the value of own cash.

In an environment of low interest rates, which discourages the maintenance of high deposits in banks, XTB started to locate part of its cash in financial instruments with a risk weight of 0% (treasury bonds). As at 30.06.2020 the total amount of own cash and treasury bonds in the Group amounted to PLN 812,7 million, that includes PLN 681,3 million of own cash and PLN 131,4 million of treasury bonds. The Management Board assumes that the value of the portfolio of instruments of 0% risk will increase in the future.

2.3 Group's selected financial ratios

The financial ratios presented in the following table are not a measure of the financial results in accordance with the IFRS nor should they be treated as a measure of the financial results or cash flows from operating activities, or considered an alternative to a profit. These indicators are not uniformly defined and may not be comparable to ratios presented by other companies, including companies operating in the same sector as the Group.

			SIX-MONTH PERIOD ENDED
	30.06.2020	31.12.2019	30.06.2019
EBITDA (in PLN'000)[1]	383 723	63 734	8 431
EBITDA margin (%)[2]	74,1	42,3	9,5
Net profit margin (%)[3]	56,6	34,9	5,8
Return on equity –ROE (%)[4]	92,5	22,6	2,3
Return on assets – ROA (%)[5]	40,3	9,7	1,0
Aggregate capital adequacy ratio of the Company, including buffers (%)[6]	13,6	14,6	14,7
Aggregate capital adequacy ratio of the Group, including buffers (%)[7]	12,9	13,3	14,0

[1]) EBITDA calculated as operating profit, including amortisation and depreciation.
[2]) Calculated as the quotient of operating profit, including amortisation and depreciation, and operating income.
[3]) Calculated as the quotient of net profit and operating income.
[4]) Calculated as the quotient of net profit and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and as at the end of the current reporting period).
[5]) Calculated as the quotient of net profit and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period).
[6]) Calculated as the quotient of equity of the Company less buffers requirements and total risk exposure.
[7]) Calculated as the quotient of equity of the Group less buffers requirements and total risk exposure.

2.4 Selected operating data

The table below shows data on the Group's transaction volumes (in lots) by geographical area for the periods indicated.

	SIX-MONTH PERIOD ENDED		
	30.06.2020	**31.12.2019**	**30.06.2019**
Retail operations segment	1 460 944	715 032	691 381
Central and Eastern Europe	777 437	359 307	365 913
Western Europe	518 185	273 078	268 418
Latin America	165 322	82 647	57 050
Institutional operations segment	152 913	102 447	88 357
Total	1 613 857	817 479	779 738

The table below presents:

- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the amount of net deposits in the individual periods;
- average operating income per one active client;
- the transaction volume in lots;
- profitability per lot;
- transaction volume of CFD derivatives at nominal value;
- profitability per 1 million turnover and;
- the volume of share transactions at nominal value.

The information presented in the table below is related to the aggregate operations in the retail and institutional operations segments.

	SIX-MONTH PERIOD ENDED		
	30.06.2020	**31.12.2019**	**30.06.2019**
New clients[1]	52 434	20 466	16 089
Average number of active clients[2]	52 084	29 476	23 688
Clients in total	199 365	149 304	128 266
Net deposits (in PLN'000))[3]	1 045 185	214 537	194 884
Average operating income per active client (in PLN'000))[4]	9,9	5,1	3,7
Transaction volume in CFD instruments in lots [5]	1 613 857	817 479	779 738
Profitability per lot (in PLN)[6]	321	184	114
Transactions volume in CFD at nominal value (in USD million)	454 691,7	272 543,9	268 965,6
Profitability per 1 million turnover in CFD derivatives (in PLN)	286,4	145,4	88,4
Share transaction volume at nominal value (in USD million)	520,5	104,1	74,7

[1]) The number of new clients in the individual periods.
[2]) The average quarterly number of clients via which at least one transaction has been concluded over the last three months.
[5]) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
[4]) The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.
[5]) Lot stanowi jednostkę obrotu instrumentami finansowym; w przypadku transakcji walutowych lot odpowiada 100 000 jednostek waluty bazowej; w przypadku instrumentów innych niż instrumenty pochodne CFD oparte na walutach kwota jest określona w tabeli instrumentów i jest różna dla różnych instrumentów.
[6]) Total operating income divided by the transaction volume in CFDs in lots.

The table below shows data on the Group's revenue by geographical area for the periods indicated.

(in PLN'000)	SIX-MONTH PERIOD ENDED		
	30.06.2020	**31.12.2019**	**30.06.2019**
Result from operations on financial instrument:	515 398	147 669	85 437
Central and Eastern Europe	255 138	74 649	41 557
Western Europe	214 947	53 176	36 745
Latin America	45 313	19 844	7 135
Income from fees and charges:	2 681	2 297	3 332
Central and Eastern Europe	1 908	1 420	3 134
Western Europe	585	827	191
Latin America	188	50	7
Other income:	79	557	12
Central and Eastern Europe	79	557	12
Total operating income[1]	518 158	150 523	88 781
Central and Eastern Europe	**257 125**	**76 631**	**44 703**
- including Poland [2]	*176 930*	*59 178*	*36 212*
Western Europe	**215 532**	**53 998**	**36 936**
- including Spain[2]	*92 005*	*26 455*	*21 187*
Latin America	**45 501**	**19 894**	**7 142**

[1]) The countries where the Group always generates 15% or more of its revenues include Poland and Spain. The share of any of the other countries in the Group's revenue structure by geographical area does not exceed 15%.
[2]) The country which generates the highest revenue in the region.

Retail operations segment

The table below presents key operational data in the retail operations segment of the Group for the respective periods indicated.

	SIX-MONTH PERIOD ENDED		
	30.06.2020	**31.12.2019**	**30.06.2019**
New clients[1]	52 430	20 463	16 085
Average number of active clients[2]	52 061	29 450	23 660
Clients in total	199 331	149 265	128 218
Number of transactions [3]	30 632 817	12 557 874	11 886 726
Transaction volume in CFD instruments in lots [4]	1 460 943	715 032	691 381
Net deposits (in PLN'000)[5]	958 053	210 465	187 930
Average operating income per active client (in PLN'000)[6]	8,2	4,8	3,3
Average cost of obtaining an client (in PLN'000)[7]	0,7	0,9	1,2
Profitability per lot (in PLN)[8]	293	196	113
Transactions volume in CFD at nominal value (in USD million)	414 240,0	246 665,8	240 147,3
Profitability per 1 million turnover in CFD derivatives (in PLN)[9]	259,9	149,8	87,2
Share transaction volume at nominal value (in USD million)	520,5	104,1	74,7

[1]) The number of new clients in the individual periods.
[2]) The average quarterly number of clients via which at least one transaction has been concluded over the last three months.
[3]) Total number of open and closed transactions in a given period.
[4]) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.
[5]) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
[6]) The Group's operating income in a given period divided by the average quarterly number of clients via which at least one transaction has been concluded over the last three months.
[7]) Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.
[8]) Total operating income in retail segment divided by the transaction volume in CFDs in lots.
[9]) Total operating income in retail segment divided by the transaction volume in CFDs at nominal value in PLN.

The table below presents the average quarterly number of retail clients maintained by the Group on which at least one trade was executed in the last three months, by geographical location. The locations of active clients have been determined based on the location of the Group's office (that maintains the client) except for clients maintained by XTB Limited and XTB International Limited. The clients maintained by XTB Limited and XTB International Limited have been classified based on the client's country of residence rather than the location of the Group's office

						SIX-MONTH PERIOD ENDED
		30.06.2020		31.12.2019		30.06.2019
Central and Eastern Europe	27 805	54%	14 049	48%	12 096	51%
Western Europe	17 874	34%	11 395	39%	9 630	41%
Latin America	6 382	12%	4 006	13%	1 934	8%
Average number of active clients	52 061	100%	29 450	100%	23 660	100%

Institutional operations segment

The Group has provided its services to institutional clients, including brokerage houses and other financial institutions.

The table below presents information regarding the number of clients and number of accounts in the Group's institutional operations segment in the periods indicated.

			SIX-MONTH PERIOD ENDED
	30.06.2020	31.12.2019	30.06.2019
Average number of active clients	23	26	28
Clients in total	34	39	48

The table below presents the Group's turnover (in lots) in the institutional operations segment in the periods indicated.

			SIX-MONTH PERIOD ENDED
	30.06.2020	31.12.2019	30.06.2019
Transaction volume in CFD instruments in lots	152 914	102 447	88 357

XTB with its strong market position and dynamically growing client base builds its presence in the non-European markets, consequently implementing a strategy on building a global brand. The XTB Management Board puts the main emphasis on organic development, on the one hand increasing the penetration of European markets, on the other hand successively building its presence in Latin America, Asia and Africa. Following these activities, the composition of the capital group will be expanded by new subsidiaries. It is worth mentioning that geographic expansion is a process carried out by XTB on a continuous basis, the effects of which are spread over time. Therefore, one should not expect sudden, abrupt changes in the results on this action.

The development of XTB is also possible through mergers and acquisitions, especially with entities that would allow the Group to achieve geographic synergy (complementary markets). Such transactions will be carried out, only when they will bring measurable benefits for the Company and its shareholders.

2.5 Factors which in the Management's Board opinion may impact the Group's results in the perspective of at least the next quarter

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2020 and in some cases also longer:

- As a rule, the Group's revenues are positively affected by higher activity of financial markets due to the fact that in such periods, a higher level of turnover is realized by the Group's clients and higher profitability per lot. The periods of clear and long market trends are favourable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial markets and commodities generally leads to an increased volume of trading on the Group's trading platforms. On the other hand, the decrease in this activity and the related decrease in the transaction activity of the Group's clients leads, as a rule, to a decrease in the Group's operating income. Due to the above, operating income and the Group's profitability may decrease in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves within a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional movements on the markets, which creates favourable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a higher number of transactions that bring profits to clients is observed, which leads to a decrease in the Group's result on market making.

The volatility and activity of markets results from a number of external factors, some of which are characteristic for the market, and some may be related to general macroeconomic conditions. It can significantly affect the revenues generated by the Group in the subsequent quarters. This is characteristic of the Group's business model. To illustrate this impact, the table below presents the historical financial results of the Group on a quarterly basis

								THREE-MONTH PERIOD ENDED
	30.06.2020	**31.03.2020**	**31.12.2019**	**30.09.2019**	**30.06.2019**	**31.03.2019**	**31.12.2018**	**30.09.2018**
Total operating income (in PLN'000)	211 494	306 664	89 571	60 952	47 891	40 890	42 786	47 578
Transaction volume in CFD instruments in lots[1]	829 017	784 840	394 146	423 333	385 318	394 421	458 869	345 118
Profitability per lot (in PLN)[2]	255	391	227	144	124	104	93	138

[1]) A lot is a unit of trading in financial instruments; in the case of foreign currency transactions, a lot corresponds to 100,000 units of the underlying currency; in the case of instruments other than CFDs based on currencies, the amount is specified in the instruments table and varies for various instruments.
[2]) Total operating income divided by the transaction volume in CFDs in lots.

- The Group provides services for institutional clients, including brokerage houses, start-ups and other financial institutions within the institutional activity segment (X Open Hub). The products and services offered by the Group as part of the X Open Hub differ from those offered as part of the retail segment, which entails different risks and challenges. As a result, the Group's revenues from this segment are exposed to large fluctuations from period to period. The table below illustrates the percentage share of the institutional business segment in total operating income.

	30.06.2020	**2019**	**2018**	**2017**	**2016**	**2015**
% share of operating income from institutional operations in total operating income	17,3%	8,7%	6,5%	15,2%	7,8%	4,7%

The level of volatility on financial and commodity markets in 2020, regulatory changes and other factors (if they occur) may affect the condition of XTB institutional partners, transaction volume in lots and XTB revenues from these clients as well.

- The Management Board expects that during the whole 2020 operating costs will be higher than in 2019. The final level of operating costs will depend on the level of variable remuneration components paid to employees, the level of marketing expenditures, the dynamics of geographical expansion into new markets and the impact of potential product interventions and other external factors on the level of revenues generated by the Group.

  The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures depends on their impact on the Group's results and profitability, the rate of foreign expansion and on clients responsiveness to the actions taken. The impact of a new product intervention on the Group's revenues will determine, if necessary, a revision of the cost assumptions.

  In terms of remuneration costs and employee benefits, in the subsequent quarters of 2020 it is assumed that their amount may fluctuate between the levels recorded in Q2 2020, and those noted in Q4 and Q3 of 2019. In the third quarter of this year, due to holiday period, the Management Board plans to limit online marketing activities. This may result in a decrease in marketing costs by approximately 20-30% and lower client base growth. In turn, in the fourth quarter of this year the Management Board aims to strengthen branding activity in the Group.

- On 10 February 2017, the Turkish regulatory body, the Capital Markets Board of Turkey (CMB), introduced changes to the regulations regarding the operation of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and, consequently, to a significant reduction in the Group's operations in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. did not have any active licence to operate.

On 15 April 2020 the Management Board made a decision on recognition in accounting records reclassification of the part of negative foreign exchange differences in the amount of 21,9 million PLN arising from the translation of the XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.S.) subsidiary's equity from the position "Foreign exchange differences on translation" in equity to income statement. The recognition of reclassification in the above amount as financial cost in accounting records is an accounting operation and was recognized in consolidated financial results for the 1st Half 2020. However, it did not affect the liquidity position of XTB nor the total amount of Group's equity as at the date of its booking. The remaining part of foreign exchange differences arising from the translation of the Turkish company's equity, which as at the end of H1 2020 amounted to PLN 2,7 million and is derived among other the exchange rate of Turkish lira, will be recognized in consolidated result at the date of liquidation of this company.

- The entry into force of product intervention by ESMA creates both opportunities and threats for XTB. On the one hand, there is a temporary drop in trade volumes among European brokers. On the other hand, the Management Board of XTB is convinced of the business's vitality over a longer time horizon. The natural consequence of ESMA's decision should be a wave of consolidation on the market that would allow XTB to consolidate its strong position on the European market. Less influential brokers, unable to withstand regulatory pressure and strong competition from a very significant brokers, will naturally disappear from the market. Consequently large brokers should expect the client base to grow.

  XTB with its strong market position and dynamically growing client base enters the non-European markets. XTB is consequently implementing a strategy on building a global brand. In 2020 and subsequent years the Group aims to increase its European market penetration and continue with building their position in Latin America, Asia and Africa.

Due to the uncertainty regarding future economic conditions, the expectations and forecasts of the Management Board are subject to a particularly high level of uncertainty.

3. Company's authorities

3.1 Management Board

As at 30 June 2020 and as at the date of publication of this periodic report, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	President of the Management	10.01.2017	30.06.2022
Paweł Szejko	Board Member	28.01.2015	30.06.2022
Filip Kaczmarzyk	Board Member	10.01.2017	30.06.2022
Jakub Kubacki	Board Member	10.07.2018	30.06.2022
Andrzej Przybylski	Board Member	01.05.2019	30.06.2022

* Omar Arnaout on 10.01.2017 was appointed as a member of the Management Board for Sales in the rank of Vice President of the Board. On 23.03.2017 he was appointed the President of the Management Board

In the reporting period and as at the submission date of this report there were no changes in the composition of the Management Board.

3.2 Supervisory Board

As at 30 June 2020 and as at the date of publication of this periodic report, the composition of the Supervisory Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	President of the Supervisory Board	10.11.2018	10.11.2021
Łukasz Baszczyński	Member of the Supervisory Board	10.11.2018	10.11.2021
Jarosław Jasik	Member of the Supervisory Board	10.11.2018	10.11.2021
Bartosz Zabłocki	Member of the Supervisory Board	10.11.2018	10.11.2021
Grzegorz Grabowicz	Member of the Supervisory Board	10.11.2018	10.11.2021

In the reporting period and until the date of submission of this report, there were no changes in the composition of the Supervisory Board other than those described above.

4. Information about shares and shareholding

4.1 Equity

As at 30 June 2020 and as at the submission date of this periodic report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0.05 per share.

4.2 Share in the free float

On 4 May 2016, the WSE Management Board adopted a resolution to admit the Company's shares to trading on the regulated market with the same day. Subsequently, on 5 May 2016, the WSE Management Board adopted a resolution to introduce, as of 6 May 2016, all Company shares for stock exchange trading.

4.3 Shareholding structure

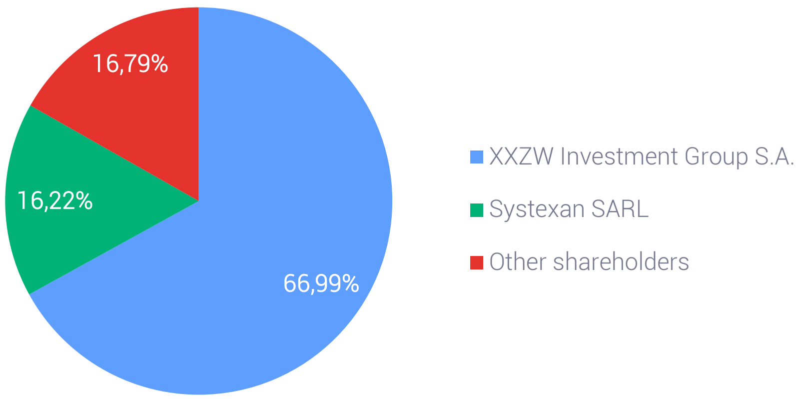
To the best knowledge of the Management Board of the Company as at 7 May 2020 i.e. as at the submission date of the previous periodic report (I quarter report for the 2020), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	19 034 749	952	16,22%
Pozostali akcjonariusze	19 719 092	986	16,79%
Total	117 383 635	5 869	100,00%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.
[2]) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.

The percentage share in the share capital of the Parent Company of the abovementioned shareholders is in line with the percentage shares in the number of votes at the General Meeting.

The shareholding structure as at 7 May 2020 is presented on the graph below:

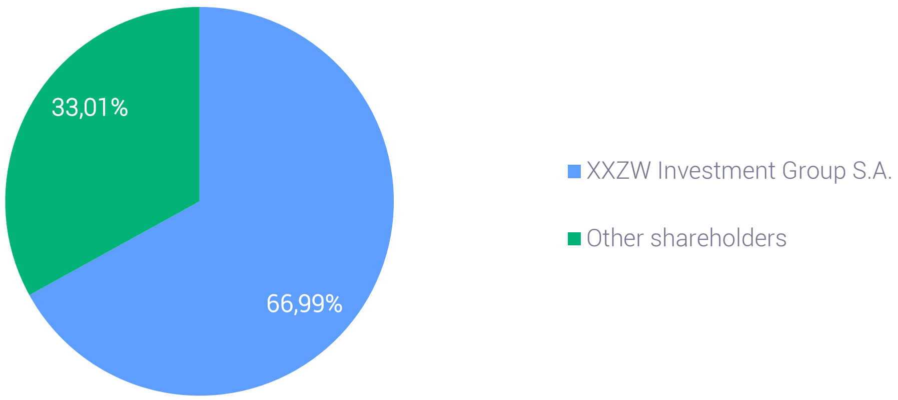


To the best knowledge of the Company's Management Board (according to the current report No. 14/2020 dated 7 May 2020) as at 30 June 2020 and at the submission date of this periodic report the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Other shareholders	38 753 841	1 937	33,01%
Total	117 383 635	5 869	100,00%

[1]) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.

The shareholding structure as at 30 June 2020 and as at the submission date of this report is presented in the following chart:



4.4 Shares and rights held by Members of the Management and Supervisory board

The managing and supervising persons did not have any shares or rights to the Company's shares as at the end of the reporting period and as at the date of submitting this report.

5. Other information

5.1 Information on transactions with related parties

In 6 month period ended 30 June 2020 and 30 June 2019 were no related transactions concluded on other than arm's length basis.

The table below shows the Group's transactions and balances of settlements with related parties:

(in PLN'000)	30.06.2020 REVENUES	30.06.2020 RECEIVABLES	30.06.2019 REVENUES	31.12.2019 RECEIVABLES	30.06.2019 RECEIVABLES
Subsidiaries:					
XTB Limited (UK)	29 507	12 559	811	2 777	1 134
XTB Limited (CY)	6 030	34	897	94	89
X Open Hub Sp. z o.o.	1 145	1 393	2 050	482	425
XTB International Limited	47 597	4 481	7 590	5 579	2 870

(in PLN'000)	30.06.2020 COSTS	30.06.2020 LIABILITIES	30.06.2019 COSTS	31.12.2019 LIABILITIES	30.06.2019 LIABILITIES
Subsidiaries:					
XTB Limited (UK)	(8 895)	5 717	(5 203)	7 488	5 522
XTB Limited (CY)	(1 360)	490	(1 453)	364	251
X Open Hub Sp. z o.o.	(578)	61	(382)	93	14
XTB International Limited	(16 494)	12 957	(8 529)	2 253	4 007
XTB Services Limited	(15 851)	2 668	(7 071)	896	914

Additionally, as at 30 June 2020 the Company shows the balance of receivables:

– from a subsidiary XTB Yönetim Danışmanlığı Anonim Şirketi (former: X Trade Brokers Menkul Değerler A.Ş.) in the amount of PLN 1 382 thousand due to dividends. The dividend was received by the Company on 18 July 2019.

As at June 30 of 2020 the Group shows a balance of liabilities to Mr. Jakub Zabłocki in the amount of PLN 1.6 thousand due to the investment account held (as at December 31 of 2019: PLN 1.0 thousand, as at June 30 of 2019: PLN 1.0 thousand). In the period from January 1 to June 30 2020 the Group did not report any profit or loss on transactions in financial instruments concluded by Mr. Jakub Zabłocki. In addition, Mr. Jakub Zabłocki receives remuneration for an employment contract in a subsidiary in the United Kingdom. The gross salary and bonuses paid in the period from 1 January to 30 June 2020 amounted to PLN 971 thousand and in the corresponding period of 2019 it amounted to PLN 1 155 thousand.

5.2 Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 30 June 2020 and in the reporting period, i.e. from 1 January 2020 to 30 June 2020, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

5.3 The Management Board's position concerning the realization of previous published forecast of the results for the current

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2020.

5.4 Informacje o istotnych postępowaniach toczących się przed sądem, organem właściwym dla postępowania arbitrażowego lub organem administracji publicznej

As at 30 June 2020 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before arbitration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report the total value of the claims brought against the Company and/or the Group Companies amounted to PLN 8,9 million, which consists of one suit brought by the employee with the total value of PLN 700 thousand and five suits brought by clients with the total value of PLN 8,2 million. Below are presented the most significant, in the Company's view:

- on January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of this client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services. On February 19, 2019 a lawsuit in the case under consideration was filed with the District Court. On April 26, 2019 the Company lodged an appeal;
- law suit dated August 2019 regarding Company's alleged illegal actions delivered to the Company in December 2019 – value of the claim is PLN 7 million. In previous reports the Company informed that there was a possibility of filing a suit by one of the Company's clients who accused the Company of improper execution of the agreement concluded with Company for provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts, by allegedly delaying and interrupting execution of the transactions via the trading platforms provided. The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients;
- XTB International Limited ("XTB International") with its registered office in Belize is a party to legal proceedings regarding the liquidation of the bank Choice Bank Limited (the "Bank") maintaining the bank account of XTB International. The bank account accumulated funds in the amount of USD 500 000 to serve as security capital for the license issued by the International Financial Services Commission Belize in accordance with local legal requirements. Pursuant to the decision of the standing committee of the Bank and the Bank's liquidator dated October 4, 2019, 53% of the funds accumulated on the bank account of XTB International will be returned to XTB International. An action regarding the qualification of the remaining 47% of funds accumulated on the bank account as a trust, and thus having priority over other creditors, was submitted to the court. The case is currently pending. In the opinion of the Management Board, the probability of recovery is high.

Moreover, the Company received from the third party - ESBANK Bank Spółdzielczy ("Bank Spółdzielczy") a pre-trial payment order of approximately PLN 7.5 million for alleged damage that the Company was to cause to Bank Spółdzielczy. The damage was to consist in the Company's failure to apply financial security measures, which in turn, in line with Bank Spółdzielczy's arguments, was to lead to effective appropriation of funds by an employee of Bank Spółdzielczy, who was also a client of the Company. The company considers the charges made in the tender offer to be completely unfounded. The Management Board assesses that there are no legal and factual grounds for the third party to formulate a claim, the likelihood of having to pay the amount is low, therefore no provision was created in the financial statements.

Proceedings against XFR Financial Ltd. (the company currently operating under the name XTRADE Europe Ltd.)

On November 18, 2016, the Company filed a lawsuit against XTRADE Europe Ltd. (formerly: XFR Financial Ltd. or "XFR") based in Cyprus for securing claims in connection with violation of the principles of fair competition, in which it brought, among others:

(i) forbidding XFR to use the word and figurative word "XTRADE" and (ii) forbidding XFR to use the word mark "XTRADE" as the domain name. The Court of Appeal in Warsaw secured the Company's claims against XTRADE Europe Ltd. for prohibiting XTRADE Europe Ltd. from using as a company designation or services (i) verbal and word-graphic designations "XTB", "X-Trade", "XTrade" , "X" and (ii) the word sign xtrade.eu. The company has applied to the Warsaw-Śródmieście District Court for enforcement due to the fact that XTRADE Europe Ltd. has not ceased to use as a company designation or provided services owned by the company, despite the relevant decision of the Court of Appeal in Warsaw of March 15 2017. On January 12, 2018, the District Court for Warsaw-Śródmieście in Warsaw issued a decision pursuant to which XTRADE Europe Ltd. was ordered to pay PLN 5,000 to the Company. There was also a threat of ordering payment to the Company in the event of any subsequent violation by the debtor of the obligation to comply with the decision of the Court of Appeals in Warsaw of 15 March 2017.

Therefore, on April 19, 2018, the Company applied to the District Court for an order against XTRADE Europe Ltd. for PLN 100 000 in connection with the failure by XTRADE Europe Ltd. to secure the security established by the Court of Appeal. During the enforcement proceedings, XTRADE Europe Ltd. closed its branch in Warsaw and declared that it had ceased to provide services to recipients in Poland. In connection with the decision of November 28, 2018, the District Court dismissed the Company's request and determined that, as at the date of issuing the decision, the XTRADE markings were no longer used in Poland by XTRADE Europe Ltd. By virtue of the decision of March 27, 2019 the District Court in Warsaw, he dismissed the company's complaint.

Before the District Court in Warsaw, from 12 April 2017, proceedings were pending due to the Company's action to prohibit XTRADE Europe Ltd. from violating the principles of fair competition, consisting in the unlawful use by the defendant as a company designation or as financial services, brokerage and consulting services. financial, brokerage and brokerage services, word and word and graphic markings "XTB", "X-Trade", "XTrade" and "X".

On July 12, 2019, the District Court in Warsaw, in a case against Xtrade Europe Ltd., issued a judgment in which: (i) ordered the defendant XTRADE EUROPE LTD to refrain from acts of unfair competition against the plaintiff X-TRADE Brokers Dom Maklerski S.A. in Warsaw, consisting in the unlawful use by the defendant as a company designation or of financial services rendered, financial intermediation and consultancy, brokerage and brokerage services, including services provided via the Internet, using specialized computer software, as well as training services, including in materials advertising and in the name of the Internet domain xtrade.com, as well as on the websites available at: www.xtrade.eu and xtrade.com, the following markings in the territory of the Republic of Poland: (a) the word markings "XTB", "X-Trade", "XTrade", "Xtrade"; (b) the symbols xtrade.eu and xtrade.com; (ii) ordered the defendant XTRADE EUROPE LTD to submit and publish, at his own expense and with his own effort, within 2 (two) months from the announcement of the final judgment in the case and after changing the name of the defendant's company pursuant to paragraph 1 of the final judgment, the statement on the decision referred to in the judgment content in the following media: a) "Gazeta Giełdy i Inwestorów Parkiet"; b) on the defendant's website - on the home page; c) on websites identified by domains: http://www.parkiet.com/, http: // www .gazetaprawna.pl / and http://rp.pl (iii) in the event that before the publication of the statement there was a change of the defendant company, the defendant in the content of the statement in place of the words "XTRADE EUROPE LTD" is obliged to use the name of the company current as of the date of publication statements; and (iv) authorized the plaintiff to publish the statement at the defendant's expense in the event of the defendant's failure to comply with the obligation to publish the statement on the content and within the time limits specified in paragraph 2 of the judgment, and obliged the defendant to reimburse the costs incurred by the plaintiff.

The verdict is partially invalid, an appeal was filed on behalf of the Company to the extent that the court dismissed the action for prohibiting Xtrade Europe Ltd. from using XTRADE graphic signs. As at 25.10.2019, no impact of the appeal from Xtrade Europe Ltd. was noted. To the extent that the judgment became final, an application for an enforcement clause was lodged. The executive title was delivered on October 16 this year. The non-contested judgment is enforceable by Xtrade Europe Ltd. – on February 3, 2020 the Company was requested to provide information on the status of enforcement of the judgement.

Before the Warsaw-Śródmieście District Prosecutor's Office in Warsaw (case reference PR 4 Ds.376.2017.TD), proceedings are pending based on the Company's application for prosecution in connection with the marketing of a counterfeit mark within the meaning of Art. 120 p.p. i.e. the XTB mark by employees and associates of XTRADE EUROPE LTD. The application was submitted on September 23, 2016. By decision of November 12, 2019, the Prosecutor discontinued the proceedings in the event of the offender being not detected. On December 3, 2019, a complaint was filed on behalf of the Company regarding the decision to discontinue. By the decision of April 6, 2020, served on May 20, 2020, the District Court dismissed the appeal. The discontinuation of the proceedings is final.

In addition, the Munich Regional Court, in a judgment of 25 July 2017, issued a ban on the use of the designations "XTRADE" and "XTRADE EUROPE Ltd." in Germany, confirming that the designations are confusingly similar to the trademarks reserved by the Company. In addition, Xtrade Europe Ltd. was also required to provide information on the extent and number of past use of the marks and to pay damages, the amount of which has not yet been determined. On April 19, 2018, the Court of Appeal dismissed the appeal of the Cypriot company - the verdict prohibiting the use of the XTRADE sign in Germany is final. As at the date of submitting this report, proceedings are still pending to order XTRADE Europe Ltd. to pay the costs of legal representation and to enforce a final judgment. Proceedings enforcing the ruling ban were pending before European Union Intellectual Property Office (EUIPO) as regards the annulment of conflicting marks of Xtrade Europe Ltd. On March 20, 2020, EUIPO issued a decision rejecting the application for a declaration of invalidity. On 19 May 2020, an appeal was filed with the Board of Appeal of EUIPO. Currently we are waiting for the decision of the authority.

On August 20, 2019, the Company filed a request for a settlement agreement covering PLN 1 400 000, consisting of: (a) PLN 800 000 for reimbursement of unjustified benefits by XTRADE EUROPE LTD. as a result of using conflicting signs as signs of goods or services of the enterprise; (b) PLN 600 000 as compensation for losses arising from the use of indications identical to those of the Company's enterprise and for lost profits in the form of remuneration for the use of the said signs. Proceedings in this case are currently pending before the District Court for the Capital City of Warsaw in Warsaw. On January 9, 2020, the first meeting took place. Due to the failure to provide the participant with the letter containing the summons to settle and the necessity of making another attempt by the Court, the second date of the meeting was set for 29 September 2020.

Administrative and control proceedings

The Company and the Group Companies are party to several administrative and control proceedings related to the Group's business. The Company believes that below are presented the most significant among them:

- On September 27, 2018, the Company received information about imposition onto the Company pursuant to art. 167 para. 2 point 1 in connection with art. 167 para. 1 point 1 of the act on Trading in Financial Instruments a fine of PLN 9.9 million in connection with the violation of the law, in particular in the area of providing brokerage services to the Company's clients. In the Company's opinion, the imposition of a fine for above-mentioned fraud is not justifiable and is not reflected in the facts. The PFSA refused to take the evidence requested by the Company (including the expert's opinion) and did take into account independent expert's opinions submitted by the Company. Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board appealed the abovementioned decision by filing on October 29, 2018, complaint against the PFSA decision to Provincial Administrative Court (hereinafter the "PAC"). On June 6, 2019, the PAC dismissed the Company's plaint against the Commission's decision to impose a financial fine in the amount of PLN 9.9 million. The Court decision is not legally binding yet. After delivery by PAC a copy of the ruling along with its justification, the Company's Management Board decided to lodge a final cassation appeal to Supreme Administrative Court, which was lodged on August 16, 2019.
- On April 24, 2019, the Company received a letter from the Social Insurance Institution (hereinafter the "SII") informing about the intention to initiate a control of the contribution payer at the Company's headquarters. The scope of the control covered: (I) the correctness and reliability of calculating social insurance contributions by the contribution payer and other contributions, which SII is obliged to collect and social insurance and health insurance claims brought, (II) determining entitlements to social insurance benefits, paying these benefits and making settlements in this respect, (III) the correctness and timeliness of preparing applications for retirement and disability pensions, and (IV) issuing certificates or data reporting for social security purposes.

  On June 19, 2019, the Company received a control report indicating that the inspector found irregularities. The Company exercised due diligence to implement all post-control recommendations of the SII within the required period of 30 days from the delivery of the report. In the opinion of the Management Board, the irregularities identified during the control will not constitute basis for initiation administrative proceedings against the Company concerning the imposition of penalties or other sanctions. Therefore, there is no need to establish provisions for potential administrative penalties.
- By letter dated July 16, 2019, the French supervisory authority, AMF, informed about initiation of control at the Company's French branch pursuant to Article L.621-9 of the French Monetary and Financial Code in order to verify if the Company respects professional obligations. On July 19, 2019, inspection activities were initiated by AMF. The control was a comprehensive assessment of activity of the Company's branch in France, among others, based on the regulations of the MiFID II Directive, MIFIR Regulations, the European Securities and Markets Authority (ESMA) requirements and the French anti-corruption law Sapin II.

  On February 10, 2020, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company's branch in France, in the response to which on March 9, 2020 the Company lodged substantiated objections in accordance with the provisions in force. All together with establishing scope of irregularities, the Company exercises due diligence in order to comply with AMF post-control recommendations. Nevertheless, no assurance may be given that the Company's way of adjustment to the particular recommendation will be considered as unlawful or non-compliant with AMF's attitude to the issue, therefore detected infringements in Company's brokerage activity may constitute basis to, inter alia, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of AMF or other authorities.
- In a letter dated March 30, 2020, the German pension insurance institution, Deutsche Rentenversicherung, informed about the initiation of an inspection in the German branch of the Company starting from April 21, 2020 under paragraph 28p of the fourth book of the German Social Code (SGB IV). The subject of control is, *inter alia*, (i) correctness of

contributions and social security reports, including adequate security in the event of the insolvency of loan agreements, fees under the Act on reimbursement of expenses and write-offs due to insolvency for the period from 1 January 2016 to 31 December 2019 (ii) determination of salaries subject to accident insurance and their allocation to individual risk points for a given insurer for the period from 1 January 2016 to 31 December 2019 (iii) taxes, contributions and reporting obligations under the Act on social insurance for artists (in German: Künstlersozialkasse) for the period from 1 January 2016 to 31 December 2019. As at the submission date of this report, the control has not been completed.

- As part of exercising supervisory powers, in a letter of May 29, 2020, the PFSA announced the initiation of an inspection starting from June 1, 2020. The subject of the inspection is to check whether the Company's operations comply with the law, regulations, conditions set out in permits and fair trading principles or the interests of the principals. The scope of the control covers the technical and organizational conditions of the business. As at the submission date of this report, the Company exercises due diligence to provide the PFSA with all necessary data during the inspection. It cannot be excluded that the PFSA will identify irregularities in the Company's operations, which may constitute the basis for, *inter alia*, initiation of administrative proceedings to impose penalties or other sanctions on the Company under the supervisory powers of the PFSA or other authorities.

Regulatory environment

The Group operates in a highly regulated environment imposing on it certain obligations regarding the respect of complying with many international and local regulatory and law provisions. The Group is subject to regulations concerning inter alia (i) sales practices, including customer acquisition and marketing activities, (ii) maintaining the capital at a certain level, (iii) practices applied in the scope of preventing money laundering and terrorist financing and procedures for customer identification (KYC), (iv) reporting duties to the regulatory authorities and reporting to the trade repository, (v) the obligations regarding the protection of personal data and professional secrecy, (vi) the obligations in the scope of investors protection and communicating of relevant information on the risks associated with the brokerage services, (vii) supervision over the Group's activity, (viii) inside information and insider dealing, preventing the unlawful disclosure of inside information, preventing market manipulation, and (ix) providing information to the public as the issuer.

The sections below describe the most relevant, from the Company's point of view, changes of regulatory obligations occurring during the last period covered by this report and the changes that will enter into force in the forthcoming period.

Act amending the Act on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies

On October 16, 2019, Sejm adopted an amendment to the Act on public offering and the conditions of financial instruments to organized trading, and on public companies. The most important assumptions: (a) the obligation to adopt a remuneration policy for members of the management board and supervisory board of a public company by the general meeting at least every four years - the solutions adopted in the policy should contribute to the implementation of the business strategy, long-term interests and stability of the company. The policy should include a description of fixed and variable components of remuneration, as well as bonuses and other monetary and non-monetary benefits that may be granted to members of the management board and the supervisory board. The supervisory board should prepare an annual remuneration report, which will then be reviewed by the general meeting; (b) obligations in transactions with related entities - the conclusion of a significant transaction requires the consent of the company's supervisory board or, if the articles of association provide so, a general meeting, while a significant transaction within the meaning of the amendment is a transaction concluded by the company with a related entity whose value exceeds 5% of the total assets Act on Accounting of September 29, 1994, established on the basis of the last approved financial statement of the company. If a significant transaction concerns the interests of a member of the supervisory board or a shareholder, respectively, he does not participate in making decisions to consent to the conclusion of this transaction. The company publishes information on a significant transaction on its website at the time of conclusion of the transaction at the latest. The information obligation excludes: (i) transactions concluded on market terms as part of the company's normal operations, (ii) transactions concluded with a 100% subsidiary, and (iii) transactions related to the payment of remuneration to members of the management board or the supervisory board due in accordance with the company's remuneration policy; (c) changes in the scope of shareholder identification - any public company will be able to apply to the National Depository for Securities, brokerage house or bank keeping the account for information about shareholders.

On November 5, 2019, the bill was signed by the President. Date of entry into force of the provisions is divided - part of the law appeared within 14 days of the announcement, part on January 1, 2020, and part will come into force on September 3, 2020. Due to the coronavirus epidemic which took place in the first half of 2020, on May 27, 2020, the Regulation of the Minister of Finance on setting a different date for the adoption by the company's general meeting of a resolution on the remuneration policy for members of the management board and supervisory board entered into force - in accordance with the Regulation, the deadline for implementing the remuneration policy was extended to August 31, 2020, however, irrespective of the above, the resolution on adopting the remuneration policy was adopted by the Company's General Meeting on April 20, 2020. The company exercises due diligence in order to comply with the obligations arising from the act amending the act on public offering and the conditions for introducing financial instruments to an organized trading system and public companies. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

The draft Act on the liability of collective entities for acts prohibited under penalty

On 11 January 2019, the government bill on the liability of collective entities for acts prohibited under penalty was submitted to the Sejm. The purpose of the draft Act is to increase the effectiveness of a tool for administering sanctions to collective entities, especially in the case of combating serious economic and fiscal crimes. The most important assumptions: (i) broadening the foundations of collective entities' responsibility - the inclusion in the act of behaviours recognized as the own behavior of collective entities that characterizes the offense; (ii) the collective entity's liability for all acts prohibited under penalty as a crime or fiscal offense; (iii) resignation from the requirement to obtain a prior request, i.e. a conviction of a natural person; (iv) the company is also liable if the identity of the perpetrator has not been established; (v) unlimited, open catalog of crimes; (vi) the company has the burden of proving that due diligence has been exercised; (vii) extension of the catalog of penalties; (viii) compulsory management as a preventive measure; and (ix) whistle-blower protection. The project was directed to consultations.

Preventing use of the financial system for money laundering or terrorist financing - the so-called IV AML Directive

The European Union is working on the adaptation of national legal systems to the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (the Directive). The main changes resulting from the new legislation are among others: (i) highlight of the importance of a comprehensive approach to the analysis of the risk of money laundering and terrorist financing, at transnational, national and institutional levels, (ii) clarification of the methods of the real beneficiaries identification, (iii) extension of the definition of politically exposed persons (PEP) by adding domestic persons to that group, (iv) extension of the scope of the new regulations on entities receiving cash payments above EUR 10 000, instead present EUR 15 000.

The Polish legislator failed to complete transposition of provisions of the Directive within the required deadline which expired on 26 June, 2017. On 28 March, 2018 President signed the act on prevention of money laundering practices and financing of terrorism which implements provisions of the Directive into the Polish legal order. The act will come into force on 13 July 2018. Amendments in the new act include (i) introduction of a new category of institutions which are obliged to apply the act on the prevention of money laundering and terrorism financing, including entities conducting business activity involving provision of services related to exchange among virtual currencies and means of payment and exchange among virtual currencies, (ii) amendment of the definition of beneficial owner and politically exposed person, (iii) necessity to introduce a procedure for identification and assessment of the risk related to money laundering and terrorism financing in connection with the business activity conducted, (iv) obligation to have a single procedure on the prevention of money laundering for the whole capital group, (v) shortening of the deadline for reporting of transactions to the General Inspector for Financial Information to 7 days after execution thereof, (vi) reduction of the limit for transactions executed in cash to EUR 10 000, (vii) increase of penalties for violation of provisions of the act up to the equivalent of EUR 5 000 000 or up to 10% of the turnover declared in the most recent consolidated financial statements for the business year. That act entered into force on 13 July 2018.

On 13 October 2018 regulation of 4 October 2018 on the transfer of information about transactions and a form identifying the obligated institution came into force. The provisions establish the mode of preparing and transferring transactional information and a form identifying obliged institution and the mode of their transfer to General Inspector of Financial Information (the "GIIF"). Moreover, starting from 11 October 2019 works the Central Register of Beneficial Owners, which collects and processes information on beneficial owners.

In addition, on March 4, 2020, a draft act amending the Act on Counteracting Money Laundering and Financing of Terrorism and some other acts (hereinafter referred to as the "Project") was published, which aims to implement the provisions of the AML V Directive into the Polish legal order. also numerous details of the provisions of the Act of March 1, 2018 on counteracting money laundering and terrorist financing (under the AML IV Directive. The most important assumptions of the Project include: (i) extension of the list of obligated institutions, (ii) changes in definitions, including the definition of the actual beneficiary and the group, (iii) extension of the catalogue of cases in whose obligated institutions apply financial security measures,

(iv) expanding the catalogue of premises for a higher risk of money laundering and terrorist financing, and (v) changes in the scope of applying financial security measures. The project is currently being reviewed.

The Company exercised due diligence in order to comply with obligation under act on prevention of money laundering practices and financing of terrorism and the regulation on the transfer of information about transactions and a form identifying the obligated institution. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the act which may be connected with risk of supervisory activities and other administrative measures specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Additionally, on April 9, 2020, the draft regulation of the Minister of Finance amending the regulation on internal capital, risk management system, supervisory and supervisory review and evaluation program, as well as the remuneration policy in a brokerage house, was published on the website of the Government Legislation Center. The most important assumptions of the project: (i) determining the necessary changes in the national legal order in connection with the entry into force of the European Union legal regulations on capital requirements for financial institutions, the so-called CRD V / CRR II package; (ii) changing the settlement period of variable remuneration components; (iii) introducing additional criteria for the payment of variable remuneration components for members of the management board and senior management of the brokerage house. The project is currently at the review stage at the European Issues Commission.

On April 9, the draft act amending the Banking Law and certain other acts, including the act on trading in financial instruments, was published on the website of the Government Legislation Center. The most important assumptions of the project: (i) implementation of EU law in connection with the entry into force of European Union legal regulations on capital requirements for financial institutions, the so-called CRD V / CRR II package; (ii) introducing a standard methodology and a simplified standard methodology for the assessment of interest rate risk; (iii) authorizing the Polish Financial Supervision Authority to dismiss a member of the management board of the brokerage house if a given person does not meet the requirements necessary to perform a given function; and (iv) clarifying the definition of a person whose professional activity has a significant impact on the risk profile of the brokerage house. The project is currently at the review stage.

5.5 Risk factors

The Group within its operations monitors and assesses risks and undertakes activities in order to minimize their impact on the financial situation.

As at 30 June 2020 and as at the date of this report, the Group identifies the following risks associated with the Group's operations and with the regulatory environment.

Risks associated with the Group's operations:

- Group's revenue and profitability are influenced by trading volume and volatility in financial and commodity markets that are impacted by factors that are beyond the Group's control;
- economic, political and market factors beyond the Group's control may harm its business and profitability;
- the Group may incur material financial losses from its market making model;
- the Group's risk management policies and procedures may prove ineffective;
- the Group may experience disruptions to or corruption of its infrastructure necessary for the conduct of the Group's business;
- the Group's business relies, to a great extent, on the Group's ability to maintain its good reputation and the general perception of the FX/CFD market;
- the Company may not be able to pay dividends in the future or pay lower dividends than provided in the Group's dividend policy;
- the Group may fail to implement its strategy;
- as a result of implementing its strategy relating to developing its operations in Latin America the Group may be exposed to various risks specific to Latin America;
- the Group may experience difficulties in attracting new retail clients and maintain its active retail client base;
- the Group may be unable to effectively manage its growth;
- the Group is subject to counterparty credit risk;
- the Group is exposed to client credit risk;
- the Group is exposed to the risk of losing its liquidity;
- the Group may lose access to market liquidity;
- the decline in interest rates may have an adverse impact on the Group's revenue;
- the Group's operations in certain regions are subject to increased risks associated with political instability and the risks that are typical of the developing markets;

- the Group operates on a highly competitive market;
- the Group may not be able to maintain technological competitiveness and respond to dynamically changing client demands;
- the Group may be unable to effectively protect or to ensure the continued use of its current intellectual property rights;
- the development of the Group's product and services portfolio and expansion of the Group's operations to include new lines of business may involve increased risks;
- the Group may not be able to hire or retain qualified staff;
- risks related to the Group's cost structure;
- the Group's insurance coverage relating to its operations may be insufficient or not available;
- within its operations the Group is significantly dependent on third parties;
- the Group may not be able to prevent potential conflicts between its interest connected with its activities and the interests of the clients;
- other factors beyond the Group's control could have negative impact on its operating activities.

Risks associated with the regulatory environment:

- the Group operates in a heavily regulated environment and may fail to comply with the rapidly changing laws and regulations;
- the Group is required to adapt its business to the new PFSA Guidelines, which may force the Group to incur significant financial expenditures and to implement material organisational changes, and may adversely affect the Group's competitive position;
- the Group is required to adapt its operation to the new ESMA Guidelines, which may require it to incur considerable financial outlays and implement significant organisational changes, and may adversely affect the Group's competitive position;
- the Company is required to maintain minimum levels of capital, which could restrict the Company's and as a consequence Group's growth and subject it to regulatory sanctions;
- the Company may be required to maintain higher capital ratios;
- maximum leverage ratios may be further reduced by regulators;
- the interpretation of the applicable laws may be unclear, and the laws may be subject to change;
- the Group may be exposed to increased administrative burdens and compliance costs as a respect of entering new markets;
- the procedures utilised by the Group, including in respect of anti-money laundering, preventing the financing of terrorism and 'know your client', may not be sufficient to prevent money laundering, the financing of terrorism, market manipulation or to identify other prohibited trades;
- the Group may be exposed to risks related to personal data and other sensitive data processed by the Group;
- a breach of consumer protection regulations may result in adverse consequences for the Group;
- advertising regulations and other regulations may impact the Group's ability to advertise;
- changes in tax law regulations specific for the Group's business, their interpretation or changes to the individual interpretations of tax law regulations could adversely affect the Group;
- the related-party transactions carried out by the Company and the Group Companies could be subject to inspection by the tax or fiscal authorities;
- court, administrative or other proceedings may have an unfavourable impact on the Group's operations, and the Group is exposed, in particular, to the risk of proceedings relating to client complaints and litigation, and regulatory investigation;
- as a brokerage house, XTB may be required to bear additional financial burdens under Polish law, including contributions to the investment compensation scheme established by the NDS and contributions for the purpose of financing the PFSA's supervision of capital markets, as well as fees related to the costs of the Financial Ombudsman and his office;
- risk related to increased reporting obligations due to the applicability of FATCA and the automatic exchange of information on tax matters;
- the Group will be required to observe and to adjust its business to the MiFID II/MiFIR Package after it enters into force, which may be expensive and time-consuming and may result in significant restrictions in terms of the manner and scope in which the Group may offer its products and services;
- the risk related to the implementation of EU law in the Polish legal system on the implementation of remedial actions and the resolution of financial institutions.

5.6 Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken and for regularly setting appropriate limits to limit the scale of exposure to these risks.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Risk Management Committee, composed of members of the Supervisory Board, was appointed in the Parent Company. The Committee's tasks include: preparation of a draft document regarding risk appetite of the brokerage house, issuing opinions on management strategy developed by the Management Board, supporting the Supervisory Board in supervising the strategy of the brokerage house in risk management by the Management Board, verification of remuneration policy and principles of its implementation in terms of adjusting the remuneration system to the risk the brokerage house is exposed to, its capital, liquidity and probabilities and dates of obtaining income.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of the occurrence of new types of risk, significant changes in strategy and operating plans. The Department also monitors the appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls the market risk of the Group's own investments, defines the overall capital requirement and estimates internal capital. The Risk Control Department reports directly to the Member of the Management Board responsible for the operation of the Company's internal control system.

The Parent Company's Supervisory Board approves procedures for internal capital estimation, capital management and planning.

In the reporting period there were no significant changes in the risk management system.

6. Statement of the Management Board

Statement of the Management Board of X-Trade Brokers Dom Maklerski S.A. on the reliability of preparation of the consolidated and separate financial statements

The Management Board of X-Trade Brokers Dom Maklerski S.A. declares that, to the best of its knowledge, the consolidated and separate financial statements for period of six months ended 30 June 2020 and comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear financial and financial situation and the financial result of the Group and the Company, respectively. In addition, the Management Board declares that activity report contains a true picture of the development and achievements of the Group and the Company, respectively, including a description of the basic threats and risk.

Warsaw, 20 August 2020

Omar Arnaout
President of the Management Board

Paweł Szejko
Member of the Management Board

Filip Kaczmarzyk
Member of the Management Board

Jakub Kubacki
Member of the Management Board

Andrzej Przybylski
Member of the Management Board

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