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ANNUAL REPORT FOR 2019

X-TRADE BROKERS DM S.A.

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PRESIDENT'S LETTER

President's letter

Dear Sirs and Madams!

On behalf of Management Board of X-Trade Brokers DM S.A. I present the 2019 report. This document is the summary of the XTB Capital Group's operations over the past year, including generated financial results and the most relevant events.

An important factor in the success of XTB is the skilful use of changes in the economic and market environment, not only in the category of maximizing profit, but also consistently strengthening the financial strength and competitive position of the company. We were distinguished by our own innovative investment technology and constant development. In 2019, XTB continued implementation of optimized sales and marketing strategy, which resulted in among others about 80% increase in the number of new clients compared to 2018. Additionally, XTB successively introduced new products such as CFD instruments based on sector indices. Simultaneously, the offer of shares and ETFs was constantly expanded with new instruments desired by clients. We provided investors with access to almost 4 300 financial instruments from around the world.

The financial results of the XTB developed in the past year confirm the stable and well-established position of XTB on the international market. Separated operating revenues and net profit amounted to PLN 211 million and PLN 54 million.

XTB has a solid basis for growth in the form of constantly growing customer base and number of active clients. In 2019 Group canvassed 36 555. In IV quarter 2019 XTB noted a record number of new clients in relation to previous quarters.

Looking forward, I'm sure that XTB Group is strong and well prepared to face challenges of competitive market and the legislative modifications.

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, including XTB. 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.

On behalf of the Management Board, I would like to thank our shareholders, the Supervisory Board and Employees for their commitment and work to build the value of the XTB Capital Group. I hope that the next years will bring further development of the activity carried out by X-Trade Brokers DM S.A., confirmed not only by the growing number of products and services offered, but also by growing number of clients as well as preservation of ability to generate value.

Thank you for your trust in us in 2019. I encourage you to read the annual report attached.

Yours sincerely,

Omar Arnaout
President of the Management Board

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	IN PLN'000 12 MONTH PERIOD ENDED		IN EUR'000 12 MONTH PERIOD ENDED	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Comprehensive income statement:				
Total operating income	210 577	267 337	48 951	62 654
Profit on operating activities	65 872	117 181	15 313	27 463
Profit before tax	64 809	115 293	15 066	27 020
Net profit	54 145	90 898	12 587	21 303
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,46	0,77	0,11	0,18
Cash flow statement:				
Net cash from operating activities	48 763	130 753	11 335	30 644
Net cash from investing activities	(1 632)	(3 306)	(379)	(775)
Net cash from financing activities	(23 863)	(41 175)	(5 547)	(9 650)
Increase/(Decrease) in net cash and cash equivalents	23 268	86 272	5 409	20 219

	IN PLN'000		IN EUR'000	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Statement of financial position:				
Total assets	1 083 889	927 960	254 524	215 805
Total liabilities	586 622	464 750	137 753	108 081
Share capital	5 869	5 869	1 378	1 365
Equity	497 267	463 210	116 770	107 723
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)	4,24	3,95	0,99	0,92

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: 4,3018;
  - for the comparative period: 4,2669;
- 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: 4,2585;
  - for the comparative period: 4,3000.

FINANCIAL STATEMENTS

COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Result of operations on financial instruments	6.1	204 479	260 766
Income from fees and charges	6.2	5 529	6 394
Other income		569	177
Total operating income	6	210 577	267 337
Salaries and employee benefits	7	(68 692)	(65 414)
Marketing	8	(20 225)	(24 212)
Other external services	10	(35 926)	(30 636)
Costs of maintenance and lease of buildings	9	(2 205)	(6 057)
Amortisation and depreciation	20,21	(5 643)	(3 197)
Taxes and fees		(2 416)	(2 151)
Commission expenses	11	(6 349)	(6 222)
Other costs	12	(3 249)	(12 267)
Total operating expenses		(144 705)	(150 156)
Profit on operating activities		65 872	117 181
Impairment of investments in subsidiaries	17	(2 390)	(6 643)
Finance income	13	1 828	4 958
Finance costs	13	(501)	(203)
Profit before tax		64 809	115 293
Income tax	30	(10 644)	(24 395)
Net profit		54 145	90 898
Other comprehensive income		(133)	547
Items which will be reclassified to profit (loss) after meeting specific conditions		(133)	547
- foreign exchange differences on translation of foreign operations		*289*	*(418)*
- foreign exchange differences on valuation of separated equity		*(521)*	*1 191*
- deferred income tax		*99*	*(226)*
Total comprehensive income		54 012	91 445
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	29	0,46	0,77
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	29	0,46	0,77
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	29	0,46	0,77
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	29	0,46	0,77

The comprehensive income statement should be read together with the supplementary notes to the financial statements, which are an integral part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.12.2019	31.12.2018
ASSETS			
Cash and cash equivalents	15	855 811	739 599
Financial assets at fair value through P&L	16	136 549	106 531
Investments in subsidiaries	17	54 463	54 864
Income tax receivables		71	2 841
Financial assets at amortised cost	18	12 747	11 532
Prepayments and deferred costs	19	3 541	2 351
Intangible assets	20	380	495
Property, plant and equipment	21	13 138	2 250
Deferred income tax assets	30	7 189	7 497
Total assets		1 083 889	927 960
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to customers	22	519 550	405 200
Financial liabilities held for trading	23	19 159	24 794
Income tax liabilities		1 335	139
Other liabilities	25	10 119	37
Provisions for liabilities	24	19 446	20 674
Deferred income tax provision	26	1 452	1 049
Total liabilities	30	15 561	12 857
EQUITY AND LIABILITIES		586 622	464 750
Equity			
Share capital	27	5 869	5 869
Supplementary capital	27	71 608	71 608
Other reserves	27	364 619	334 760
Foreign exchange differences on translation	27	1 026	1 159
Retained earnings		54 145	49 814
Total equity		497 267	463 210
Total equity and liabilities		1 083 889	927 960

The statement of financial position should be read together with the supplementary notes to the financial statements, which are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

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	27	27	27,28	27	28	
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 Parent Company's 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	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 to the financial statements, which are an integral part of these financial statements.

Statement of changes in equity for the period from 1 January 2018 to 31 December 2018

(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	27	27	27,28	27	28	
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	90 898	90 898
Other comprehensive income	–	–	–	547	–	547
Total comprehensive income for the financial year	–	–	–	547	90 898	91 445
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit	–	–	86 906	–	(127 990)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–
- covering losses from previous years	–	–	(490)	–	490	–
As at 31 December 2018	5 869	71 608	334 760	1 159	49 814	463 210

The statement of changes in equity should be read together with the supplementary notes to the financial statements, which are an integral part of these financial statements.

CASH FLOW STATEMENT

(IN PLN'000)	NOTE	TWELVE-MONTH PERIOD ENDED	
		31.12.2019	31.12.2018
Cash flows from operating activities			
Profit before tax		64 809	115 293
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		(63)	(29)
Amortization and depreciation	20,21	5 643	3 197
Foreign exchange (gains) losses from translation of own cash		1 179	(3 722)
(Gain) Loss on investment activity		(887)	4 585
Other adjustments	34.2	(143)	526
Changes			
Change in provisions		403	138
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(35 653)	1 593
Change in balance of restricted cash		(94 123)	7 451
Change in financial assets at amortised cost		(1 215)	(6 472)
Change in balance of prepayments and accruals		(1 190)	310
Change in balance of amounts due to customers		114 350	30 270
Change in balance of other liabilities	34.1	(1 022)	76
Cash from operating activities		52 088	153 216
Income tax paid		(3 686)	(22 463)
Interests		361	–
Net cash from operating activities		48 763	130 753
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		16	70
Expenses relating to payments for property, plant and equipment	21	(2 839)	(1 046)
Expenses relating to payments for intangible assets	20	(97)	(41)
Expenses relating to payments for investments in subsidiaries	17	(2 189)	(4 347)
Dividends received from subsidiaries		3 477	2 058
Net cash from investing activities		(1 632)	(3 306)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(3 547)	(91)
Interest paid under lease		(361)	–
Dividend paid to owners		(19 955)	(41 084)
Net cash from financing activities		(23 863)	(41 175)
Increase (Decrease) in net cash and cash equivalents		23 268	86 272
Cash and cash equivalents – opening balance		412 950	322 954
Effect of FX rates fluctuations on balance of cash in foreign currencies		(1 179)	3 724
Cash and cash equivalents – closing balance	15	435 039	412 950

The cash flow statement should be read together with the supplementary notes to the financial statements, which are an integral part of these financial statements.

ADDITIONAL EXPLANATORY NOTES TO THE 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 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 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 – 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 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
Paweł Frańczak	Board Member	31.08.2012	resigned from office on 25 April 2018

1.5 Public support

The company received financial support in the form of de minimis aid in the total amount of PLN 20 thousand from the KFS training fund.

In 2018 the Company did not receive any financial support from public resources.

1.6 Rate of return on assets

The rate of return on assets, calculated as the quotient of net profit and total assets, as of 31 December 2019 amounted to 5,00% and as of 31 December 2018 amounted to 9,80%.

2. Basis for drafting the financial statements

2.1 Compliance statement

These financial statements were prepared based on International Financial Reporting Standards (IFRS), which were endorsed by the European Union.

These financial statements constitute standalone financial statements of X-Trade Brokers Dom Maklerski S.A. and it is included in the consolidated financial statements of X-Trade Brokers Group. Information on company's subsidiaries is presented in note 17.

The financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2019 to 31 December 2019 with comparative data for the year ended 31 December 2018 cover the Company's financial data and financial data of the branch offices.

These financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through P&L and financial liabilities held for trading 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 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 financial statements include adjustments not recognised in the companies' accounting records, made in order to reconcile their financial statements with the IFRS.

The financial statements were approved by the Management Board on 9 March 2020.

Drafting these financial statements, the Company decided that none of the Standards would be applied retrospectively.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

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 Going concern

The 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 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.

2.4 Comparability of data and consistency of the policies applied

Data presented in the financial statements is comparable and prepared under the same principles for all periods covered by the financial statements.

2.5 Changes in the accounting policies

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2018, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019.

For the first time the Group applied IFRS 16 Leases ("IFRS 16") effective from 1 January 2019.

Other new or amended standards and interpretations that apply for the first time in 2019 have no material impact on Company's financial statements.

- IFRS 16 Leases

  International Financial Reporting Standard 16 Leases ("IFRS 16") was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure.

  IFRS 16 introduces a unitary model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. At the commencement date, the lessee recognizes an asset representing the right to use the underlying asset and a liability to make lease payments.

  As of the effective date of the new standard, i.e. on 1 January 2019, the Group recognized the right to use underlying assets and liabilities due to lease in the amount of PLN 12 389 thousand.

  <u>Identifying a lease</u>

  At new contract inception, the Group assesses whether the contract is a lease or whether it contains a lease. An agreement is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to assess if an agreement transfers the right to control the use of an identified asset for a given period, the Group shall determine whether throughout the entire period of use the customer enjoys the following rights:

a) the right to obtain substantially all economic benefits from the use of the identified asset and

b) the right to manage the use of the identified asset.

Should the Group have the right to control the use of an identified asset for part of the duration of an agreement only, the agreement contains a lease in respect of this part of the period.

Rights resulting from lease, rental, hire or other agreements which meet the definition of a lease as per IFRS 16 are recognised as right of use underlying assets within the framework of non-current assets with a corresponding lease liabilities.

Initial recognition and measurement

The Group recognises the right of use asset as well as the lease liability on the date of commencement of the lease.

On the date of commencement the Group measured the right of use asset at cost.

The cost of the right of use asset is inclusive of the following:

a) the amount of the initial measurement of the lease liability,

b) all lease payments paid on or before the date of commencement, less any lease incentives received,

c) all initial costs directly incurred by the lessee, and

d) estimated costs to be incurred by the lessee in connection with the dismantling and removal of underlying assets, the refurbishment of premises within which they were located, or the refurbishment of underlying assets to the condition required by the terms and conditions of the lease.

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;

- variable lease payments, which depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts that are expected to be paid by the lessee as part of the guaranteed residual value;

- the call exercise price, should it be assumed with reasonable certainty that the Group shall decide to exercise the call option;

- penalty payments for termination of a lease, unless it can be assumed with reasonable certainty that the Group shall not terminate the lease.

Variable payments, which do not depend on an index or a rate should not be taken into account when calculating lease liability. Such payments are recognised in the profit or loss in the period of the occurrence which renders them payable.

The lease liability on the commencement date shall be calculated on the basis of the current lease payments that are payable by that date and discounted by the marginal interest rates of the lessee.

The Group does not discount lease liabilities by the lease interest rate as the calculation of such rates requires information known only to the lessor (the non-guaranteed residual value of the leased asset as well as the direct costs incurred by the lessor).

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant basic rate for the given currency, as well as

b) the Group's credit risk premium based on the credit margin calculated inclusive of the credit risk segmentation of all companies which have entered into lease agreements.

Subsequent measurement

After the commencement date, the lessee measures the right of use asset applying the cost model.

In applying the cost model, the lessee shall measure the cost of the right of use asset:

a) less any accumulated depreciation and accumulated impairment losses; and

b) adjusted in respect of any updates to the measurement of lease liability not resulting in the necessity for recognition of a separate asset.

After the date of commencement the lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,

b) decreasing the carrying amount to reflect the leasing payments made, and

c) remeasuring of the carrying amount to reflect any reassessment or lease modifications or to revise in-substance fixed lease payments.

The Group shall remeasure the lease liability in cases where there is a change in future lease payments as a result of a change in the index or rate used to determine lease payments (e.g. a change in payment associated with the right of perpetual use), in cases where there is a change in the amount expected by the Group to be payable under the residual amount guarantee, or if the Group reassesses the likelihood of the exercise of the call option, or the extension or termination of the lease.

Updated of the lease liability also adjusts the value of the right of use asset. In a situation where the carrying amount of the right of use asset has been reduced to zero, further reductions in the measurement of the lease liability shall be recognised by the Group as profit or loss.

Depreciation

The right of use asset is depreciated linearly over the shorter of the following two periods: the period of lease or the useful life of the underlying asset. However in cases where the Group can be reasonably sure that it will regain ownership of the asset prior to the end of the lease term, right of use shall be depreciated from the day of commencement of the lease until the end of the useful life of the asset.

Impairment

The Group applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Simplifications and practical solutions in the application of IFRS 16

Short-term lease

The Group applies a practical solution to short-term lease contracts, which are characterised by contract term to 12 months.

Simplifications regarding these contracts involve the settlement of lease payments as costs:

- on a straight-line basis, for the duration of the lease agreement, or

- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets

The Group does not apply the rules concerning recognition, measurement and presentation outlined in IFRS 16 to lease agreements of low-value assets. Low-value assets are considered to be those which have a value when new not higher than PLN 43 thousand translated at the exchange rate of the first day of application, i.e. 1 January 2019 (representing EUR 10 thousand) or the equivalent value in another currency as per the average closing rate of exchange of the National Bank of Poland at the moment of initial recognition of a contract.

Simplifications in respect of such contracts are due to the settlement of costs on a straight-line basis for the term of the lease contract.

An asset covered by a lease must not be counted as a low-value asset if the asset would typically not be of low value when new. As low-value items, the Group includes for example: coffee machines, printers and small items of furniture.

The underlying asset may have a low-value only if:

a) the lessee may benefit from use of the underlying asset itself or with other resources which are readily available to him, and

b) the underlying asset is not highly dependent on or related to other assets.

- IFRIC 23 Uncertainty over Income Tax Treatments

  The interpretation explains how to apply the recognition and measurement requirements in IAS 12, income taxes, if there is uncertainty about how to account for income tax.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation

  The changes allow the entities to value individual financial assets from the so-called the right to early repayment with negative compensation at amortized cost or at fair value through other comprehensive income, if a specified condition is met - instead of at fair value through profit or loss.

- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures

  Amendments to IAS 28 clarify that an entity applies IFRS 9 "Financial Instruments" to other financial instruments in an associate or joint venture to which the equity method is not applied. These instruments include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. In amendments to IAS 28 it has been clarified that the requirements of IFRS 9 apply to long-term interests before an entity applies share of losses requirements from IAS 28 and in applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

- Annual Improvements to IFRS Standards 2015-2017 Cycle

  Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

  IFRS 3 Business Combinations - Previously held Interests in a joint operation

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  IFRS 11 Joint Arrangements - Previously held Interests in a joint operation

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement

  Amendments to IAS 19 specify how an entity determines pension expenses when changes to a defined benefit pension plan occur. IAS 19 'Employee Benefits' specifies how an entity accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

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;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 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;

- 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;
- 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 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.

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.

Revenue recognition

Transaction price is determined at fair value, what is described in detail in notes 4.13 and 4.14. Variable remuneration, liabilities due to reimbursements and other in the case of the Group do not occur.

4. Adopted Accounting principles

4.1 Functional currency and reporting currency

Transactions executed in currencies other than the functional currency are entered on the basis of the exchange rate as at the transaction date. As at the balance sheet date, the monetary assets and liabilities in foreign currencies are translated using the average NBP rate as at that date. Non–cash items are carried based on historical cost.

The Company's functional currency is the Polish zloty, which is also the functional currency of these financial statements.

Foreign exchange differences are reported under revenue or expenses of the period in which they occur, except for:

- foreign exchange differences regarding construction–in–progress which are included in expenses connected with such construction–in–progress and treated as adjustments of interest expenses on loans in foreign currencies;
- foreign exchange differences arising from cash items of receivables or amounts due to foreign operations with whom no settlements are planned, or such settlements are improbable, representing a portion of net investments into a foreign operation and recognised under capital reserve on the translation of foreign operations and profit/loss on the disposal of a net investment.

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

CURRENCY	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
USD	3,7977	3,7597	–	–
EUR	4,2585	4,3000	4,3018	4,2669
CZK	0,1676	0,1673	0,1676	0,1663
RON	0,8901	0,9229	0,9053	0,9165
HUF	0,0129	0,0134	–	–
GBP	4,9971	4,7895	–	–
TRY	0,6380	0,7108	–	–

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits on demand. Other monetary assets are short–term, highly liquid investments that are readily convertible to specific amounts of cash and which are subject to an insignificant risk of changes in value. The classifies as cash equivalent investments which are readily convertible to a specific amount of cash, are subject to an insignificant risk of changes in value, and with payment terms of up to three months as of the date of acquisition.

Cash flows are inflows and outflows of cash and other monetary assets. The Company discloses cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non–cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows and items of income or expense associated with investing or financing cash flows. Income from interest received on cash and other monetary assets and expenses from interest paid to customers are classified under operating activities, while expenses from interest paid under finance lease are classified under financing activities.

Cash comprises the Company's own cash and customers' cash. Customers' cash is deposited in bank accounts separately from the Company's cash. Customers' cash and cash equivalents are not analysed in the cash flow statements.

4.3 Financial assets and liabilities

Investments are entered as at the date of purchase and derecognised from the financial statements as at the date of sale (transactions are recognised as on the date of conclusion) if the agreement requires their delivery on a specific date set forth by the market, and their initial value is measured at fair value. Transaction costs of the acquisition of financial assets and liabilities at fair value through profit or loss are entered under costs for the period, while the transaction costs of other types of assets and liabilities are recognised at the initial value of these assets and liabilities.

Financial assets are classified as:

- debt instruments at amortised cost;
- debt instruments at fair value through other comprehensive income;
- equity instruments at fair value through other comprehensive income, and
- financial assets at fair value through P&L.

Financial liabilities are classified as:

- financial liabilities at fair value through P&L and
- other financial liabilities.

Financial assets classification

Financial assets are classified to the following categories:

- measured at amortised cost,
- measured at fair value through P&L,
- measured at fair value through other comprehensive income.

An entity classifies a financial asset based on the entity's business model for the management of financial assets and characteristics of the cash flows arising from the contract for a financial asset (the so-called "SPPI criterion"). The entity reclassifies investments in debt instruments if, and only if, the management model for those assets changes.

Initial measurement

Except for certain trade receivables, at initial recognition, an entity measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Derecognition

Financial assets are derecognised when:

- the contractual rights to the cash flows from the financial asset expired, or
- the contractual rights to the cash flows from the financial asset were transferred and the Company transferred all risks and rewards of ownership of the financial asset.
- Subsequent measurement of financial assets

- After initial recognition financial assets are classified to one of the below categories:
- debt instruments at amortised cost;
- debt instruments at fair value through other comprehensive income;
- equity instruments at fair value through other comprehensive income;
- financial assets at fair value through P&L.

4.3.1 Debt instruments measured at amortised cost

Financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.3.2 Debt instruments measured at fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue, exchange rate differences and impairment gains or losses for a financial asset are recognized in profit or loss and calculated in the same way as in case of financial assets measured in amortised cost. Other changes in fair value are recognized in other comprehensive income. On derecognition of a financial asset its entirety profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Interest revenue is calculated by using the effective interest method and recognized in profit or loss in position "Finance income".

4.3.3 Equity instruments – financial assets measured at fair value through other comprehensive income

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such election is made separately for each equity instrument. The cumulative gain or loss previously recognised in other comprehensive income is not subject to reclassification to profit or loss. Dividends are recognised in profit or loss when the entity's right to receive payment of the dividend is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

4.3.4 Financial assets measured at fair value through profit or loss

Financial assets items which do not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Profit or loss form measurement of debt investments at fair value is recognized in profit or loss.

Dividends are recognized in profit or loss when the entity's right to receive payment of the dividend is established.

The company falls into this category mainly OTC derivatives and stocks.

4.3.5 Fair value measurement

Fair value is the price that can be obtained at the date of valuation from the sale of an asset or can be paid for the transfer of liability in an ordinary transaction between market participants.

For financial instruments available on an active market, the fair value is measured based on quoted market prices. A market is considered to be active if the quoted prices are generally and directly available and represent current and actual transactions concluded between unrelated parties.

For instruments for which there is no active market, the fair value is determined on the basis of valuation models. Valuation models are applied in measuring vanilla options based on the Black–Scholes pricing formula and to digital options based on the distribution of probability of a concrete price of the underlying instrument on the expiration date of the option. Such probability distribution is established by means of translation of market-related volatility surface, using the Black–Scholes model equations.

The fair value of a financial instrument at initial recognition is the transaction price, i.e. fair value of the price paid or received.

Pursuant to IFRS 13 "Fair Value Measurement", the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs, namely:

1. valuation based on the data fully observable (active market quotations);
2. valuation models using information which does not constitute the data from Level 1, but observable, either directly or indirectly;
3. valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Method 1 to 2 takes place when, for financial instruments measured using Method 1, quoted prices from an active market are not available at the balance sheet date (and they used to be);
- transfer from Method 2 to 3 takes place when, for financial instruments measured using Method 2, the value of parameters not derived from the market has become material at a given balance sheet date (and it used to be immaterial).

4.3.6 Impairment of financial assets

Financial assets, aside from those carried at fair value through profit or loss, are tested for impairment at every balance sheet date. Financial assets are impaired when there is objective evidence that the events which occurred after initial recognition of the asset have an adverse impact on the estimated future cash flows of the given financial assets.

Concerning listed stock classified as available for sale, a material or long-term decline in share prices is considered to be objective evidence of impairment.

For certain categories of financial assets, e.g. trade receivables, specific assets which are not considered past due, are tested for impairment cumulatively. Objective evidence of impairment of a portfolio of receivables includes the Company's experience in collecting receivables; increase in the number of payments past due by 90 days on average and observable changes in the domestic or local economic environment which are connected with cases of the untimely payment of liabilities.

In case of some categories of financial assets, for example trade receivables, particular assets assessed as not overdue are tested for impairment together. Objective evidence of impairment for the receivables portfolio includes the Company's experience in the debt collection process; increase in the number of late payments exceeding an average of 90 days as well as observed changes in the conditions of the national or local economy which are connected with cases of untimely repayment of receivables.

At each reporting date, an entity measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. At each reporting date, an entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4.3.7 Derecognition of financial assets from the balance sheet

The Company derecognises a financial asset from the balance sheet only when contractual rights to cash flows generated by the asset expire or when the financial asset with essentially all risks and rewards of ownership of such asset is transferred to another entity. If the Company does not transfer or retain essentially all risks and rewards of ownership of such asset, and continues to control it, the Company recognises the retained share in such asset and related liabilities under payments due, if any. If, in turn, the Company retains essentially all the risks and benefits of the asset transferred, it continues to recognise the relevant financial asset. At the time of derecognising a financial asset in full, the difference between (i) the carrying amount and (ii) the sum of payment received and any accumulated gains or losses entered under other comprehensive income, is recognised under the income or expenses for the period.

4.3.8 Financial liabilities held for trading (at fair value through profit or loss)

In this category the Company includes financial liabilities held for trading or classified as carried at fair value through profit or loss at initial disclosure.

A financial liability is classified as held for trading if:

- it was incurred primarily for repurchase over a short period of time;
- it is part of a specific financial instrument portfolio managed jointly by the Company in accordance with the current and actual model for generating short–term profits; or
- it is a derivative instrument not classified and not operating as collateral.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in IAS 24 Related Party Disclosures), for example, the entity's board of directors and chief executive officer.

Financial liabilities at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered under income or expenses for the period, and the resulting financial profit or loss is recognised as the income or expenses for the period, taking into account interest paid on a given financial liability.

4.3.9 Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are initially carried at fair value less transaction costs.

Later on, they are measured at amortised cost using the effective interest rate method.

The effective interest rate method is used to calculate amortised cost of a liability and to allocate interest costs in the appropriate period. The effective interest rate is a rate effectively discounting future cash payments in the anticipated useful life of a given liability or a shorter period if necessary.

4.3.10 Derecognition of financial liabilities from the balance sheet

The Company derecognises financial liabilities from the balance sheet only if the appropriate liabilities of the Company are performed, invalidated or if they expire. At the time of derecognising a financial liability, the difference between (i) the carrying amount and (ii) the sum of payment made any accumulated gains or losses is entered under income or expenses for the period.

4.4 Investments in subsidiaries

Subsidiaries are understood as entities controlled by the Parent Company (inclusive of special purpose entities). It is recognized that control exists when the Company has the ability to influence through the power on risks and rewards of variable returns to investor from the investment.

Investments in subsidiaries in separate financial statements are valued at cost.

4.5 Contributions to the compensation scheme

The Company makes obligatory payments to the compensation scheme maintained by KDPW which constitute long–term receivables of the compensation scheme participant due from the KDPW.

Pursuant to the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws No. 183, item 1538, as amended, hereinafter, the "Act"), the Company participates in the obligatory compensation scheme. The purpose of the compensation scheme maintained by the KDPW is to secure the assets held in cash accounts and securities accounts of customers of brokerage houses and banks maintaining securities accounts, in the event of their loss, in accordance with the principles established in the Act. The compensation scheme is created from payments made by its participants and profits generated on such payments. Payments contributed to the compensation system may be returned to a brokerage house only when it is fully discharged from participation in the system (it winds up its operations specified in the decision on withdrawal, repeal of a permit to provide brokerage services or expiry of such permit) and provided that such funds have not already been used for purposes as specified. On a quarterly basis, the KDPW informs system participants of accrued profits. The Company's payments to the compensation system are reported as expenses, under "Other costs" in the comprehensive income statement.

The Company maintains a register of payments to the compensation system and profits generated in connection with the management of funds collected by the KDPW in the compensation scheme in a manner that enables calculation of the balances of payments made and profits accrued.

4.6 Intangible assets

Intangible assets include the Company's assets which do not exist physically, which are identifiable and can be reliably measured, and which will give the Company economic benefits in the future.

Intangible assets are disclosed initially at cost of acquisition or production. As at the balance sheet date, intangible assets are carried at cost less accumulated amortisation and impairment write–offs, if any.

Intangible assets arising as a result of development works are disclosed in the statement of financial position, provided that the following conditions are met:

- from a technical point of view, it is feasible to complete the intangible asset so that it is available for use or sale;
- it is possible to demonstrate the intent to complete the intangible asset and to use and sell it;
- the intangible asset will be fit for use or sale;
- it is known how the intangible asset will generate probable future economic benefits;
- technical and financial resources necessary to complete development works and its use or sale will be provided;
- it is possible to reliably measure the expenditures attributable to the intangible asset during its development.

The expenditures attributable to the intangible asset during its development and expenditures that do not meet the above criteria are disclosed as expenses in the comprehensive income statement as on the date they were incurred.

Amortisation of intangible assets is carried out on the basis of rates reflecting their estimated useful lives. The Company has no intangible assets with an indefinite useful life. The straight-line method is applied to depreciate intangible assets with a definite useful life. The useful life of the respective intangible assets is as follows:

TYPE	DEPRECIATION PERIOD
Software licences	5 years
Intangible assets manufactured internally	5 years

Intangible assets are tested for impairment, whenever there is an indication of impairment, however with regard to intangible assets in the period of realisation, a potential impairment is defined at each balance sheet date. Effects of impairment and of amortisation of intangible assets are disclosed under operating expenses.

Intangible assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of the lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.7 Property, plant and equipment

Property, plant and equipment include items of property, plant and equipment as well as expenses for property, plant and equipment under construction which the Company intends to use in connection with its operations and for administration purposes, in a period of over 1 year, and which will bring economic benefits in the future. Expenditures on property, plant and equipment include actual capital expenditures, as well as expenditures for future supplies of equipment and services connected with the development of items of property, plant and equipment (prepayments made). Property, plant and equipment include significant specialist spare parts which are elements of a tangible asset.

Property, plant and equipment and expenses for property, plant and equipment under construction are initially disclosed at cost of acquisition or production. Significant components are also treated as separate items of property, plant and equipment. As at the balance sheet date, property, plant and equipment is carried at cost less depreciation and impairment write-offs, if any.

Depreciation of property, plant and equipment, including their components, is carried out on the basis of rates reflecting their estimated useful lives, and starts in the month following the month they are accepted for use. Useful life estimates are reviewed on an annual basis. The straight-line method is applied to depreciate property, plant and equipment. The useful life of the respective items of property, plant and equipment is as follows:

TYPE	DEPRECIATION PERIOD
Computers	3 years
Vehicles	5 years
Office furniture and equipment	5 years

Assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.8 Leasing

Lease is classified as finance lease if, under an agreement, substantially all potential profits and risk from holding a leased object is transferred to the lessee. All other types of lease are treated as operating lease.

Assets used under finance lease agreements are treated as the Company's assets and measured at fair value at the time of acquisition, but no higher than the current value of the minimum lease payments. The liability to the lessor is disclosed in the statement of financial position, under "Other liabilities".

Lease payments are divided into the interest portion and reduction in the lease liability to ensure that the interest rate on the remaining liability is constant. Finance costs are entered directly in the comprehensive income statement unless they can be directly ascribed to appropriate assets. In such cases, they are capitalised in accordance with the Company's accounting policies concerning debt service costs. Contingent lease payments are entered under expenses at the time they were incurred.

Payments under operating lease are reported as expenses of the period, using the straight line method, over the term of lease, except for cases where another systematic settlement basis is more representative for the time pattern governing the consumption of economic benefits resulting from leasing a given asset. Contingent operating lease payments are entered under expenses at the time they were incurred. The Company has operating lease agreements for the lease of office premises.

If there were special incentives to enter into an operating lease agreement, they are recognised as liabilities. Aggregate benefits connected with such incentives are disclosed as a decrease in rent expenses, using the straight–line method, except for cases where another consistent basis is more representative of the time pattern governing the consumption of economic benefits resulting from leasing a given asset.

Since IFRS 16 Leasing came into force from 1 January 2019, the accounting policy in this scope is described in note 2.5.

4.9 Impairment of property, plant and equipment and intangible assets except goodwill

As at each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets for indications of impairment. If such indications are identified, the Company estimates the recoverable amount of a given asset in order to determine the potential write-down thereon. When an asset does not generate cash flows that are largely independent of those from other assets, an analysis is carried out for the Company's cash-generating assets to which a given asset belongs. Where it is possible to specify a reliable and uniform allocation basis, the Company's property, plant and equipment are allocated to the relevant cash-generating units or the smallest clusters of cash-generating units for which such reliable and uniform allocation bases can be established.

For intangible assets with an indefinite useful life, an impairment test is performed yearly and whenever there are any indications of potential impairment.

The recoverable amount is calculated as the higher of: fair value less selling costs or value-in-use. The latter value represents the current value of estimated future cash flows discounted using the discount rate before tax taking into account the current market time value of money and the asset-specific risk.

If the recoverable amount is lower than the carrying amount of an asset (or a cash-generating unit), the carrying amount of the asset or the unit is decreased to the recoverable amount. Impairment loss is recognised promptly as the cost of the period when it occurred.

If the impairment loss is then reversed, the net value of an asset (or a cash-generating unit) is increased to the newly estimated recoverable amount, however no higher than the carrying amount of the assets that would be established had the impairment loss of an asset / cash-generating unit not been recognised in the preceding years. A reversal of impairment losses is disclosed promptly in the comprehensive income statement.

4.10 Provisions for liabilities

Provisions for liabilities are established when the Company has an existing legal or constructive obligation connected with past events and it is probable that the performance of this obligation will result in an outflow of funds representing economic benefits, and the amount of the liability can be reliably assessed, although the amount or maturity of the liability are not certain.

The amount of the provision recognised reflects the most accurate estimates possible of the amount required to settle the current liability as at the balance sheet date, taking into account risk and uncertainty connected with this liability. In the event of measuring a provision using the estimated cash flow method necessary to settle the current liability, its carrying amount reflects the current value of such cash flows.

If it is probable that some or all of the economic benefits required to settle a provision can be recovered from a third party, such receivable will be recognised as an asset, provided that the probability of recovery is sufficiently high and can be reliably assessed.

4.10.1 Onerous contracts

Current liabilities under onerous contracts are disclosed as provisions. A contract entered into by the Company is considered to be onerous if it involves inevitable costs of performance of contractual obligations whose value exceeds the value of economic benefits expected under the contract.

4.11 Equity

Equity includes capitals and funds established in compliance with the mandatory legal regulations, i.e. applicable laws and the statute. Retained profit is also disclosed under equity. Share capital is disclosed in the amount set out in the Company's Statute. Unregistered payments to the share capital are disclosed under the Company's equity and reported in the nominal amount of the payment received

4.12 Customers' financial instruments and nominal values of transactions on derivatives (off-balance sheet items)

Off–balance sheet items include: the nominal values of derivatives in transactions executed with customers and brokers in the OTC market, and the values of financial instruments of the Company's customers, acquired on the regulated stock exchange market and deposited in the accounts of the Company's customers.

4.13 The result of operations on financial instruments

The result of operations on financial instruments covers all realised and unrealised income and expenses connected with trading in financial instruments, including dividend, interest and FX rate differences. The result of operations on financial instruments is calculated as the difference between the value of the instrument at the sale price and the purchase price.

The result of operations on financial instruments is composed of the following items:

- Result on financial assets at fair value through P&L: result on financial instruments on transactions with customers and brokers;
- The net income/(costs) on financial assets at amortised cost: result on debt securities (interest result calculated using the effective interest rate method);
- Gains from the sale of investments in a subsidiary
- Discounts for customers and commissions for introducing brokers depend on the actual volume of trading in the financial instruments. This item decreases the result on transactions in financial instruments

4.14 Fee and commission income and expenses

Fee and commission income includes brokerage fees and other charges against financial services charged to customers, and is disclosed at the date when the customer enters into a given transaction.

Fee and commission expenses are connected with financial brokerage services acquired by the Company, and disclosed at the date when the services were provided.

4.15 Cost of employee benefits

Short–term employee benefits, including specific contributions to benefit schemes, are disclosed in the period when the Company received a given benefit from an employee, and in the case of profit distribution or bonus payments, when the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For paid leave benefits, employee benefits are recognised to the extent of accumulated paid leave, at the time of performance of work that increases the entitlement to future paid absences (provision for unused holidays). Non–accumulating paid absences are recognised when the absences occur.

Post–employment benefits in the form of benefit schemes (retirement severance pays) and other long–term benefits (length of service bonuses, etc.) are determined using the projected personal right method, with an actuarial valuation performed at each balance sheet date. Actuarial gains and losses are disclosed in full in the comprehensive income statement. Past service costs are recognised promptly to the extent in which they pertain to benefits already gained, and in other cases amortised with the straight line method for the average period after which such benefits are gained.

Pursuant to the requirements of the Regulation of the Minister of Finance of 2 December 2011 on the principles of defining the policy of variable remuneration elements for the management staff by brokerage houses, starting from 2012, the Company applies the policy of variable remuneration elements for the persons occupying key positions. Benefits granted to the employees within the framework of the Program of variable remuneration elements are granted in cash – 50 per cent and in the form of the financial instruments whose value is related to the Company's financial standing – 50 per cent. The part of benefits granted in the form of financial instruments whose value is related to the Company's financial standing, is paid in cash within three years after the date of being granted. The provision for employee benefits due to variable remuneration elements is recognised in accordance with IAS 19 in the comprehensive income statement in "Employee benefits and remuneration".

4.16 Finance incomes and costs

Finance income includes interest income on funds invested by the Company. Finance costs consist of interest expense paid to customers, interest on finance lease paid and other interest on liabilities.

Interest income and expenses are disclosed in profits or losses of the current period, using the effective interest rate method.

Dividend income is disclosed at the time when the shareholders' right to obtain such dividend is established.

Finance income and costs also include gains and losses arising from foreign exchange rate differences, disclosed in net amounts.

4.17 Tax

The entity's income tax comprises current tax due and deferred tax.

4.17.1 Current tax

Current tax liability is calculated on the basis of the tax result (taxable base) for a given financial year. The tax profit (loss) is different from the accounting net profit (loss) because it does not include non–taxable income and non–deductible expenses. Tax expenses are calculated on the basis of tax rates in force in a given financial year and pursuant to the tax regulations of the countries in which the branches of the Company and its subsidiaries are located.

4.17.2 Deferred income tax

Deferred tax is calculated using the balance sheet method, based on differences between the carrying amounts of assets and liabilities and corresponding tax values used to calculate the tax basis.

Deferred tax liability is established on all taxable positive temporary differences, while deferred tax assets are recognised up to the probable amount of a reduction in future taxable profit by recognised deductible temporary differences and tax losses or credits that the Company may use.

The value of deferred tax assets is assessed as on each balance sheet date and if the expected future taxable profits are not sufficient to realise an asset or its portion, a write-down will be performed.

Deferred tax is calculated based on tax rates that will be applicable when the asset is realised or the liability becomes due. In the statement of financial position, deferred tax is disclosed upon off-set to the extent that it applies to the same tax residency.

4.17.3 Current and deferred tax for the current reporting period

Current and deferred tax is disclosed in the comprehensive income statement, except for cases in which it pertains to items that credit or debit other comprehensive income directly, because then the tax is also disclosed in the other comprehensive income statement, or when it is the result of an initial calculation of a business combination.

4.18 Earnings per share

Earnings per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the reporting period.

5. 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.

5.1 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.

5.2 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 39 – Risk management.

5.3 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.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Financial instruments (CFD)		
Index CFDs	175 116	141 924
Currency CFDs	42 624	67 192
Commodity CFDs	12 021	69 499
Stock CFDs	2 313	2 878
Bond CFDs	771	589
Total CFDs	232 845	282 082
Options		
Currency options	–	3 010
Index options	–	832
Commodity options	–	104
Bond options	–	1
Total options	–	3 947
Stocks	1 199	99
Dividends from subsidiaries	3 477	2 058
Gross gain on transactions in financial instruments	237 521	288 186
Bonuses and discounts paid to customers	–	(1 087)
Intermediary services	(32 604)	(25 914)
Commission paid to cooperating brokers	(438)	(419)
Net gain on transactions in financial instruments	204 479	260 766

Bonuses paid to customers are strictly related to trading in financial instruments by the customer with Company. Until 1 August 2018, i.e. until the date of temporary restriction on contracts for differences in the European Union retail customers 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.

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.

The Group's operating incomes is generated from: (i) spreads (the differences between the "offer" price and the "bid" price); (ii) net results (gains offset by losses) from Group's market making activities; (iii) fees and commissions charged by the Group to its clients; and (iv) swap points charged (being the amounts resulting from the difference between the notional forward rate and the spot rate of a given financial instrument). The table below presents percentage share of income categories in gross gain on transactions in financial instruments (excluding dividends from subsidiaries).

	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Spread	62%	64%
Market Making	23%	24%
Swap, fees and commissions	15%	12%
Gross gain on transactions in financial instruments (excluding dividends from subsidiaries).	100%	100%

6.2 Income from fees and charges

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Fees and charges from institutional clients	3 953	4 037
Fees and charges from retail clients	1 576	2 357
Total income from fees and charges	5 529	6 394

6.3 Geographical areas

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Operating income		
Central and Eastern Europe	121 360	140 845
- including Poland	*95 416*	*72 877*
Western Europe	76 480	112 486
- including Spain	*47 642*	*42 360*
Latin America and Turkey	12 737	14 006
Total operating income	210 577	267 337

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)	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Salaries	(55 184)	(53 040)
Social insurance and other benefits	(10 227)	(9 774)
Employee benefits	(3 281)	(2 600)
Total salaries and employee benefits	(68 692)	(65 414)

8. Marketing

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Marketing online	(17 923)	(19 655)
Marketing offline	(2 302)	(4 446)
Advertising campaigns	–	(99)
Competitions for clients	–	(12)
Total marketing	(20 225)	(24 212)

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

9. Costs of maintenance and lease of buildings

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Maintenance costs	(1 367)	(1 376)
Costs for renting low-value or short-term tangible assets	(276)	(4 290)
Other costs	(562)	(391)
Total costs of maintenance and lease of buildings	(2 205)	(6 057)

10. Other external services

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Intermediary services	(15 763)	(9 255)
Support database systems	(7 206)	(6 388)
Market data delivery	(5 552)	(5 463)
Legal and advisory services	(2 752)	(3 510)
Internet and telecommunications	(2 041)	(2 244)
Accounting and audit services	(1 271)	(1 329)
Recruitment	(341)	(270)
IT support services	(315)	(1 375)
Postal and courier services	(172)	(172)
Other external services	(513)	(630)
Total other external services	(35 926)	(30 636)

Intermediary services represent remuneration paid to subsidiaries. The increase in 2019 relates to intensive development of these companies' operation on the foreign markets.

11. Commission expenses

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Bank commissions	(3 631)	(3 262)
Stock exchange fees and charges	(2 355)	(2 549)
Commissions of foreign brokers	(363)	(411)
Total commission expenses	(6 349)	(6 222)

12. Other expenses

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Materials	(1 039)	(980)
Costs relating to legal risk	(887)	–
Business trips	(596)	(626)
Insurance	(240)	(180)
Representation	(47)	(111)
Membership fees	(46)	(46)
Receivables impairment write–downs	12	(106)
Other	(406)	(10 218)
Total other expenses	(3 249)	(12 267)

Write-downs of receivables are the result of the debit balances which arose in customers' accounts in that period.

Other concerns the impact of one-off event which was the imposition of and administrative fine by the Polish Financial Supervision Authority in the amount of PLN 9,9.

13. Finance income and costs

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Interest income		
Interest on own cash	912	2 117
Interest on customers' cash	764	535
Total interest income	1 676	2 652
Foreign exchange gains	140	2 295
Other finance income	12	11
Total finance income	1 828	4 958

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Interest expense		
Interest paid under lease agreements	(361)	–
Interest paid to customers	(56)	(145)
Other interest	(81)	(54)
Total interest expense	(498)	(199)
Other finance costs	(3)	(4)
Total finance costs	(501)	(203)

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

14. Segment information

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

1. Retail operations, which include the provision of trading in financial instruments for individual customers.
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 customers 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 Company 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 Company does not allocate financial activity and corporate income tax burden on business segments.

COMPREHENSIVE INCOME STATEMENT FOR TWELVE-MONTH PERIOD ENDED 31.12.2019 (IN PLN'000)	**RETAIL OPERATIONS**	**INSTITUTIONAL OPERATIONS**	**TOTAL REPORTING SEGMENTS**	**COMPREHENSIVE INCOME STATEMENT**
Net result on transactions in financial instruments	184 405	20 074	204 479	204 479
CFDs				
Index CFDs	154 969	20 147	175 116	175 116
Currency CFDs	39 428	3 196	42 624	42 624
Commodity CFDs	15 752	(3 731)	12 021	12 021
Stock CFDs	2 147	166	2 313	2 313
Bond CFDs	475	296	771	771
Stocks	1 199	–	1 199	1 199
Dividends from subsidiaries	3 477	–	3 477	3 477
Intermediary services	(32 604)	–	(32 604)	(32 604)
Commission paid to cooperating brokers	(438)	–	(438)	(438)
Fee and commission income	1 576	3 953	5 529	5 529
Other income	569	–	569	569
Total operating income	186 550	24 027	210 577	210 577
Salaries and employee benefits	(67 049)	(1 643)	(68 692)	(68 692)
Marketing	(20 036)	(189)	(20 225)	(20 225)
Other external services	(34 791)	(1 135)	(35 926)	(35 926)
Cost of maintenance and lease of buildings	(2 173)	(32)	(2 205)	(2 205)
Amortization and depreciation	(5 552)	(91)	(5 643)	(5 643)
Taxes and fees	(2 366)	(50)	(2 416)	(2 416)
Commission expense	(6 275)	(74)	(6 349)	(6 349)
Other expenses	(3 132)	(117)	(3 249)	(3 249)
Total operating expenses	(141 374)	(3 331)	(144 705)	(144 705)
Operating profit	45 176	20 696	65 872	65 872
Impairment of investments in subsidiaries	(2 390)	–	(2 390)	(2 390)
Finance income	–	–	–	1 828
Finance costs	–	–	–	(501)
Profit before tax	–	–	–	64 809
Income tax	–	–	–	(10 664)
Net profit	–	–	–	54 145

ASSETS AND LIABILITIES AS AT 31.12.2019 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	397 080	23 692	420 772	420 772
Financial assets at fair value through P&L	126 845	9 704	136 549	136 549
Other assets	526 008	560	526 568	526 568
Total assets	1 049 933	33 956	1 083 889	1 083 889
Amounts due to customers	491 294	28 256	519 550	519 550
Financial liabilities held for trading	13 892	5 267	19 159	19 159
Other liabilities	47 913	–	47 913	47 913
Total liabilities	553 099	33 523	586 622	586 622

COMPREHENSIVE INCOME STATEMENT FOR TWELVE-MONTH PERIOD ENDED 31.12.2018 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	253 805	6 961	260 766	260 766
CFDs				
Index CFDs	141 299	625	141 924	141 924
Commodity CFDs	63 907	5 592	69 499	69 499
Currency CFDs	66 914	278	67 192	67 192
Stock CFDs	2 495	383	2 878	2 878
Bond CFDs	506	83	589	589
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Stocks	99	–	99	99
Dividends from subsidiaries	2 058	–	2 058	2 058
Bonuses and discounts paid to customers	(1 087)	–	(1 087)	(1 087)
Intermediary services	(25 914)	–	(25 914)	(25 914)
Commission paid to cooperating brokers	(419)	–	(419)	(419)
Fee and commission income	2 357	4 037	6 394	6 394
Other income	177	–	177	177
Total operating income	256 339	10 998	267 337	267 337
Salaries and employee benefits	(63 512)	(1 902)	(65 414)	(65 414)
Marketing	(23 335)	(877)	(24 212)	(24 212)
Other external services	(29 606)	(1 030)	(30 636)	(30 636)
Cost of maintenance and lease of buildings	(5 913)	(144)	(6 057)	(6 057)
Amortization and depreciation	(3 188)	(9)	(3 197)	(3 197)
Taxes and fees	(2 136)	(15)	(2 151)	(2 151)
Commission expense	(6 148)	(74)	(6 222)	(6 222)
Other expenses	(12 011)	(256)	(12 267)	(12 267)
Total operating expenses	(145 849)	(4 307)	(150 156)	(150 156)
Operating profit	110 490	6 691	117 181	117 181
Impairment of investments in subsidiaries	–	–	–	(6 643)
Finance income	–	–	–	4 958
Finance costs	–	–	–	(203)
Profit before tax	–	–	–	115 293
Income tax	–	–	–	(24 395)
Net profit	–	–	–	90 898

ASSETS AND LIABILITIES AS AT 31.12.2018 (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	296 495	30 154	326 649	326 649
Financial assets at fair value through P&L	101 344	5 187	106 531	106 531
Other assets	494 039	741	494 780	494 780
Total assets	891 878	36 082	927 960	927 960
Amounts due to customers	372 092	33 108	405 200	405 200
Financial liabilities held for trading	22 346	2 448	24 794	24 794
Other liabilities	34 756	–	34 756	34 756
Total liabilities	429 194	35 556	464 750	464 750

15. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	31.12.2019	31.12.2018
In current bank accounts	855 811	739 599
Short-term bank deposits	–	–
Cash and cash equivalents in total	855 811	739 599

Own cash and restricted cash – customers' cash:

(IN PLN'000)	31.12.2019	31.12.2018
Customers' cash and cash equivalents	420 772	326 649
Own cash and cash equivalents	435 039	412 950
Cash and cash equivalents in total	855 811	739 599

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

16. Financial assets at fair value through P&L

(IN PLN'000)	31.12.2019	31.12.2018
Index CFDs	74 021	60 094
Currency CFDs	18 057	17 025
Commodity CFDs	15 437	15 915
Stock CFDs	9 881	7 911
Bond CFDs	25	293
Debt instruments	14 899	–
Stocks	4 229	5 293
Total financial assets at fair value through P&L	136 549	106 531

Detailed information on the estimated fair value of the instrument is presented in note 39.1.1.

17. Investments in subsidiaries

(IN PLN'000)	31.12.2019	31.12.2018
At the beginning of the reporting period	54 864	57 160
Increase	2 189	4 347
Decrease	(200)	–
Impairment of investments in subsidiaries	(2 390)	(6 643)
At the end of the reporting period	54 463	54 864

Impairment of investments in subsidiaries

(IN PLN'000)	31.12.2019	31.12.2018
Impairment write-downs of investments in subsidiaries – at the beginning of the reporting period	(18 520)	(11 877)
Write-downs recorded	(2 390)	(6 643)
Impairment write-downs of investments in subsidiaries – at the end of the reporting period	(20 910)	(18 520)

Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	31.12.2019 CARRYING AMOUNT OF SHARES (IN PLN'000)	31.12.2019 SHARE IN CAPITAL %	31.12.2018 CARRYING AMOUNT OF SHARES (IN PLN'000)	31.12.2018 SHARE IN CAPITAL %
XTB Limited	Great Britain	20 139	100%	20 139	100%
X Open Hub Sp. z o.o.	Poland	5	100%	5	100%
XTB Limited	Cyprus	7 560	100%	7 560	100%
X Trade Brokers Menkul Degerler A.Ş.	Turkey	20 457	100%	22 846	100%
XTB International Limited	Belize	4 420	100%	2 427	100%
XTB Chile SpA	Chile	403	100%	403	100%
XTB Services Limited	Cyprus	337	100%	337	100%
XTB Africa (PTY) Ltd.	South Africa	1 142	100%	947	100%
X Trading Technology Sp. z o.o. in liquidation	Poland	–	100%	200	100%
Lirsar S.A. en liquidacion	Uruguay	–	100%	–	100%
XTB Services Asia Pte. Ltd	Singapore	–	100%	–	–
Total		54 463		54 864	

On 17 February 2017 the Company created subsidiary XTB Chile SpA. The Company has 100% shares in subsidiary. XTB Chile SpA provides services to acquire customers from the territory of Chile.

On 23 February 2017 the Company purchased 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 this company changed its name from CFDs Prime Limited to XTB International Limited. 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.

On 27 July 2017 the Company purchased 100% of shares in Jupette Limited with its seat in Cuprus for the price of EUR 1 000. On 8 August 2017 the Company acquired 29 000 shares in the increased capital of subsidiary. As a result of the above transaction the Company kept 100% share in subsidiary's capital. On 5 September 2017 the subsidiary changed its name from to XTB Services Limited.

In December 2017 Lirsar with its seat in Uruguay was liquidated. On 14 December 2017 the subsidiary's capital together with the retained earnings was transferred to Company. The company has not been formally liquidated until the balance sheet date.

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. As at 31 December 2019, the decision to liquidate the company was not yet legally binding.

On 15 January 2018 the Company acquired 50 000 shares in the increased capital of subsidiary XTB Services Ltd. with its seat in Cyprus. As a result of the above transaction the Company kept 100% share in subsidiary's capital.

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

On 10 July 2018 the Company established XTB Africa (PTY) Ltd. with its seat in South Africa in which it owns 100% of shares. As at the date of these financial statements the company has not conduct its operations. . 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.

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.

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 31 December, 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 20 910 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 31 December 2018 the write-off due to impairment of Turkish subsidiary amounted to PLN 18 520 thousand.

On 19 April 2018 the Management Board of 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 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). The impairment write-off was presented as impairment of investments in subsidiaries in comprehensive income statement. As at the balance sheet date the process of withdrawing the activity was not finalized. 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.

18. Financial assets at amortised cost

(IN PLN'000)	31.12.2019	31.12.2018
Gross amounts due from customers	11 211	10 208
Impairment write-downs of receivables	(2 564)	(2 583)
Total amounts due from customers	8 647	7 625
Trade receivables	1 897	1 615
Deposits	1 411	1 278
Trade receivables due from related parties	500	666
Statutory receivables	301	348
Impairment write-downs of receivables	(9)	–
Total financial assets at amortised cost	12 747	11 532

Movements in impairment write-downs of receivables

(IN PLN'000)	31.12.2019	31.12.2018
Impairment write-downs of receivables – at the beginning of the reporting period	(2 583)	(2 480)
Write-downs recorded	(127)	(156)
Write-downs reversed	139	50
Write-downs utilized	(2)	3
Impairment write-downs of receivables – at the end of the reporting period	(2 573)	(2 583)

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

19. Prepayments and deferred costs

(IN PLN'000)	31.12.2019	31.12.2018
CRM	1 213	642
Advertising	712	653
Licenses and news services	697	345
Insurance	304	327
Database application	277	121
Prepaid rent	180	165
Subscriptions	–	3
Other	158	95
Total prepayments and deferred costs	3 541	2 351

20. Intangible assets

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

(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 2018 to 31 December 2018

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	TOTAL
Gross value as at 1 January 2018	5 403	10 792	16 195
Additions	41	–	41
Sale and scrapping	(2)	–	(2)
Net foreign exchange differences	19	–	19
Gross value as at 31 December 2018	5 461	10 792	16 253
Accumulated amortization as at 1 January 2018	(4 589)	(9 495)	(14 084)
Amortization for the current period	(361)	(1 297)	(1 658)
Sale and scrapping	2	–	2
Net foreign exchange differences	(18)	–	(18)
Accumulated amortization as at 31 December 2018	(4 966)	(10 792)	(15 758)
Net book value as at 1 January 2018	814	1 297	2 111
Net book value as at 31 December 2018	495	–	495

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

21. Property, plant and equipment

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

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	TOTAL
			OFFICE	CAR		
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 2018 to 31 December 2018

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
Gross value as at 1 January 2018	8 509	5 618	89	14 216
Additions	930	186	(70)	1 046
Sale and scrapping	(53)	(172)	–	(225)
Net foreign exchange differences	36	77	–	113
Gross value as at 31 December 2018	9 422	5 709	19	15 150
Accumulated amortization as at 1 January 2018	(6 995)	(4 457)	–	(11 452)
Amortization for the current period	(1 237)	(302)	–	(1 539)
Sale and scrapping	38	146	–	184
Net foreign exchange differences	(32)	(61)	–	(93)
Accumulated amortization as at 31 December 2018	(8 226)	(4 674)	–	(12 900)
Net book value as at 1 January 2018	1 514	1 161	89	2 764
Net book value as at 31 December 2018	1 196	1 035	19	2 250

Non-current assets by geographical area

(IN PLN'000)	31.12.2019	31.12.2018
Non-current assets		
Central and Eastern Europe	8 997	2 260
- including Poland	*7 694*	*1 970*
Western Europe	4 521	485
- including Spain	*366*	*139*
Total non-current assets	13 518	2 745

22. Amounts due to customers

(IN PLN'000)	31.12.2019	31.12.2018
Amounts due to retail customers	491 294	372 092
Amounts due to institutional customers	28 256	33 108
Total amounts due to customers	519 550	405 200

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

23. Financial liabilities held for trading

(IN PLN'000)	31.12.2019	31.12.2018
Index CFDs	11 824	17 030
Stock CFDs	3 286	2 010
Commodity CFDs	2 619	3 513
Currency CFDs	1 307	2 219
Bond CFDs	123	22
Total financial liabilities held for trading	19 159	24 794

24. Other liabilities

(IN PLN'000)	31.12.2019	31.12.2018
Trade liabilities	8 052	7 743
Provisions for other employee benefits	8 041	9 616
Statutory liabilities	2 158	2 674
Liabilities due to brokers	768	118
Liabilities due to employees	285	417
Amounts due to the Central Securities Depository of Poland	142	106
Total other liabilities	19 446	20 674

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 annually 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 31 December 2019, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 1 756 thousand and as at 31 December 2018 in the amount of PLN 1 805 thousand.

25. Liabilities in respect of lease

(IN PLN'000)	31.12.2019	31.12.2018
Short- term	3 792	37
Long- term	6 327	–
Total liabilities in respect of lease	10 119	37

Liabilities due to lease do not include short-term leasing contracts and lease of low-value assets. In the period from 1 January to 31 December 2019 the cost related to short-term leasing included in the statement of comprehensive income amounted to PLN 177 thousand, the cost related to lease of low-value assets included in the statement of comprehensive income amounted to PLN 107 thousand.

The reconciliation between the value of future irrevocable operating lease payments as at 31 December 2018 and lease liabilities as at 1 January 2019 is presented below:

(IN PLN'000)	
Future minimum fees due to operational leasing agreements as at 31 December 2018	14 464
Short- term lease agreements	(125)
Effect of difference in calculation methods (mainly different duration of the contract and indexation)	(1 950)
Lease liabilities as at 1 January 2019	12 389

26. Provisions for liabilities and contingent liabilities

26.1 Provisions for liabilities

(IN PLN'000)	31.12.2019	31.12.2018
Provisions for retirement benefits	126	125
Provisions for legal risk	1 326	924
Total provisions	1 452	1 049

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. As at the date of preparation of these 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 5.2 of the Management Board report on the operations of the Group and Company. To the best of our knowledge and belief, the proceedings described therein and the future resolution of these proceedings in the context of a possible impact on other clients of the Company have no material impact on these financial statements

Movements in provisions in the period from 1 January 2019 to 31 December 2018

(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 2018 to 31 December 2018

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES		VALUE AS AT 31.12.2018
			USE	USE	
Provisions for retirement benefits	91	34	–	–	125
Provisions for legal risk	820	792	250	438	924
Total provisions	911	826	250	438	1 049

26.2 Contingent liabilities

The Company is party to a number of court proceedings associated with the Company's operations. The proceedings in which the Company acts as defendant relate mainly to employees' and customers' claims. As at 31 December 2019 the total value of claims brought against the Company amounted to approx. PLN 7 626 thousand (as at 31 December 2018: PLN 638 thousand). Company has not created provisions for the above proceedings. In the assessment of the Company there is low probability of loss in these proceedings.

On May 9, 2014, the Company issued a guarantee in the amount of PLN 57 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 250 thousand.

On 7 July 2017 the Company issued a guarantee in the amount of PLN 5 497thousand 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.

27. Equity

Share capital structure as at 31 December 2019 and 31 December 2018

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 31 December 2019 and 31 December 2018 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, 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 in the amount of PLN 364 619 thousand,
- 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 1 026 thousand

(IN PLN'000)	31.12.2019	31.12.2018
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	429	419
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	326	379
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	282	280
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	17	67
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	7	21
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	4	13
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(2)	(17)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(37)	(3)
Total foreign exchange differences on translation	1 026	1 159

28. Profit distribution and dividend

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).

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2017 in the amount of PLN 87 396 thousand was transferred to reserve capital in full and the loss from previous years was covered with reserve capital.

29. 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)	TWELVE-MONTH PERIOD ENDED 31.12.2019	31.12.2018
Profit from continuing operations attributable to shareholders of the Company	54 146	90 898
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	0,46	0,77
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,46	0,77

30. Current income tax and deferred tax

30.1 Income tax

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

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Income tax – current portion		
Income tax for the reporting period	(7 553)	(18 981)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(3 111)	(5 414)
Income tax disclosed in profit and loss	(10 664)	(24 395)

Reconciliation of the actual tax burden

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Profit before tax	64 809	115 293
Income tax based in the applicable tax rate of 19%	(12 314)	(21 906)
Difference resulting from application of tax rates applicable in other countries	(99)	(106)
Non-taxable revenue	14	127
Non-deductible expenses	(844)	(3 432)
Realisation of tax losses for the preceding periods	18	30
Writing off tax losses activated in previous years	–	(866)
Other items affecting the tax burden amount	2 561	1 758
Income tax disclosed in profit or loss	(10 664)	(24 395)

Non-deductible expenses in 2018 includes one-off event which was the administrative fine described in note 12. In 2018 the tax rate in France was changed which resulted in writing-off the portion of deferred income tax assets resulting from the change in the tax rates.

On the basis of art 18d of Act on corporate income tax dated 15 February 1992 with further amendments the Company benefited in 2019 from the tax burden for research and development in total amounted to PLN 2 767 thousands. In 2018 benefits from the tax burden for research and development for 2016-2018 amounted to PLN 4 038 thousand.

30.2 Deferred income tax

30.2.1 Unrecognized deferred income tax asset

Deferred income tax was not disclosed with respect to the items below:

(IN PLN'000)	31.12.2019	31.12.2018
Tax loss	591	708

Taking into account the risks connected with further business development in foreign markets, the Company's management has doubts relative to certain tax credits of foreign operations and whether their respective profits will make it possible to settle the tax losses. Therefore, no deferred tax assets connected with such tax loss in the amount of PLN 591 thousand as at 31 December 2019 and in the amount of PLN 708 thousand as at 31 December 2018.

The company did not recognize deferred tax assets on tax loss arising in Romania and France.

UNRECOGNIZED TAX LOSSES AVAILABLE FOR USE (IN PLN'000)	31.12.2019	31.12.2018
until the end of 2019	–	107
until the end of 2020	118	122
until the end of 2021	21	22
until the end of 2023	4	4
no limit	448	453
Total unrecognized tax losses available for use	591	708

30.2.2 Recognized deferred tax asset relating to tax losses

Balance of deferred tax asset relating to tax losses

RECOGNIZED TAX LOSSES TO BE UTILIZED (IN PLN'000)	31.12.2019	31.12.2018
Deferred tax on tax losses	7 111	7 383

As at 31 December 2019 the Company established deferred tax assets with regard to tax losses to be settled in future periods in the total amount of PLN 7 111 thousand (as at 31 December 2018: PLN 7 383 thousand). The management believes that due to dynamic development of business and growth of sales in foreign markets, the Company may generate taxable income in future periods, and tax losses will be settled accordingly.

Deferred tax losses may be utilised over an unlimited period in Germany and in France. Forecasted results of these branches, their margins and development plans assume an effective settlement of losses in the future.

30.2.3 Deferred income tax assets and deferred income tax provision

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

(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	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 31 December 2018

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax assets:			
Property, plant and equipment	99	(11)	88
Financial liabilities held for trading	6 670	(1 669)	5 001
Investments in subsidiaries	2 257	(2 257)	–
Provisions for liabilities	46	154	200
Prepayments and deferred costs	1 379	33	1 412
Other liabilities	19	1	20
Tax losses of previous periods to be settled in future periods	8 174	(791)	7 383
Total deferred income tax assets	18 644	(4 540)	14 104

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.12.2018
Deferred income tax assets included directly in the equity:			
Separate equity of branches	14	(14)	–
Total deferred income tax assets included directly in the equity	14	(14)	–

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	1 127	19 235
Other liabilities	8	(8)	–
Prepayments and deferred costs	16	1	17
Property, plant and equipment	246	(246)	–
Total deferred income tax provision	18 378	874	19 252
Deferred tax disclosed in profit or (loss)	–	(5 414)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.12.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	212	212
Total deferred income tax provision included directly in the equity	–	212	212

Geographical division of deferred income tax assets

(IN PLN'000)	31.12.2019	31.12.2018
Deferred income tax assets		
Central and Eastern Europe	57	98
- including Poland	–	–
Western Europe	7 132	7 399
- including Spain	–	–
Total deferred income tax assets	7 189	7 497

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:

(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 ASSETS	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
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 31 December 2018:

(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 ASSETS	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	6 607	19 464	–	12 857
Czech Republic	52	–	52	–
Slovakia	46	–	46	–
Germany	2 808	–	2 808	–
France	4 591	–	4 591	–
Total	14 104	19 464	7 497	12 857

31. Related party transactions

31.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 31 December 2019 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 parent company for the Company and XXZW Investment Group S.A.

31.2 Figures concerning related party transactions

As at 31 December 2019 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1,0 thousand due to his investment account (as at 31 December 2018 PLN 0,5 thousand). In the period from 1 January to 31 December 2019 the Company noted no profit from transactions with Mr Jakub Zabłocki (in the analogical period of 2018 amounted of PLN 34,13) Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 31 December 2019 the paid gross salary and bonuses amounted to PLN 1 571 thousand and in the analogical period of 2018 amounted to PLN 1 403 thousand.

31.3 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)	2019		2018	
	INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	2 633	(10 764)	23 867	(11 500)
XTB Limited (CY)	2 776	(2 920)	435	(1 556)
XTB International	27 398	(18 119)	24 035	(12 079)

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)		2019		2018	
		INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	infrastructure software	277	(803)	458	(779)
XTB Limited (CY)	service agreements	–	–	76	(1 469)
X Open Hub Sp. z o.o.	infrastructure software	3 431	(1 178)	3 275	(631)
XTB Services Limited	marketing	–	(14 585)	–	(7 155)

31.4 Receivables

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

(IN PLN'000)	31.12.2019	31.12.2018
XTB Limited (UK)	2 759	2 490
XTB Limited (CY)	94	468
XTB International	5 579	4 464

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

(IN PLN'000)	31.12.2019	31.12.2018
XTB Limited (UK)	18	24
X Open Hub Sp. z o.o.	482	642

31.5 Liabilities

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

(IN PLN'000)	31.12.2019	31.12.2018
XTB Limited (UK)	7 468	2 005
XTB Limited (CY)	364	359
XTB International	2 253	1 199

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

(IN PLN'000)	31.12.2019	31.12.2018
XTB Limited (UK)	20	70
X Open Hub Sp. z o.o.	93	158
XTB Services Limited	896	387

31.6 Benefits to Management Board and Supervisory Board

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Benefits to the Management Board members	(2 762)	(2 582)
Benefits to the Supervisory Board members	(251)	(140)
Total benefits to the Management Board and Supervisory Board	(3 013)	(2 722)

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 24 of the financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 1 756 thousand.

31.7 Loans granted to the Management and Supervisory Board members

As at 31 December 2019 and 31 December 2018 there are no loans granted to the Management and Supervisory Board members.

32. Remuneration of the audit companies

REMUNERATION OF THE AUDIT COMPANIES DUE FOR THE FINANCIAL YEAR (IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Statutory audit of standalone and consolidated financial statements	438	354
Audit of financial statements as at 30 September 2018 for the purposes of advance dividend payment	–	213
Review of half-year standalone and consolidated financial statements	238	122
Statutory audit of annual financial statements of branch offices	59	58
Other certifying services	30	30
Total remuneration of the audit companies	765	777

The above amounts due to the audit companies include the non-deductible VAT tax.

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k was the main auditor for the Company in 2019. In 2018 Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. was the auditor for the Company.

33. Employment

The average number of employees in the Company was 363 persons in 2019 and 343 persons in 2018.

34. Supplementary information and explanations to the cash flow statement

34.1 Change in the balance of other liabilities

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Change in other liabilities	(1 228)	76
Rent-free period settlement	206	–
Change in the balance of other liabilities	(1 022)	76

34.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED	
	31.12.2019	31.12.2018
Change in the balance of differences from the conversion of branches and subsidiaries	(133)	547
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(10)	(21)
Change in other adjustments	(143)	526

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.

35. Post balance sheet events.

On 10 January 2020 decision regarding the deletion X Trading Technologies Sp. z o.o in liquidation from the National Court Register (KRS) was validated.

On 3 March 2020 General Meeting of subsidiary X Trade Brokers Menkul Değerler A.Ş. with its seat in Turkey took the following decisions: (1) it decided to distribute dividend in the amount of TRY 2 090 thousand until 31 December 2020, (2) it decided to distribute the capital adjustment fund in the amount of TRY 2 584 thousand until 31 December 2020 and (3) it decided to decrease the company capital from TRY 22 500 thousand to TRY 100 thousand.

36. Off-balance sheet items

36.1 Nominal value of financial instruments

(IN PLN'000)	31.12.2019	31.12.2018
Index CFDs	1 920 211	1 163 878
Currency CFDs	1 910 696	1 101 925
Commodity CFDs	442 634	268 521
Stock CFDs	152 825	65 088
Bond CFDs	14 510	15 814
Stock	4 229	5 292
Total financial instruments	4 445 105	2 620 518

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 31 December 2019 transactions with brokers represent 9% of the total nominal value of instruments (as at 31 December 2018: 2% of the total nominal value of instruments).

36.2 Customers' financial instruments

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

(IN PLN'000)	31.12.2019	31.12.2018
Listed stocks and rights to stocks registered in customers' securities accounts	108 978	36 872
Other securities registered in customers' securities accounts	207	207
Total customers' financial instruments	109 185	37 079

36.3 Transaction limits

The amount of unused transaction limits granted to related entities was as at 31 December 2019 PLN 46 875 thousand and as at 31 December 2018 was PLN 35 358 thousand.

37. Items regarding the compensation scheme

(IN PLN'000)	31.12.2019	31.12.2018
1. Contributions made to the compensation scheme		
a) opening balance	3 987	3 285
- increases	*722*	*702*
b) closing balance	4 709	3 987
2. XTB's share in the profits from the compensation scheme	317	260

38. 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)	31.12.2019	31.12.2018
The Company's own funds	422 760	389 453
Tier I Capital	422 760	389 453
Common Equity Tier I capital	422 760	389 453
Total risk exposure	2 428 395	1 765 555
Capital conservation buffer	60 710	33 105
Countercyclical capital buffer	7 871	2 634
Combined buffer requirement	68 581	35 739
Total capital ratio	17,4%	22,1%
Total capital ratio including buffers	14,6%	20,0%
Minimal required total capital ratio including buffers (art. 92 ust.1 lit. c) CRR)	8%	8%

The mandatory capital adequacy was not breached in the periods covered by the 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 31.12.2019	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2018
1. Capital/Own funds	422 760	410 635	389 453
1.1. Base capital/Common Equity Tier I without deductions	441 633	432 285	411 774
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–
1.3. Items decreasing share capitals	(18 873)	(21 650)	(22 321)
I. Level of capitals subject to monitoring/Own funds	422 760	410 635	389 453
1. Market risk	121 492	120 528	75 707
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	6 621	4 505	3 917
3. Credit risk	30 713	27 007	25 660
4. Operating risk	35 445	35 933	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
IIa. Overall capital requirement	194 271	187 973	141 244
IIb. Total risk exposure	2 428 395	2 349 672	1 765 555
Capital conservation buffer	60 710	58 742	33 105
Countercyclical capital buffer	7 871	6 659	2 634
Combined buffer requirement	68 581	65 401	35 739

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.

39. 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 reports directly to the Member of the Management Board responsible for the operation of the Company's internal control system.

The Company's Supervisory Board approves risk management system.

39.1 Fair value

39.1.1 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.

39.1.2 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)	31.12.2019			
	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)	31.12.2018			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	5 293	101 238	–	106 531
Total financial assets	5 293	101 238	–	106 531
Financial liabilities				
Financial liabilities held for trading	–	24 794	–	24 794
Total financial liabilities	–	24 794	–	24 794

In the periods covered by the 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.

39.2 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.

39.2.1 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 31 December 2019

(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 31 December 2018

(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	35 632	266 993	1 915	52 102	2 394	8 294	641	367 971	739 599
Financial assets at fair value through P&L	9 128	54 245	316	10 295	398	2 541	412	77 335	106 531
Investments in subsidiaries	–	–	–	–	–	–	–	–	54 864
Income tax receivables	–	–	–	60	–	–	–	60	2 841
Financial assets at amortised cost	3 984	3 172	1 006	128	1 023	191	1 199	10 703	11 532
Prepayments and deferred costs	–	204	–	133	–	73	–	410	2 351
Intangible assets	–	11	–	26	–	–	–	37	495
Property, plant and equipment	–	517	–	202	–	20	–	739	2 250
Deferred income tax assets	–	7 445	–	52	–	–	–	7 497	7 497
Total assets	48 744	332 587	3 237	62 998	3 815	11 119	2 252	464 752	927 960
Liabilities									
Amounts due to customers	17 188	220 335	2	42 293	1 676	7 732	245	289 471	405 200
Financial liabilities held for trading	2 998	14 423	63	1 566	44	80	61	19 235	24 794
Income tax liabilities	–	139	–	–	–	–	–	139	139
Other liabilities	1 240	6 865	1 141	1 342	–	398	4	10 990	20 711
Provisions for liabilities	–	–	–	–	–	–	–	–	1 049
Deferred income tax provision	–	–	–	–	–	–	–	–	12 857
Total liabilities	21 426	241 762	1 206	45 201	1 720	8 210	310	319 835	464 750

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)	TWELVE-MONTH PERIOD ENDED			
	31.12.2019		31.12.2018	
	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	19 872	(19 872)	14 351	(14 351)
Equity, of which:	1 586	(1 586)	1 047	(1 047)
Foreign exchange differences on translation	1 586	(1 586)	1 047	(1 047)

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

39.2.2 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)	31.12.2019	31.12.2018
Financial assets		
Cash and cash equivalents	855 811	739 599
Total financial assets	855 811	739 599
Financial liabilities		
Amounts due to customers	1	36 029
Other liabilities	10 119	37
Total financial liabilities	10 120	36 066

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 2019 and 2018, using the average 1M interest rate in a given market.

(IN PLN'000)	TWELVE-MONTH PERIOD ENDED			
	31.12.2019		31.12.2018	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	3 958	(3 958)	3 612	(3 612)

39.2.3 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)	31.12.2019	31.12.2018
Financial assets at fair value through P&L		
Commodity		
Precious metals	3 595	3 359
Base metals	312	365
Other	11 530	12 191
Total commodity	15 437	15 915
Equity instruments		
Stocks	14 110	13 205
Indicies	74 023	60 093
Total equity instruments	88 133	73 298
Debt instruments	14 924	293
Total financial assets at fair value through P&L	118 494	89 506
Financial liabilities held for trading		
Commodity		
Precious metals	1 430	1 694
Base metals	11	67
Other	1 178	1 753
Total commodity	2 619	3 514
Equity instruments		
Stocks	3 286	2 010
Indicies	11 827	17 030
Total equity instruments	15 113	19 040
Debt instruments	123	22
Total financial liabilities held for trading	17 855	22 576

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)	TWELVE-MONTH PERIOD ENDED 31.12.2019 INCREASE BY 5%	31.12.2019 DECREASE BY 5%	31.12.2018 INCREASE BY 5%	31.12.2018 DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(1 321)	1 321	(1 091)	1 091
Base metals	(247)	247	(64)	64
Other	969	(969)	(5 036)	5 036
Total commodity	(598)	598	(6 191)	6 191
Equity instruments				
Stocks	10	(10)	15	(15)
Indicies	33 421	(33 421)	(8 653)	8 653
Total equity instruments	33 432	(33 432)	(8 638)	8 638
Debt instruments	988	(988)	523	(523)
Total income/(expenses) for the period	33 822	(33 822)	(14 306)	14 306

39.3 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 31 December 2019

(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	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 31 December 2018

(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	739 599	739 599	739 599	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	5 293	5 293	5 293	–	–	–	–
CFDs	101 238	101 238	101 238	–	–	–	–
Total financial assets at fair value through P&L	106 531	106 531	106 531	–	–	–	–
Investments in subsidiaries	54 864	54 864	–	–	–	–	54 864
Financial assets at amortised cost	11 532	11 532	10 254	–	1 278	–	–
Total financial assets	912 526	912 526	856 384	–	1 278	–	54 864
Financial liabilities							
Amounts due to customers	405 200	405 200	405 200	–	–	–	–
Financial liabilities held for trading							
CFDs	24 794	24 794	24 794	–	–	–	–
Total financial liabilities held for trading	24 794	24 794	24 794	–	–	–	–
Other liabilities	20 711	20 711	10 976	8 067	–	–	1 668
Total financial liabilities	450 705	450 705	440 970	8 067	–	–	1 668
Contractual liquidity gap in maturities (payment dates)			415 414	(8 067)	1 278	–	53 196
Contractual cumulative liquidity gap			415 414	407 347	408 625	408 625	461 821

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

39.4 Credit risk

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

(IN PLN'000)	31.12.2019 CARRYING AMOUNT	31.12.2019 MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2018 CARRYING AMOUNT	31.12.2018 MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets				
Cash and cash equivalents	855 811	855 811	739 599	739 599
Financial assets at fair value through P&L *	136 549	4 926	106 531	12 072
Investments in subsidiaries	54 463	54 463	54 864	54 864
Financial assets at amortised cost	12 747	12 747	11 532	11 532
Total financial assets	1 059 570	927 947	912 526	818 067

** As at 31 December 2019 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 117 421 thousand (2018: PLN 101 238 thousand). This exposure was collateralised with customers' cash, which, as at 31 December 2019, covered the amount of PLN 111 822 thousand (2018: PLN 78 937 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 F2
- Standard & Poor's Ratings Services – from A-1+ to A-3
- 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 31 December 2019, the Company had deposit accounts in 20 banks and institutions (2018: 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:

ENTITY	31.12.2019 (IN PLN'000)	ENTITY	31.12.2018 (IN PLN'000)
Bank 1	236 152	Bank 1	215 526
Bank 2	197 799	Bank 2	153 960
Bank 3	135 374	Bank 3	104 553
Bank 4	91 670	Bank 4	65 552
Bank 5	43 170	Bank 5	41 637
Bank 6	36 649	Bank 6	29 944
Bank 7	25 291	Bank 7	27 615
Bank 8	22 982	Bank 8	21 661
Bank 9	17 982	Bank 9	17 029
Bank 10	12 146	Bank 10	14 380
Other	36 596	Other	47 742
Total	855 811	Total	739 599

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) 31.12.2019	31.12.2018
Cash and cash equivalent		
Step 1	770 501	702 230
Step 2	47 269	760
Step 3	38 041	36 609
Total	855 811	739 599

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:

	31.12.2019		31.12.2018
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	3 071	Entity 1	2 595
Entity 2	1 212	Entity 2	1 458
Entity 3	874	Entity 3	654
Entity 4	791	Entity 4	595
Entity 5	295	Entity 5	555
Entity 6	267	Entity 6	537
Entity 7	262	Entity 7	504
Entity 8	180	Entity 8	444
Entity 9	175	Entity 9	356
Entity 10	109	Entity 10	320
Total	7 236	Total	8 018

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.

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.

X–Trade Brokers Dom Maklerski S.A. is entered 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 015803782 and a tax identification number 5272443955.

The Parent Company's operations consist of conducting brokerage activities on the stock exchange 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.

Company's shares have been listed on the main market of the Warsaw Stock Exchange.

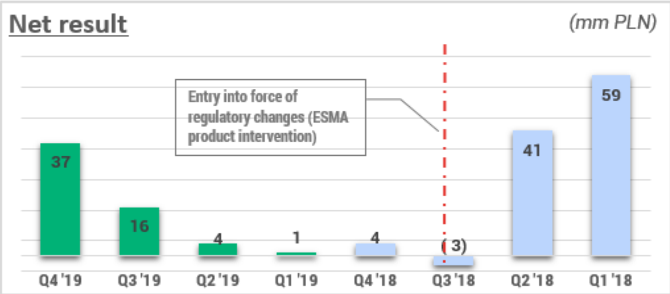
The foregoing Management Board report on the operations of X-Trade Brokers Dom Maklerski S.A. Capital Group for 2018 includes disclosure requirements for the report on the operations of the Company X-Trade Brokers Dom Maklerski S.A. pursuant to §71 item 8 of the ordinance of Minister of Finance dated 29 March, 2018 on current and periodic information published by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state.

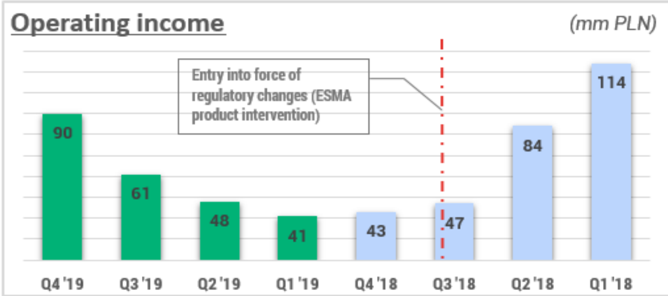
1.2 Synthetic summary of data concerning the Company and the Capital Group for the years 2015-2018

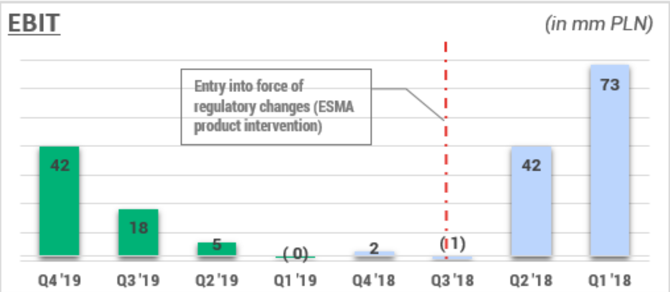
		2019	2018	2017	2016	2015
Selected consolidated financial data						
Total operating income	*mm PLN*	239	288	274	251	283
Net profit	*mm PLN*	58	101	93	78	119
Balance sheet total	*mm PLN*	1 139	970	898	797	727
Own cash and cash equivalents	*mm PLN*	484	468	367	291	325
Equity	*mm PLN*	491	455	400	356	374
Earnings per share (EPS)[1]	*PLN*	0,49	0,86	0,79	0,66	1,01
The market value of the Company shares[2]	*PLN*	3,95	4,40	4,47	6,97	na
Aggregate capital adequacy ratio, including buffers	*%*	13,3	19,1	10,7	16,3	14,5
Selected separate financial data						
Total operating income	*mm PLN*	211	267	252	211	246
Net profit	*mm PLN*	54	91	87	73	115
Balance sheet total	*mm PLN*	1 084	928	853	775	722
Own cash and cash equivalents	*mm PLN*	435	413	323	234	276
Equity	*mm PLN*	497	463	413	364	382
Earnings per share (EPS)[1]	*PLN*	0,46	0,77	0,74	0,62	0,98
Standalone capital adequacy ratio, including buffers	*%*	14,6	20,0	10,9	15,7	13,3
Economic data (average)						
Exchange rate	*EUR/PLN*	4,30	4,26	4,26	4,36	4,18
Exchange rate	*USD/PLN*	3,84	3,61	3,78	3,94	3,77

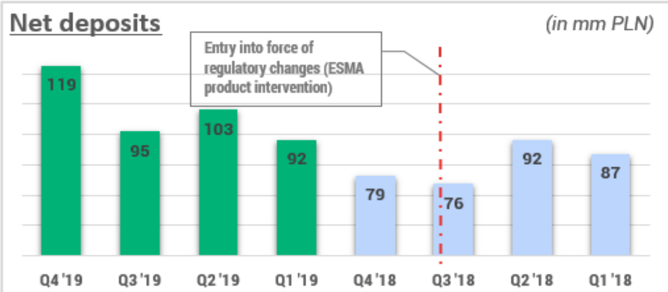
[1]) Attributable to shareholders of the Parent Company.
[2]) At the end of the period.

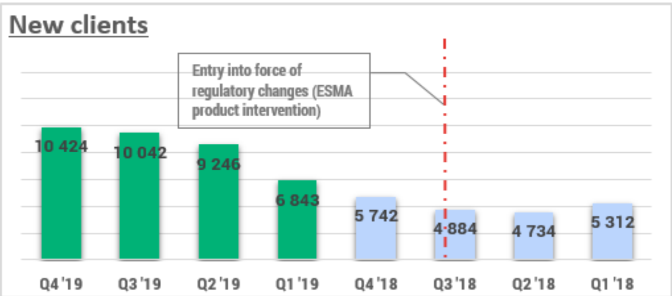
Summary of Capital Group financial and operational results after in each quarter of 2018 and 2019

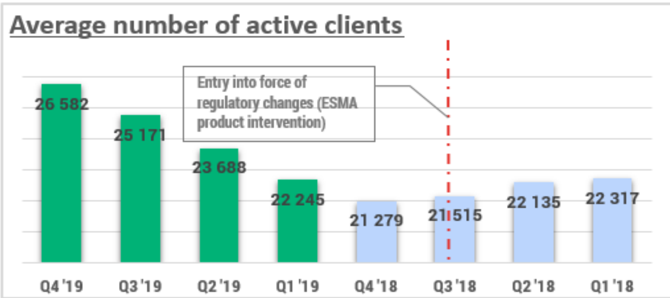


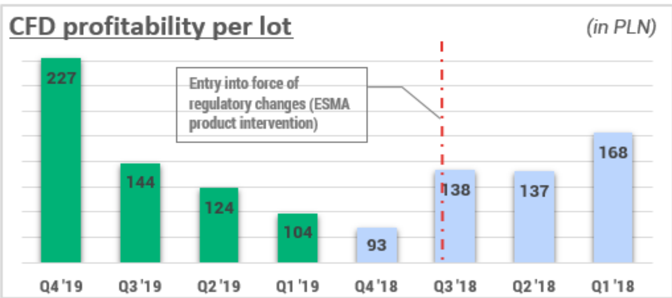


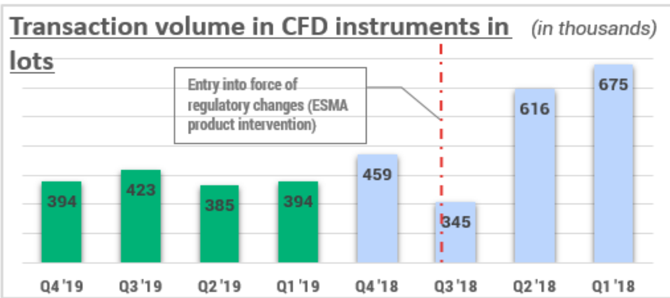












1.3 Significant events in 2019 and until the date of the report

Calendar

9 APRIL

the Polish Financial Supervision Authority agreed to the appointment of Andrzej Przybylski as a Member of the Management Board, who will be responsible for supervising the risk management system in XTB

15 APRIL

the Ordinary General Meeting of the Company

18 APRIL

the appointment the Management Board of the Company for the common three year term of office, i.e. from 30 June 2019 till the end of 30 June 2022

10 MAY

the payment of the remaining dividend in the amount of PLN 20,0 mm

6 JUNE

the Provincial Administrative Court dismissed the Company's plaint against the Commission's decision to impose a financial fine

17 JULY

a supervisory assessment (BION) of 2 [2,56]. The supervisory rating was assigned to 31 December 2018

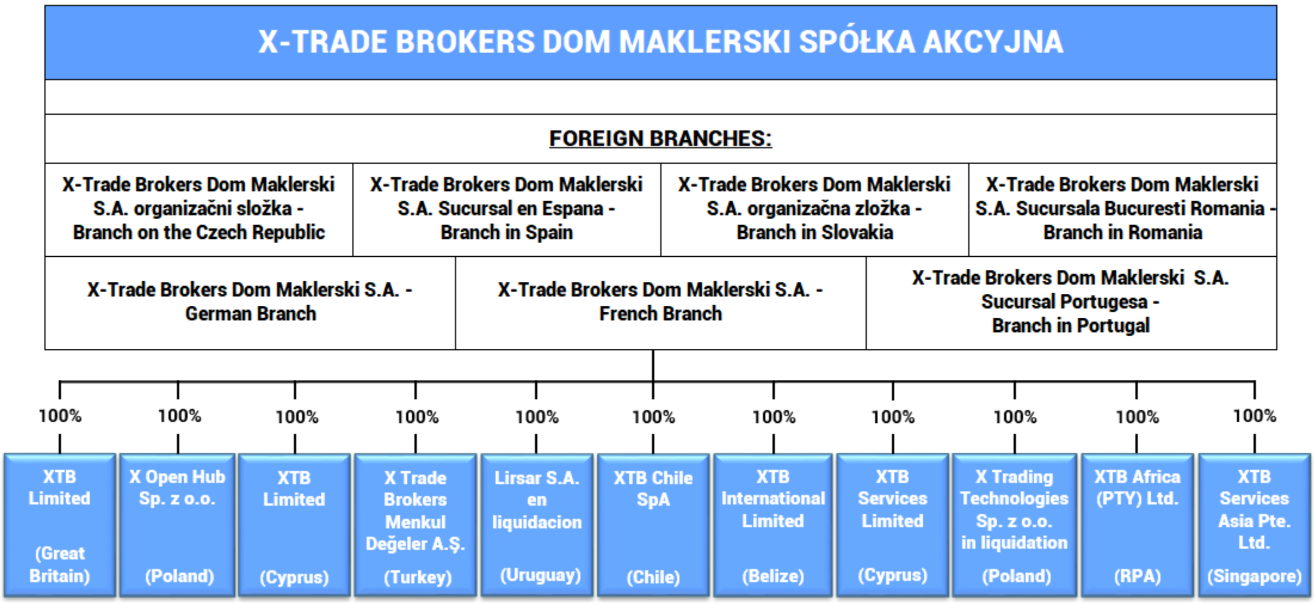
1 AUGUST

the Polish Financial Supervision Authority decided to introduce the category of an experienced retail client who will be able to offer CFDs with a higher level of leverage

1.4 Composition of the Group

As at 31 December 2019 the Group comprised Parent Company and 11 subsidiaries. The Company has 7 foreign branches.

The chart below presents the corporate structure of the Group as at 31 December 2019, including Company's subsidiaries and foreign branches, together with the share in the share capital/in the number of votes at the general meeting or the meeting of shareholders to which the shareholders is entitled.



All subsidiaries results are fully consolidated since the date of foundation/ acquisition. In the reporting periods all subsidiaries have been subject to consolidation.

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,
- managing share packages.

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 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.

X Trade Brokers Menkul Değerler A.Ş., Turkey

In 2019 X Trade Brokers Menkul Değerler A.Ş. 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 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 and was in the process of capital redemption.

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.

X Trading Technologies Sp. z o.o. w likwidacji, Poland

In January 2018, the Parent Company established a subsidiary of X Trading Technologies Sp. z o.o. based in Poland. The company holds 100% shares in a subsidiary. X Trading Technologies Sp. z o.o. conducts software related activities. On 30 January 2018, the parent company acquired 3 900 shares in the increased share capital of the subsidiary, maintaining 100% shares in its capital. On May 14 2018, the Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to dissolve the company and open its liquidation. On 10 January 2020 the decision to remove the company from the National Court Register became final.

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.

<u>XTB Services Asia Pte. Ltd., Singapore</u>

On 19 August 2019 the Parent Company established a subsidiary XTB Services Asia Pte. Ltd. with its seat in Singapore. The company holds 100% shares in a subsidiary. As at the date of report publication, the company did not conduct any operating activities.

1.5 Changes in the Group's structure

In the reporting period, i.e. from 1 January to 31 December of 2019 and until the date of report submission there were no changes in the X-Trade Brokers Dom Maklerski S.A. Group's structure, than described in point *1.4 Composition of the Group*.

1.6 Branches of the Parent Company

The Company has 7 foreign branches, listed below:

- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizačni 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, organizačná 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 (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 – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under and was granted the following tax identification number PT980436613.

1.7 Organizational and capital ties

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. It holds, as at 31 December 2019, 66,99% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

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

Apart from the organization of the Group and the Parent Company described above, neither the Parent company nor any of the Group companies holds any shares in other undertakings which could materially impact the assessment of its assets and liabilities, financial condition and profits and losses.

1.8 Changes to the management principles of the Company and its Capital Group

In the reporting period there were no changes in the management principles of the Company and its Capital Group.

2. The activities and development of the Parent Company and its Capital Group

2.1 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 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.

During the 2019, the Group continued the process of expanding the product offer. The purpose of these activities is to diversify the offer to meet the expectations of various groups of investors. In 2019 XTB introduced CFD instruments based on sector indices, such as biotechnologies, cannabis and technology companies to its offer. At the same time, the stock and ETF offer was constantly expanded by new instruments desired by clients. XTB is constantly developing its own xStation trading platform by adding new functionalities. The Company's aim is to make the xStation platform a central and necessary place for every trader, where besides trading one could have access to education and fundamental data.

XTB product offer

FOREX

Forex (also known as the foreign exchange market) – is the largest trading market in the world. The daily volume of transactions in currencies is estimated to exceed $5 trillion. Forex trading takes place 24 hours a day, 5 days a week.

XTB offers almost 50 CFDs instruments based on currency pairs.

INDICES

CFDs are a derivatives product. This means that you don't actually own the underlying asset – you're speculating on whether the price will rise or fall.

XTB offers over 40 CFDs instruments based on indices from all over the World: USA, Germany, China.

COMMODITIES

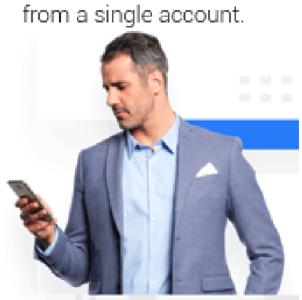
Thanks to CFS transactions on commodities, you can invest in instruments based on commodities such as gold, silver and oil. It means that you're simply speculating on whether the price of commodities will rise or fall.

In XTB you can find over 20 CFDs instruments based on commodities.

SHARES

XTB offers access to selected world exchanges from a single account.

Shares are units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends.



ETF CFDs

An exchange-traded fund (ETF) – is an investment fund traded on stock exchanges, much like stocks.

XTB offers both ETF CFD's and cash equity.

CRYPTO

A cryptocurrency is a digital asset designed to work as a medium of exchange that uses strong cryptography to secure financial transactions.

XTB offers a CFD instrument, which means that you do not have to physically buy a cryptocurrency. It is enough to invest and speculate on future price changes without holding the underlying instrument.
You can choose from 25 instruments.

XTB is constantly expanding the functionality of the xStation platform to meet the requirements of both CFD customers and a new group of share clients. The Management Board believes that xStation is currently one of most developed trading platform on the CFD and stock market. The company is constantly trying to develop the platform with element supporting trading on OTC market.

As at the end of 2019, the Group offered in total almost 4 300 financial instruments from all over the world. This number consisted of over 1 900 leveraged CFDs, including approximately 50 based on currency pairs, approximately 20 based on commodities, approximately 40 based on indices, 25 based on cryptocurrency, approximately 1 700 based on shares of companies listed on stock exchanges in 16 countries and approximately 190 based on American and European ETFs. Second part of XTB's offer contains over 2 400 cash instruments, including almost 2 200 equity instruments) and almost 200 ETF instruments from European markets. Cash instruments were introduced to the offering in March 2018 and replaced the synthetic shares offered so far, i.e. equity CFDs without leverage. The group is constantly working on the development of its own xStation platform. The year 2019 mainly brought improvements on the onboarding of new clients, optimization of forms and processes leading to the start of trading by clients. At the same time, the Company developed its own xStation trading platform by introducing a completely new mobile application. The Group is actively introducing new improvements to the transaction platform that make it more intuitive and easy to use.

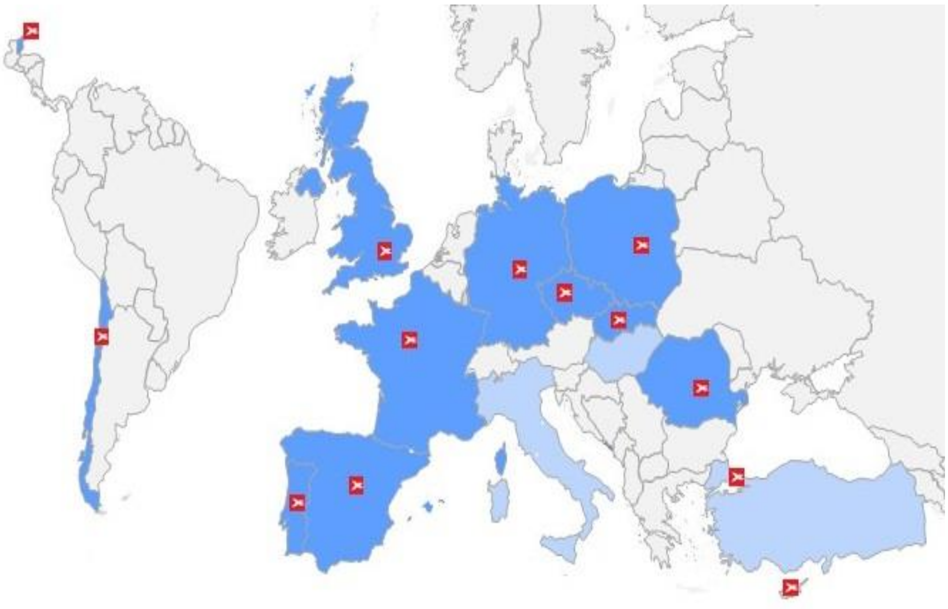
2.2 Main operating markets and their segments

The Group conducts its operations through two business segments:

- retail segment and
- institutional segment.

The Group's retail business is focused on providing online trading in various instruments based on assets and underlying instruments from the financial and commodities markets to individual clients. For its institutional clients, the Group offers technologies that allow clients to set up their own trading environment under their own brands and acts as a liquidity provider to its institutional clients

The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus and Belize. The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus, Turkey 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.



On 10 February of 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. This decision has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity in Turkey. 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). As at the date of this report X Trade Brokers Menkul Değerler A.S. did not have any active licence to operate and was in the process of capital redemption. In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 31 December 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (24 059) thousand (see note *26. Equity* of the condensed consolidated financial statements for the year of 2019).

2.3 Events significantly influencing activities in 2019

Information about events and circumstances that had impact on the Company's and Group's operations in 2019 are presented in other parts of this report, in particular in note *3.2 Basic economic and financial information*. Apart from the events described in this report there were no other events which had significant impact on the Company's and the Group's activities in 2019.

2.4 Material contracts

In 2019, the Company and the Group companies did not enter into agreements material for XTB operations, different than described in this report, also the Company has no knowledge about contracts concluded between shareholders material for XTB operations.

2.5 Related party transactions

In the 12 months period ended 31 December 2019 and 31 December 2018 there were no related parties transactions concluded on other than arm's length basis.

Transactions and the balances of settlements with related parties were presented in detail in *note 31* to the Separate Financial Statements.

2.6 Credits and loans

In the reporting period the Company and the Group companies did not execute or terminate any loan agreements.

In 2019 the Company and Group companies did not grant any loans.

2.7 Sureties and guarantees

On 9 May 2014 the Company issued a guarantee in the amount of PLN 57 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, i.e. as at the balance sheet date up to the amount of PLN 250 thousand.

On 7 July 2017, the Parent Company granted a surety of PLN 5 497 thousand to secure the agreement concluded by the subsidiary XTB Limited with its registered office in the United Kingdom and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in the United Kingdom. The guarantee was granted for the duration of the main contract, which was concluded for a period of 3 years with the possibility of further extension.

Apart from described above, in 2019 XTB did not grant and did not receive other sureties and guarantees.

2.8 Post balance sheet events

On 10 January 2020 decision regarding the deletion X Trading Technologies Sp. z o.o in liquidation from the National Court Register (KRS) was validated.

On 3 March 2020 General Meeting of subsidiary X Trade Brokers Menkul Değerler A.Ş. with its seat in Turkey took the following decisions: (1) it decided to distribute dividend in the amount of TRY 2 090 thousand until 31 December 2020, (2) it decided to distribute the capital adjustment fund in the amount of TRY 2 584 thousand until 31 December 2020 and (3) it decided to decrease the company capital from TRY 22 500 thousand to TRY 100 thousand.

2.9 External and internal factors important for the development of the Company and the Group

2.9.1 The number of active clients, transaction volumes and deposit amounts

The Group's revenue and its results of operations are directly mostly depended on the volume of transactions concluded by the Group's clients and the amount of deposits placed by them. The transaction volumes and deposit amounts depend, in turn, on the number of new active clients.

Net deposits placed by retail clients comprise deposits less the amounts withdrawn by the Group's clients in a given period. The level of net deposits defines the ability of the Group's clients to execute transactions in derivatives offered by the Group, which affects the level of the Group's transaction volumes.

2.9.2 Revenues of the Company and the situation on the financial and commodity markets

The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

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 customers and higher profitability on lot. The periods of clear and long market trends are favorable for the Company and it is at such times that it achieves the highest revenues. Therefore, high activity of financial and commodity markets leads, as a rule, to an increased volume of trading on the Group's trading platforms. However, the decline in this activity and related with this decrease in transaction activity of the Group's clients, it leads in principle to a decrease in the Group's operating income. Due to the above, the Group's operating income and profitability may decline in periods of low activity of financial and commodity markets. In addition, there may be a more predictable trend in which the market moves in a limited price range. This leads to market trends that can be predicted with a higher probability than in the case of larger directional market movements, which creates favorable conditions for transactions concluded in a narrow range of the market (range trading). In this case, a greater number of transactions that bring profits to customers 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.

2.9.3 General market, geopolitical and economic conditions

Changes in the general market and economic situation in the regions, in which the Group operates, to some extent affect the general buying power of the Group's clients, as well as their readiness to spend or save, which in turn to some extent affects the demand for the Group's products and services.

Unfavourable trends in the global economy may limit the level of disposable income of the Group's clients and induce them to limit their activity on the FX/CFD market, which may, in turn, reduce the volume of transactions in financial instruments offered by the Group and result in a drop in the Group's operating income.

2.9.4 Competition on the FX/CFD market

The FX/CFD market, both globally and in Poland, is characterised by high competitiveness. The Group competes with local entities (mainly brokerage houses being a part of or owned by commercial banks), local or Western European licenced institutions (such as Saxo Bank and IG Group) and other entities, both licenced and non-licenced which gain clients through the Internet (such as Plus500).

These entities compete with one another in terms of product and service prices, advanced technological solutions and brand strength. Activities undertaken by the Group and its competition affect the Group's competitive position and its share in the FX/CFD market. To maintain and expand its position in the markets in which it operates, the Group is investing in marketing activities.

In addition, the Group's ability to strengthen the current competitive position in the markets in which it operates, depends on many factors beyond the control of the Group, including in particular the recognition of the brand and the Group's reputation, attractiveness and quality of products and services offered by the Group as well as the functionality and quality of its technological infrastructure.

Moreover, results of operations depend to some extent on the level of spreads in the derivatives CFD. Increased competition in the market FX / CFD leads to a reduction in spreads in derivative transactions CFD. Smaller spreads and increased competition may reduce the revenues and profitability of the *market making* business model.

2.9.5 Regulatory environment

The Group operates in a strictly regulated environment that places specific significant obligations on the Group within the scope of a number of international and local regulations and provisions of applicable law. Among others, the Group is subject to regulations relating to.:

- sales practices, including gaining of clients and marketing activities;
- maintaining capital at a specified level;
- anti-money laundering and preventing the financing of terrorism practices and "know your client" procedures (KYC);
- reporting obligations towards regulators;
- personal data protection and professional confidentiality obligations;
- obligations concerning investor protection and providing them with the relevant data on risks related to the brokerage services provided;
- supervision over the Group's operations.
- confidential data and its use, prevention of illegal disclosure of confidential data and prevention of market manipulation
- providing information to the public as an issuer.

The Group is subject to supervision by specific regulatory authorities and public administration authorities in jurisdictions in which the Group operates. In Poland, the conduct of brokerage activities requires a licence from the PFSA and is subject to a number of regulatory requirements. The Company is a brokerage house operating based on a licence for the conduct of brokerage activities and is subject to regulatory supervision by the PFSA.

Thanks to the "single passport" rule arising from the MiFID II Directive, the Company operates as a branch based on and as part of the licence granted by the PFSA in the following member states of the EU: the Czech Republic, Spain, Slovakia, Romania, Germany, France and Portugal.

Moreover, the Company and XTB Limited, subject to the supervision by the FCA, conduct cross-border operations without establishing a branch (the MiFID Outward Service) in a number of jurisdictions, focusing mainly on the Italian and Hungarian markets. In addition, the Company and its subsidiaries are entitled to conduct cross-border operations in Austria, Bulgaria, Croatia, Denmark, Estonia, Finland, Greece, the Netherland, Iceland, Ireland, Lichtenstein, Lithuania, Luxembourg Latvia, Malta, Germany, Norway, Slovenia and Sweden.

Additionally, the Company has a 100% interest in the following entities operating based on separate licences for the conduct of brokerage activities issued by the supervision authorities in foreign jurisdictions:

- XTB Limited – a brokerage house registered in the United Kingdom subject to supervision by the FCA,
- XTB Limited (formerly: DUB Investments Ltd.) – an investment firm conducting brokerage activities registered in Cyprus and subject to supervision by the CySEC,
- X Trade Brokers Menkul Değerler A.Ş – a company conducting brokerage activities, registered in Turkey and subject to supervision by Capital Markets Board of 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 and was in the process of capital redemption,
- XTB International Limited – the company provides brokerage services based on the obtained permission issued by the International Financial Service Commission.

The Group has created a compliance (compliance in law) function for each Group Company to ensure compliance with the regulatory and regulatory requirements to which the Group is subject.

The regulatory environment in which the Group operates is constantly evolving. In recent years, the financial services industry has been subject to increasingly comprehensive regulatory oversight. The supervisory and public administration authorities regulating and supervising the Group's activities introduced a number of changes in the regulatory requirements to which the Group is subject and may undertake additional initiatives in this area in the future.

2.10 The Group's activities in 2019 and development outlook

The Group's strategy is to actively strengthen its position as an international supplier of technologically advanced products, services and solutions in the field of trading in financial instruments mainly in the EU and Latin America by increasing brand recognition, acquiring new clients for its transaction platforms and building a long-term investment profile and customer loyalty. The Group's strategic plan includes supporting growth through expansion into new markets, further penetration of existing markets, expansion of the Group's product and service offer as well as the development of the institutional segment of operations (X Open Hub).

The Management Board is of the opinion that the Group has built solid foundations that ensure its good position to generate stable growth in the future.

The Management Board's plans for the forthcoming periods assume the development of the Group, in particular through the expansion of the client base and product offer, further penetration of existing markets and geographical expansion into markets of Latin America, Africa and Asia. He intends to strive to build shareholder value with determination. Due to the current low pricing of the Company, the Management Board withheld the work on consolidation of the market through mergers and acquisitions, focusing more on organic growth.

The entry into force of product intervention by European Securities and Markets Authority (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.

During the 2019, the Group continued the process of expanding the product offer. The purpose of these activities is to diversify the offer to meet the expectations of various groups of investors. In 2019 XTB introduced CFD instruments based on sector indices, such as biotechnologies, cannabis and technology companies to its offer. At the same time, the stock and ETF offer was constantly expanded by new instruments desired by clients. XTB is constantly developing its own xStation trading platform by adding new functionalities. The Company's aim is to make the xStation platform a central and necessary place for every trader, where besides trading one could have access to education and fundamental data.

The Group consistently implemented in its branches modern tools for comprehensive management of customer relations from the moment of obtaining contact through the stages of further service, to signing the contract and maintaining the after-sales relationship. The tools allow for reporting and analysis, giving a better understanding of users and clients, which allows to optimize the cost of customer acquisition and retention, which translates into a better-matched offer and faster implementation of customer instructions.

The Group continued the process of investor education by organizing free workshops and conferences as well as providing access to educational materials for both beginners and more experienced investors.

In 2020, the Group will undertake further actions aimed at implementing the Strategy presented above.

3. Operating and financial situation

3.1 Principles of preparation of annual financial statements

Consolidated and separate financial statements were prepared based on International Financial Reporting Standards (IFRS), which were endorsed by the European Union.

The consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2019 to 31 December 2019 with comparative data for the year ended 31 December 2018 cover the Parent Company's financial data and financial data of the subsidiaries comprising "The Group".

The separate financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2019 to 31 December 2019 with comparative data for the year ended 31 December 2018 cover the Company's financial data and financial data of the foreign branch offices.

The consolidated and separate financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through P&L and financial liabilities held for trading 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 Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with the IFRS.

Drafting this consolidated financial statements, the Parent Company decided that none of the Standards would be applied retrospectively.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

3.2 Basic economic and financial information

3.2.1 Basic consolidated economic and financial information

The Group's operating and financial results are mainly affected by:

- the number of active accounts, transaction volumes and deposit amounts,
- volatility on financial and commodity markets,
- general market, geopolitical and economic conditions,
- competition on the FX/CFD market,
- regulatory environment.

The key factors affecting the Group's financial and operating results in the 12 months period ended 31.12.2019 are discussed below. The Management Board believes that these factors had and may continue to have an effect on the business activities, operating and financial results, financial condition and development perspectives of the Group.

Description of the Group's results in 2019

The table below shows selected items of the consolidated statement of comprehensive income for the periods indicated

(IN PLN'000)	**12 MONTHS PERIOD ENDED**		**CHANGE %**
	31.12.2019	**31.12.2018**	
Result of operations on financial instruments	233 106	281 473	(17,2)
Income from fees and charges	5 629	6 651	(15,4)
Other income	569	177	221,5
Total operating income	239 304	288 301	(17,0)
Salaries and employee benefits	(86 024)	(78 478)	9,6
Marketing	(37 716)	(33 322)	13,2
Other external services	(24 638)	(24 909)	(1,1)
Costs of maintenance and lease of buildings	(3 158)	(7 815)	(59,6)
Amortisation and depreciation	(6 753)	(3 931)	71,8
Taxes and fees	(2 950)	(2 340)	26,1
Commission expenses	(8 329)	(7 627)	9,2
Other expenses	(4 324)	(14 070)	(69,3)
Total operating expenses	(173 892)	(172 492)	0,8
Operating profit	65 412	115 809	(43,5)
Finance income	5 901	9 083	(35,0)
Finance costs	(1 877)	(221)	749,3
Profit before tax	69 436	124 671	(44,3)
Income tax	(11 735)	(23 200)	(49,4)
Net profit	57 701	101 471	(43,1)

In 2019, XTB reported PLN 57 701 thousand of consolidated net profit compared to PLN 101 471 thousand profit a year earlier. Operating profit (EBIT) amounted to PLN 65 412 thousand to PLN 115 809 thousand a year earlier. Consolidated revenues amounted to PLN 239 304 thousand to PLN 288 301 thousand a year earlier. Total operating expenses amounted to PLN 173 892 thousand (in 2018: PLN 172 492 thousand).

Operating income

The Group's income is primarily derived from its retail activities and consists of:

- spreads (the difference between the offer price and the bid price),
- net result (profits offset by losses) from the Group's market making activities,
- fees and commissions charged by the Group to its clients,
- swap points charged by the Group (being the difference between the notional forward rate and the spot rate of a given financial instrument).

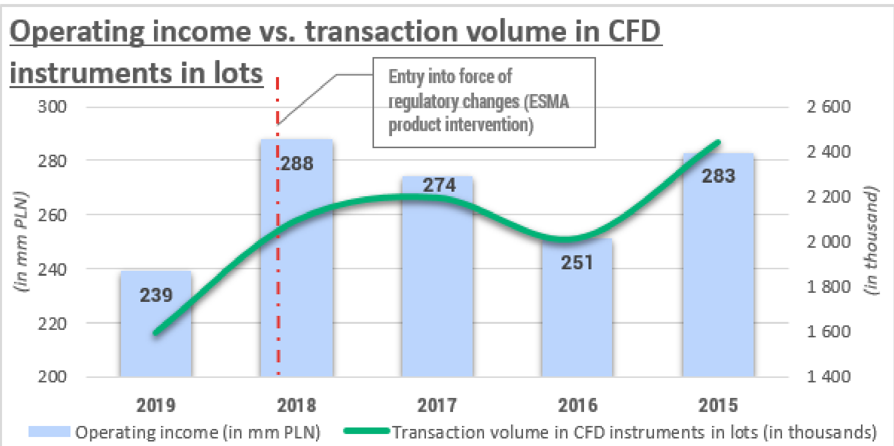
In 2019 the retail business segment generated approximately 88% of the total volume of the Group's turnover and the institutional business segment – approximately 12%.

In 2019 the revenues decreased by 17,0 y/y i.e. PLN 48 997 thousand from PLN 288 301 thousand to PLN 239 304 thousand. One of the relevant factors which determined the level of revenues of XTB was the product intervention of ESMA. coming into force in August 2018. The regulations limited maximum permitted level of leverage for retail clients, which resulted in lower volume of transactions concluded by clients. Consequently, CFDs turnover in lots amounted to 1 597 218 lots compared to 2 095 412 a year earlier. Profitability per lot increased by 8,7% y/y i.e. from PLN 138 to PLN 150.

In Q42019, the revenues increased by 109,3% compared to the Q4 2018, i.e. by PLN 46 785 thousand from PLN 42 786 thousand to PLN 89 571 thousand. This change was driven by: (i) higher profitability per lot – an increase by PLN 134 (from PLN 93 to PLN 227); (ii) lower financial instruments turnover noted in the number of concluded transactions in lots – a decrease by 64 723 lots (from 458 869 to 394 147 lots).

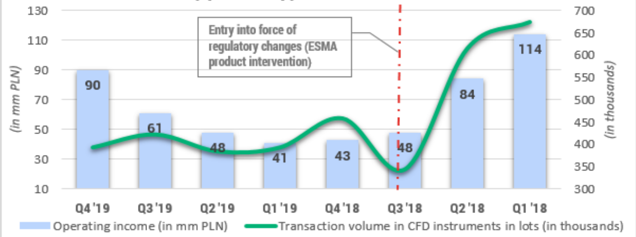
					12 MONTHS PERIOD ENDED
	31.12.2019	**31.12.2018**	**31.12.2017**	**31.12.2016**	**31.12.2015**
Total operating income (in PLN'000)	239 304	288 301	273 767	250 576	282 542
Transaction volume in CFD instruments in lots[1]	1 597 218	2 095 412	2 196 558	2 015 655	2 443 302
Profitability per lot (in PLN)[2]	150	138	125	124	116

[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.

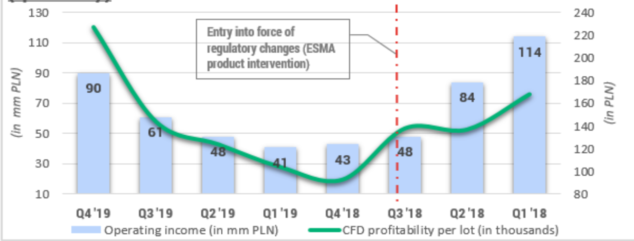


	THREE-MONTH PERIOD ENDED							
	31.12.2019	**30.09.2019**	**30.06.2019**	**31.03.2019**	**31.12.2018**	**30.09.2018**	**30.06.2018**	**31.03.2018**
Total operating income (in PLN'000)	89 571	60 952	47 891	40 890	42 786	47 578	84 200	113 737
Transaction volume in CFD instruments in lots[1]	394 146	423 333	385 318	394 421	458 869	345 118	616 082	675 344
Profitability per lot (in PLN)[2]	227	144	124	104	93	138	137	168

[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.



Operating income vs. transaction volume in CFD instruments in lots (quarterly)

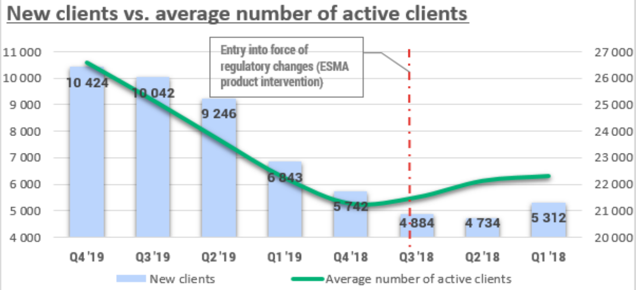


Operating income vs. CFD profitability per lot (quarterly)

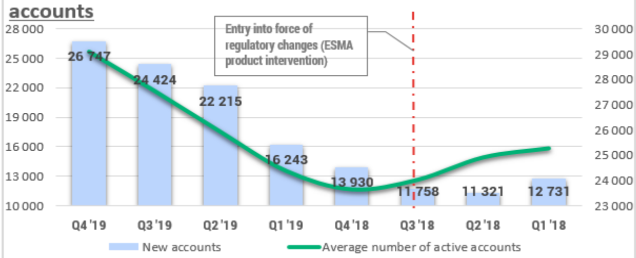
XTB has a solid basis for growth in the form of constantly growing customer base and number of active clients. In 2019 the Group reported a record number of new clients amounting to 36 555 compared to 20 672 in 2018, i.e. an increase by 76,8%. This is an effect of continuing the optimized sales and marketing strategy and the successive introduction of new products to the offer, such as CFDs based on sector indices, shares, ETFs and an expansion to new geographical markets. The average number of active clients was higher by 5 303 compared to 2018, i.e. 24,9%. The intention of the Management Board in 2020 is to further increase the client base. This is confirmed by the data for January, when the Group gained a record number of new clients i.e. 4 480.

	PERIOD ENDED							
	31.12.2019	**30.09.2019**	**30.06.2019**	**31.03.2019**	**31.12.2018**	**30.09.2018**	**30.06.2018**	**31.03.2018**
New clients[1]	10 424	10 042	9 246	6 843	5 742	4 884	4 734	5 312
Average number of active clients[2]	26 582	25 171	23 688	22 245	21 279	21 515	22 135	22 317
New accounts[3]	26 747	24 424	22 215	16 243	13 930	11 758	11 321	12 731
Average number of active accounts[4]	29 099	27 544	25 932	24 386	23 656	24 032	24 918	25 279

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



New clients vs. average number of active clients



New accounts vs. average number of active accounts

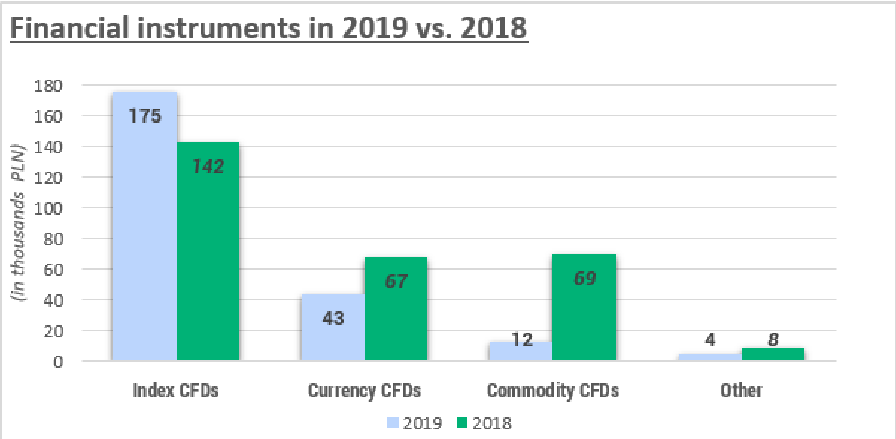
XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2020 and further years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that in 2019, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments reached 74,8% compared to 49,6% 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 US 500 and US 100. The second most-profitable class of assets were CFD based on currencies. Their share in the structure of revenues on financial instruments in 2019 reached 18,2% (2018: 23,5%). Instruments based on the EURUSD currency pair were the most popular among this asset class. The revenues from commodity-based instruments accounted for 5,2% of total revenues, compared to 24,3% a year earlier.

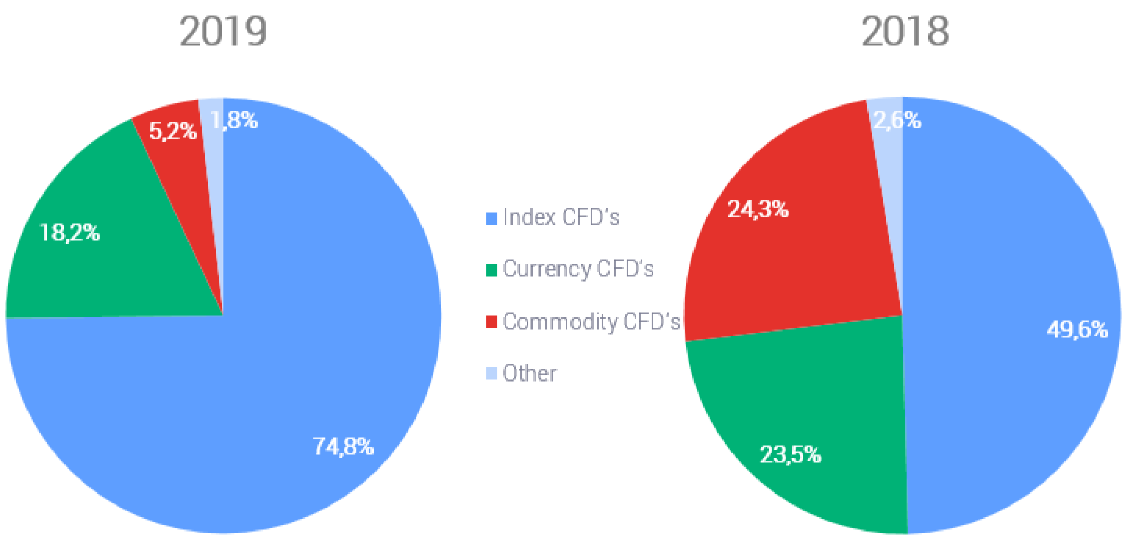
XTB clients, looking for investment opportunities to earn money, generally trade in financial instruments that are characterized by high market volatility in a given period. This may lead to fluctuations in the revenue structure by the asset class, which should be treated as a natural element of the 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 result of operations on financial instruments

(IN PLN'000)	12 MONTHS PERIOD ENDED		CHANGE %
	31.12.2019	31.12.2018	
Index CFDs	175 116	141 924	23,4
Currency CFDs	42 624	67 192	(36,6)
Commodity CFDs	12 021	69 499	(82,7)
Equity CFDs	2 313	2 878	(19,6)
Bond CFDs	771	589	30,9
Total CFDs	232 845	282 082	(17,5)
Total options	-	3 947	(100,0)
Stocks	1 199	99	1 111,1
Gross gain on transactions in financial instruments	234 044	286 128	(18,2)
Bonuses and discounts paid to customers	(300)	(3 363)	(91,1)
Commission paid to cooperating brokers	(638)	(1 292)	(50,6)
Net gain on transactions in financial instruments	233 106	281 473	(17,2)



The share of instruments in the result of operations on financial instruments



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 40,5% (2018: 25,2%) and 19,9% (2018: 14,7%) respectively. The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(IN PLN'000)	**12 MONTHS PERIOD ENDED**	
	31.12.2019	**31.12.2018**
Central and Eastern Europe	121 334	140 494
- including Poland	*95 390*	*72 525*
Western Europe	90 934	124 488
- including Spain	*47 642*	*42 360*
Latin America	27 036	23 319
Total operating income	239 304	288 301

XTB also puts strong emphasis on diversification of segment revenues. Therefore the Group develops, besides retail segment, 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 quarter to quarter, analogically to the retail segment, which is typical for the business model adopted by the Group.

(IN PLN'000)	**12 MONTHS PERIOD ENDED**	
	31.12.2019	**31.12.2018**
Retail segment	218 457	269 486
Institutional segment (X Open Hub)	20 847	18 815
Total operating income	239 304	288 301

It should be noted that, similar to the retail segment, ESMA product intervention could affect the condition of the European institutional partners of XTB and thus the transaction volume in lots as well as the revenues of XTB from these clients. However, the Management Board cannot exclude that there will been increase in volatility of institutional clients in the future.

Operating expenses

Operating expenses in 2019 amounted to PLN 173 892 thousand and were similar to those a year earlier (an increase by PLN 1 400 thousand y/y). The most significant changes y/y occurred in:

- salaries and employee benefits costs, an increase by PLN 7 546 thousand mainly due to new employment and employee severance payments;
- marketing costs, an increase by PLN 4 394 thousand mainly due to higher expenditures on online marketing campaigns;
- costs of maintenance and lease of buildings, a decrease by PLN 4 657 and consequently an increase in depreciation costs by PLN 2 822, relating to the entry into force of IFRS 16 Leasing;
- other costs, a decrease by PLN 9 746 thousand as a result of one-off event in Q3 2018 in the amount of PLN 9 900 thousand.

3.2.2 Public support

In 2019 the Company received financial support in the form of the *de minimis* help in the total amount of PLN 20 thousand from KFS training fund.

In 2018 the Company did not receive any financial support from public resources.

3.2.3 Rate of return on assets

The rate of return on assets, calculated as the quotient of net profit and total assets, as of 31 December 2019 amounted to 5,1% and as of 31 December 2018 amounted to 10.5%.

3.2.4 Activities of the brokerage house outside the territory of the Republic of Poland

Information about the activities of the brokerage house outside the territory of the Republic of Poland, broken down into member states and third countries in which the brokerage house has its subsidiaries, on a consolidated basis within the meaning of Article 4(1)(48) of the Regulation of the European Parliament and of the Council (EU) No 575/2013 on prudential requirements for credit institutions and investment firms are presented below.

AREAS OF ACTIVITIES	REVENUE FOR 2019	NUMBER OF EMPLOYEES IN TERMS OF FTSs	PROFIT BEFORE TAX FOR 2019	INCOME TAX FOR 2019
Poland	239 884	365	63 741	(10 664)
Great Britain	323	30	406	(166)
Cyprus	3	9	110	(7)
Belize	15	-	1 737	-
Turkey	42	2	2 113	(553)

3.2.5 Selected financial and operating ratios of the Group

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.

	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
EBITDA (in PLN'000)[1]	72 165	119 740
EBITDA margin (%)[2]	30,2	41,5
Net profit margin (%)[3]	24,1	35,2
Return on equity –ROE (%)[4]	12,2	23,7
Return on assets – ROA (%)[5]	5,5	10,9
Aggregate capital adequacy ratio, including buffers (%)[6]	13,3	19,1

[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 less buffers requirements and total risk exposure.

The table below presents:

- the number of new clients in individual periods;
- the number of active clients;
- the aggregate number of clients;
- the number of new accounts opened by the Group's clients in individual periods;
- the number of active accounts;
- the aggregate number of accounts;
- the amount of net deposits in the individual periods;
- average operating income per one active client;
- average operating income per one active account;
- the transaction volume in lots;
- profitability per lot;
- transaction volume of CFD derivatives at nominal value (in mm USD);
- profitability per 1 million turnover (in PLN);
- the volume of share transactions at nominal value (in mm USD).

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

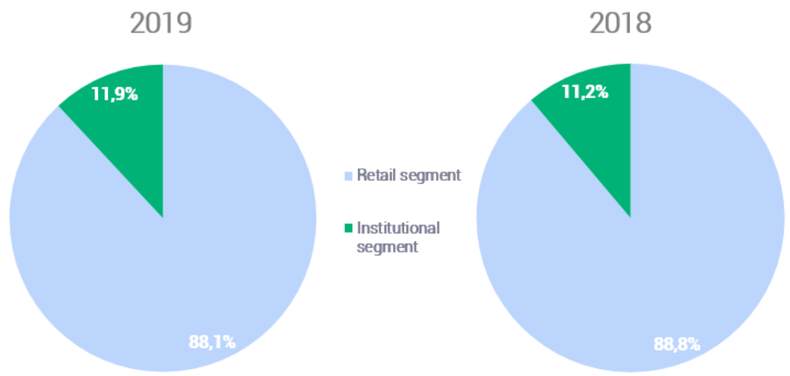
	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
New clients[1]	36 555	20 672
Average number of active clients[2]	26 582	21 279
Clients in total	149 304	116 517
New accounts[3]	89 629	49 740
Average number of active accounts[4]	29 099	23 656
Accounts in total	323 315	238 980
Net deposits (in PLN'000)[5]	409 420	332 907
Average operating income per active client (in PLN'000)[6]	9,0	13,5
Average operating income per active account (in PLN'000)[7]	8,2	12,2
Transaction volume in CFD instruments in lots[8]	1 597 218	2 095 412
Profitability per lot (in PLN)[9]	150	138
Transaction volume in CFD instruments in nominal value (in USD million)	541 509,5	773 899,0
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)[10]	116,4	99,1
Turnover of shares in nominal value (in USD million)	178,8	49,7

[1]) The number of new Group's clients in the individual periods.
[2]) The average quarterly number of clients who at least one transaction has been concluded over the last three months.
[3]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts 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.
[6]) The Group's operating income in a given period divided by the average quarterly number of clients who at least one transaction has been concluded over the last three months.
[7]) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[8]) 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.
[9]) Total operating income divided by the transaction volume in CFDs in lots
[10]) Total operating income divided by the transaction volume in CFDs in nominal value in PLN

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

	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
Retail operations segment	1 406 414	1 861 313
Central and Eastern Europe	725 220	1 024 922
Western Europe	541 497	714 036
Latin America and Turkey	139 697	122 355
Institutional operations segment	190 804	234 099
Total	1 597 218	2 095 412

Group turnover in lots by segments

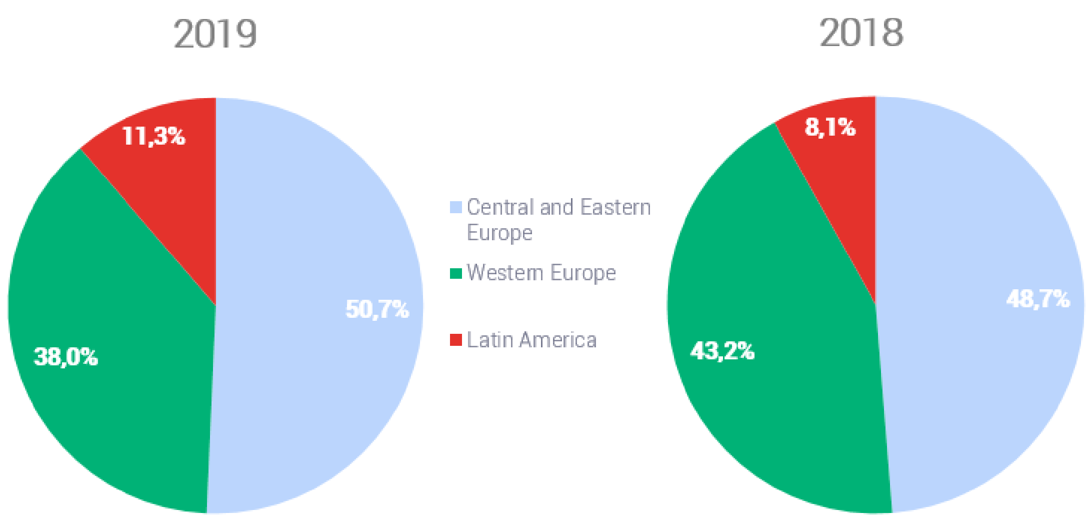


The table below shows data on the Group's revenue by geographical area for the periods indicated.

(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
Result from operations on financial instrument:	233 106	281 473
Central and Eastern Europe	116 206	134 818
Western Europe	89 921	123 455
Latin America	26 979	23 200
Income from fees and charges:	5 629	6 651
Central and Eastern Europe	4 554	5 499
Western Europe	1 018	1 033
Latin America	57	119
Other income:	569	177
Central and Eastern Europe	569	177
Total operating income[1]	239 304	288 301
Central and Eastern Europe	**121 334**	**140 494**
- including Poland [2]	*96 960*	*72 525*
Western Europe	**90 934**	**124 488**
- including Spain[2]	*47 642*	*42 360*
Latin America	**27 036**	**23 319**

[1]) The countries where the Group always generates 15% or more of its revenues is Poland 40,5% (2018 r.: 25.2%). The second largest market for XTB is Spain, with shares amounting to 19.9% (2018: 14,7%). 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.

Group revenues by geographical area



Retail operations segment

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

	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
New clients[1]	36 548	20 662
Average number of active clients[2]	26 555	21 259
Clients in total	149 265	116 470
New accounts[3]	89 621	49 714
Average number of active accounts[4]	29 066	23 628
Accounts in total	323 252	238 890
Number of transactions[5]	24 444 600	29 908 715
Transaction volume in CFD instruments in lots[6]	1 406 413	1 861 313
Net deposits (in PLN'000)[7]	398 395	320 001
Average operating income per active client (in PLN'000)[8]	8,2	12,7
Average operating income per active account (in PLN'000)[9]	7,5	11,4
Average cost of obtaining an client (in PLN'000)[10]	1,0	1,6
Average cost of obtaining an account (in PLN'000)[11]	0,4	0,7
Profitability per lot (in PLN)[12]	155	145
Transaction volume in CFD instruments in nominal value (in USD million)	486 813,1	689 377,0
Profitability per 1 million USD transaction volume in CFD instruments (in PLN)[10]	118,2	104,0
Turnover of shares in nominal value (in USD million)	178,8	49,7

[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]) The number of accounts opened by the Group's clients in the individual periods.
[4]) The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[5]) Total number of open and closed transactions in a given period.
[6]) 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.
[7]) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
[8]) 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.
[9]) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[10]) Average cost of obtaining a client comprise total marketing costs of the Group divided by the number of new clients in given period.
[11]) Average cost of obtaining an account comprise total marketing costs of the Group divided by the number of new accounts in given period.
[12]) Total operating income in retail segment divided by the transaction volume in CFDs in lots.
[13]) Total operating income in retail segment divided by the transaction volume in CFDs in 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.

	12 MONTHS PERIOD ENDED			
	31.12.2019		**31.12.2018**	
Central and Eastern Europe	13 073	49%	11 625	55%
Western Europe	10 512	40%	8 186	38%
Latin America	2 970	11%	1 448	7%
Total	26 555	100%	21 259	100%

Institutional operations segment

The Group provides 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.

	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
Average number of active clients	27	20
Clients in total	39	47
Average number of active accounts	33	28
Accounts in total	63	90

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

	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
Transaction volume in CFD instruments in lots	190 805	234 099

3.2.6 Basic separate economic financial information

Discussion of the Company's results in 2019

The table below shows selected items of the separate statement of comprehensive income for the periods indicated.

(IN PLN'000)	**12 MONTHS ENDED**		**CHANGE %**
	31.12.2019	**31.12.2018**	
Result of operations on financial instruments	204 479	260 766	(21,6)
Income from fees and charges	5 529	6 394	(13,5)
Other income	569	177	221,5
Total operating income	210 577	267 337	(21,2)
Salaries and employee benefits	(68 692)	(65 414)	5,0
Marketing	(20 225)	(24 212)	(16,5)
Other external services	(35 926)	(30 636)	17,3
Costs of maintenance and lease of buildings	(2 205)	(6 057)	(63,6)
Amortisation and depreciation	(5 643)	(3 197)	76,5
Taxes and fees	(2 416)	(2 151)	12,3
Commission expenses	(6 349)	(6 222)	2,0
Other costs	(3 249)	(12 267)	(73,5)
Total operating expenses	(144 705)	(150 156)	(3,6)
Profit on operating activities	65 872	117 181	(43,8)
Impairment of investments in subsidiaries	(2 390)	(6 643)	(64,0)
Finance income	1 828	4 958	(63,1)
Finance costs	(501)	(203)	146,8
Profit before tax	64 809	115 293	(43,8)
Income tax	(10 644)	(24 395)	(56,4)
Net profit	54 145	90 898	(40,4)

Operating income

The Company's income is primarily derived from its retail activities and consists of:

- spreads (the difference between the offer price and the bid price);
- net result (profits offset by losses) from the Company's market making activities;
- fees and commissions charged by the Company to its clients;
- swap points charged by the Company (being the difference between the notional forward rate and the spot rate of a given financial instrument).

The table below shows information on the Company's operating income for the periods indicated.

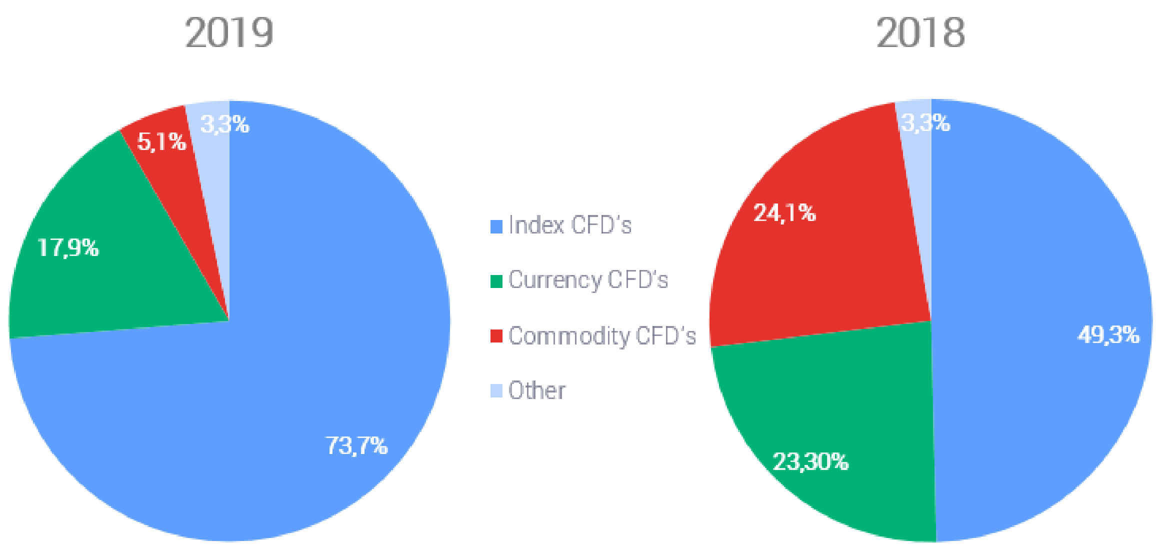
				12 MONTHS PERIOD ENDED
		31.12.2019		**31.12.2018**
	(in PLN'000)	(%)	(in PLN'000)	(%)
Result of operations on financial instruments	204 479	97,1	260 766	97,5
Income from fees and charges	5 529	2,6	6 394	2,4
Other income	569	0,3	177	0,1
Total operating income	210 577	100,0	267 337	100,0

The largest source of the Company's operating income is the result from operations on financial instruments, which accounted for 97.1% and 97.5% of total operating revenues, in 2019 and 2018, respectively. The largest share in the result on transactions in gross financial instruments has three product classes: CFD derivatives on indices, currencies and commodities that generated in 2019, respectively 73.7%, 17.9% and 5.1% (in 2018, respectively: 49.3%, 23.3%, 24.1%). Other products, such as CFD derivatives based on shares, bonds, option derivatives and shares in the analysed periods accounted for a total of 1.8% and 2.6% of the result on operations in gross financial instruments in 2019 and in 2018 respectively.

The result of operations on financial instruments

(IN PLN'000)	**12 MONTHS PERIOD ENDED**		**CHANGE %**
	31.12.2019	**31.12.2018**	
Index CFDs	175 116	141 924	23,4
Commodity CFDs	42 624	67 192	(36,6)
Currency CFDs	12 021	69 499	(82,7)
Stock CFDs	2 313	2 878	(19,6)
Bond CFDs	771	589	30,9
Total CFDs	232 845	282 082	(17,5)
Option derivatives	-	3 947	(100,0)
Stocks	1 199	99	1 111,1
Dividends from subsidiaries	3 477	2 058	69,0
Gross gain on transactions in financial instruments	237 521	288 186	(17,6)
Bonuses and discounts paid to customers	-	(1 087)	(100,0)
Intermediary services	(32 604)	(25 914)	25,8
Commission paid to cooperating brokers	(438)	(419)	4,5
Net gain on transactions in financial instruments	204 479	260 766	(21,6)

The share of instruments in the result on operations financial instruments



Total operating expenses

In 2019, total operating expenses amounted to PLN 144 705 thousand (2018: PLN 150 156 thousand), which means a decrease by 3,6% y/y i.e. PLN 5 451 thousand. The most significant changes occurred in:

- other costs, a decrease by PLN 9 018 thousand as a result of one-off event in Q3 2018 in the amount of PLN 9 900 thousand;
- marketing costs, a decrease by PLN 3 987 thousand mainly due to lower expenditures on offline and online marketing campaigns;
- other external services costs, an increase by PLN 5 290 mainly due to higher expenditures on financial intermediation services (an increase by PLN 6 608 thousand y/y);
- salaries and employee benefits costs, an increase by PLN 3 278 thousand, mainly due to an employment growth. The average employment in 2019 was 363 people, while in 2018 it was 343 people. The average monthly cost of salaries and employee benefits per one employee in the Company in 2019 amounted to PLN 15,8 thousand and was at a similar level as last year, which amounted to PLN 15,9 thousand.

3.2.7 Selected financial and operation ratios of the Company

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 ratios are not defined in a harmonised manner and may not be comparable with the ratios presented by other companies, including companies operating in the same sector as the Company.

	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
EBITDA (in PLN'000)[1]	71 515	120 378
EBITDA margin (%)[2]	34,0	45,0
Net profit margin (%)[3]	25,7	34,0
Return on equity –ROE (%)[4]	11,3	20,8
Return on assets – ROA (%)[5]	5,4	10,2
Aggregate capital adequacy ratio, including buffers (%)[6]	14,6	20,0

[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 less buffers requirements and total risk exposure.

Due to the fact that operating KPIs data concerning number of clients, number of accounts, average number of active clients, average number of active accounts, volume turnover in lots and average operating income per active account are analysed by the Company's Management Board on the Group level, and not in the separate view, this data was presented only in the consolidated view. In the Company's opinion this gives complete view of the Group's situation. Therefore, in the Company's opinion analysis of the above mentioned KPIs on the consolidated level is reliable.

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

(IN PLN'000)	12 MONTHS PERIOD ENDED	
	31.12.2019	**31.12.2018**
Result of the operations on financial instrument:	204 479	260 766
Central and Eastern Europe	116 225	134 826
Western Europe	75 517	111 934
Latin America	12 737	14 006
Income from fees and charges:	5 529	6 394
Central and Eastern Europe	4 561	5 842
Western Europe	968	552
Other income:	569	177
Central and Eastern Europe	569	177
Total operating income[1]	210 577	267 337
Central and Eastern Europe	121 360	**140 845**
- including Poland[2]	*95 416*	*72 877*
Western Europe	**76 480**	**112 486**
- including Spain[2]	*47 642*	*42 360*
Latin America	**12 737**	**14 006**

[1]) The countries where the Company always generates 15% or more of its revenues include Poland: 45.3% (2018 r.: 27.3%) and Spain: 22.6% (2018 r.: 15.8%). The share of any of the other countries in the Company's revenue structure by geographical area does not exceed 15%.
[2]) The country which generates the highest revenue in the region.

3.3 Current and projected financial situation

Current and projected financial situation of X-Trade Brokers Dom Maklerski S.A. and the Capital Group shows no significant risks. The Company is the parent company of the Capital Group. The Company's financial situation should be evaluated by the results of the entire Capital Group. The company maintains and intends to maintain the financial liquidity at an adequate level to the scale of its operations.

3.4 Structure of assets and liabilities

3.4.1 Structure of assets and liabilities in the consolidated statement of financial position

(IN PLN'000)	31.12.2019	% balance sheet total	31.12.2018	% balance sheet total
ASSETS				
Own cash and cash equivalents	484 351	42,5	467 987	48,2
Clients' cash and cash equivalents	470 845	41,3	363 908	37,5
Financial assets at fair value through P&L	149 318	13,1	114 279	11,8
Income tax receivables	71	0,0	3 068	0,3
Financial assets at amortized cost	6 474	0,6	5 005	0,5
Prepayments and deferred costs	4 073	0,4	3 049	0,3
Intangible assets	572	0,1	716	0,1
Property, plant and equipment	14 193	1,2	2 517	0,3
Deferred income tax assets	9 003	0,8	9 545	1,0
Total assets	1 138 900	100,0	970 074	100,0
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	573 792	50,4	447 841	46,2
Financial liabilities held for trading	23 529	2,1	28 227	2,9
Income tax liabilities	1 697	0,1	232	0,0
Liabilities due to lease	10 772	0,9	37	0,0
Other liabilities	19 676	1,7	23 744	2,4
Provisions for liabilities	3 129	0,3	1 980	0,2
Deferred income tax provision	15 561	1,4	12 857	1,3
Total liabilities	648 156	56,9	514 918	53,1
Equity				
Share capital	5 869	0,5	5 869	0,6
Supplementary capital	71 608	6,3	71 608	7,4
Other reserves	364 757	32,0	334 898	34,5
Foreign exchange differences on transaction	(23 637)	(2,1)	(21 479)	(2,2)
Retained earnings	72 147	6,3	64 260	6,6
Equity attributable to the owners of the Parent Company	490 744	43,1	455 156	46,9
Total equity	490 744	43,1	455 156	46,9
Total equity and liabilities	1 138 900	100,0	970 074	100,0

As at 31 December 2019 balance sheet total amounted to PLN 1 138 900 thousand. In comparison to 31 December 2018 there was an increase by PLN 168 826 thousand i.e. 17.4%.

The most important asset item, both at the end of 2019 and 2018, are cash, which accounted for respectively in 2019 and 2019, 83.9% and 85.8% of assets. Cash comprises the Group's own cash and clients' cash. Clients' cash is deposited in bank accounts separately from the Group's cash. At the end of 2019, own cash increased by 3.5% y/y while clients' cash increased by 3.8% y/y.

The second largest asset item in terms of financial assets are financial assets at fair value through P&L representing at the end of 2019 and 2018, 13.1% and 11.8% of assets, respectively. This item increased by 1.3 p.p. y/y.

As regards the structure of liabilities, the most significant item as at 31 December 2019 were amounts due to customers (50.4% of liabilities in 2019 and 46.2% in 2018, respectively). Amounts due to customers result from transactions made by customers (including cash deposited on customer accounts).

3.4.2 Structure of assets and liabilities in the separate statement of financial position

(in PLN'000)	31.12.2019	% balance sheet total	31.12.2018	% balance sheet total
ASSETS				
Own cash and cash equivalents	435 039	40,1	412 950	44,5
Clients' cash and cash equivalents	420 772	38,8	326 649	35,2
Financial assets at fair value through P&L	136 549	12,6	106 531	11,5
Investments in subsidiaries	54 463	5,0	54 864	5,9
Income tax receivables	71	0,0	2 841	0,3
Financial assets at amortised cost	12 747	1,2	11 532	1,2
Prepayments and deferred costs	3 541	0,3	2 351	0,3
Intangible assets	380	0,0	495	0,1
Property, plant and equipment	13 138	1,2	2 250	0,2
Deferred income tax assets	7 189	0,7	7 497	0,8
Total assets	1 083 889	100,0	927 960	100,0
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	519 550	47,9	405 200	43,7
Financial liabilities held for trading	19 159	1,8	24 794	2,7
Income tax liabilities	1 335	0,1	139	0,0
Liabilities due to lease	10 119	0,9	37	0,0
Other liabilities	19 446	1,8	20 674	2,2
Provisions for liabilities	1 452	0,1	1 049	0,1
Deferred income tax provision	15 561	1,4	12 857	1,4
Total liabilities	586 622	54,1	464 750	50,1
Equity				
Share capital	5 869	0,5	5 869	0,6
Supplementary capital	71 608	6,6	71 608	7,7
Other reserves	364 619	33,6	334 760	36,1
Foreign exchange differences on translation	1 026	0,1	1 159	0,1
Retained earnings	54 145	5,0	49 814	5,4
Total equity	497 267	45,9	463 210	49,9
Total equity and liabilities	1 083 889	100,0	927 960	100,0

As at 31 December 2019 balance sheet total amounted to PLN 1 083 889 thousand. In comparison to 31 December 2018 there was an increase by PLN 155 929 thousand i.e. 16.8%.

The most important asset item, both at the end of 2019 and 2018, are cash, which accounted for respectively in 2019 and 2018, 79.0% and 79.7% of assets. Cash includes own funds of the Company and clients' cash. Clients' cash is deposited in bank accounts separately from the Company's cash. At the end of 2019, own cash increased by 5.3% y/y while clients' cash increased by 28.8% y/y.

The second largest asset item in terms of financial assets are financial assets at fair value through P&L representing at the end of 2019 and 2018, 12.6% and 11.5% of assets, respectively. This item decreased by 1.1 p.p. y/y.

The company has investments in subsidiaries. The total nominal value of shares in subsidiaries as at 31 December 2019 amounted to PLN 54 463 thousand, which accounted for 5.0% of the Company's assets. As at 31 December 2018, this value amounted to PLN 54 864 thousand, i.e. 5.9% of the Company's assets, which means a decrease in this position by PLN 401 thousand y/y.

As regards the structure of liabilities, the most significant item as at 31 December 2019 were amounts due to clients (47.9% of liabilities in 2019 and 43.7% in 2018, respectively). Amounts due to clients result from transactions made by clients (including cash deposited on clients' accounts).

3.5 Factors which in the Management's Board belief may impact the Group's operations and perspectives

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:

- The Group's revenue depends directly on the volume of transactions concluded by the Group's clients and profitability per lot which in turn is correlated with the general level of transaction activity on the FX/CFD market.

  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							
	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Total operating income (in PLN'000)	89 571	60 952	47 891	40 890	42 786	47 578	84 200	113 737
Transaction volume in CFD instruments in lots[1]	394 146	423 333	385 318	394 421	458 869	345 118	616 082	675 344
Profitability per lot (in PLN)[2]	227	144	124	104	93	138	137	168

[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.

Although in quarterly terms, the revenues of the XTB Group are subject to significant fluctuations, which is a phenomenon typical of the XTB business model, then in a longer time horizon, which is a year, they take on more stable and comparable values to those from historical years.

	12 MONTHS PERIOD ENDED				
	31.12.2019	**31.12.2018**	**31.12.2017**	**31.12.2016**	**31.12.2015**
Total operating income (in PLN'000)	239 304	288 301	273 767	250 576	282 542
Transaction volume in CFD instruments in lots[1]	1 597 218	2 095 412	2 196 558	2 015 655	2 443 302
Profitability per lot (in PLN)[2]	150	138	125	124	116

[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.

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

Possible low activity in financial and commodity markets in 2020, regulatory changes as well as other factors (if they occur) may adversely affect the condition of XTB's institutional partners and thus lead to a drop in the volume of trading in lots in the coming period, as well as and XTB revenues from these clients. On the other hand, the Management Board of XTB can't exclude a higher turnover of clients in the institutional segment in the coming quarters.

- The Management Board expects that in 2020 operating expenses should be at a level of several percent higher than in 2019. The final level will depend on the pace of geographical expansion into new markets, the variable remuneration elements (bonuses) paid to employees, the level of marketing expenditures and the impact of regulations and other external factors on the level of revenues generated by the Group.

- In the opinion of the Management Board the level of marketing expenditures in 2020 may be higher by approximately 25% compared to 2019. The final amount will depend on the assessment of their impact, in particular branding activities, on the Group's result and profitability, the pace of the geographical expansion on new markets and the level of clients responsiveness to actions taken.

- 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 and was in the process of capital redemption.

  In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 31 December 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (24 059) thousand (see note *26. Equity* of the interim condensed consolidated financial statements).

  In relation to the initiated process of redemption of equity in a Turkish subsidiary, the Management Board expects that the majority of negative foreign exchange will be recognized in consolidated financial result in the first half of 2020, and the remaining part, upon the subsidiary liquidation.

- 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. 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.

3.6 Risk factors

3.6.1 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.

3.6.2 Risk factors and threats

The Group within its operations monitors and assesses risks and undertakes activities in order to minimize their impact on the financial situation.

As at 31 December 2019 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. Additional information regarding the Group's regulatory environment were presented in section 5.2.;
- 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.

3.6.3 Market risk

In the period covered by these consolidated financial statements, the Group entered into OTC contracts for differences (CFDs) and digital options. 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 Group'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 financial 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.

3.6.4 Currency risk

The Group enters into transactions mainly on the foreign exchange derivative contracts. In addition to transactions whose underlying is the exchange rate, the Group has instruments which price is denominated in foreign currency.

Brokerage house also manages the market risk generated by the assets held in foreign currencies, the so-called currency positions. Currency position consists of own resources of Brokerage house denominated in foreign currencies in order to settle transactions on foreign markets and related to the conduct of foreign branches.

Accounting Department supervises the state of own funds on bank accounts. Risk Control Department is actively involved in setting limits related to market risk, monitors the effectiveness of the control systems of market risk, reconciles bank balances and balances with customers balances in transactional systems, monitors changes in balances and adherence to internal limits.

3.6.5 Credit risk

Credit risk is mainly affected by the risks associated with maintaining cash both own and customers' on bank accounts. The credit risk related to cash is limited by the choice of banks with high credit ratings awarded by international rating agencies and through diversification of banks in which accounts are opened. Risk Control Department continuously monitors the probability of default and credit ratings of banks, undertaking where appropriate the actions described in internal procedures. The concentration of exposures is monitored daily in order to avoid excessive negative impact on the Company of single event in the field of credit risk.

Credit risk involving financial assets held for trading is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the Group's policy is to mitigate the counterparty credit risk through the so-called "stop out" mechanism. Customer funds deposited in the brokerage house serve as a security. If a customer's current balance is equal or less than 50% 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.

Transactions made by customers on the regulated market practically does not generate relevant credit risk, since the vast majority of customers' orders is fully covered by the cash account.

3.6.6 Interest rate risk

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

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 received by the Group from the bank maintaining the bank account in which customers' funds are deposited.

Interest rates applicable to cash accounts are floating and related to interest rates on the interbank market. Therefore, the risk of interest rate mismatch adverse to the brokerage 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 fluctuations of market interest rates is very low. There is a slight sensitivity of financial result on changes of interest rates due to the Company's possession of Treasury Bond.

Additional costs may arise in the Group related to cash deposited in bank due to market negative interest rate.

3.6.7 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 Group takes into consideration current possibility of generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

Currently at the Brokerage house the value of the most liquid assets (own cash) far exceeds the value of liabilities, hence liquidity risk is relatively low. These values are continuously monitored.

3.6.8 Operational risk

Due to the dynamic development of the Parent Company, the expansion of product offerings and IT infrastructure, the Company to a large extent is exposed to operational risk, defined as the possibility of losses due to mismatch or failed internal processes, human and systems errors or external events, while the legal risk is considered to part of the operational risk.

The Brokerage house applies a number of procedures for the operational risk management, including business continuity plans of the Company, emergency plans and personnel policy. As in the case of other risks, the Company approaches to operational risk in an active way - trying to identify risks and take action to prevent their occurrence, or limiting their effects and an important element of this process is the analysis of the frequency of site and the type of events in the field of operational risk.

3.6.9 Hedge accounting

XTB does not apply hedge accounting.

3.7 Assessment of financial funds management

The Group manages its financial funds through ongoing monitoring of possibility 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 in XTB 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 Parent Company uses the liquidity model. The essence of the model is to determine the safe area of the state of free cash flow that does not require corrective action.

When the upper limit is achieved, the Parent 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 Parent 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 Parent Company's Risk Control Department. 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 Board. 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.

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

The contractual payment periods of financial assets and liabilities are presented in notes 39.3 and 40.3 to the Consolidated and Separate Financial Statements, respectively. 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.

In 2019, the Company did not issue any securities.

3.8 Material off-balance sheet items

Nominal value of financial instruments (off-balance sheet items) as at 31 December 2019 and 31 December 2018 was presented in notes *35* and *36*, respectively to the consolidated and separate financial statements.

3.9 Financial forecasts

X-Trade Brokers Dom Maklerski S.A. did not publish any financial forecasts for 2019 (respectively consolidated and separate).

3.10 Dividend policy

The dividend policy adopted by the Company implies recommending to the General Meeting a dividend payment at the level of 50 - 100% of the Company's separate net profit for a given financial year, taking into account factors such as financial results and financial capabilities of the Company, as well as ensuring an adequate level of capital adequacy ratios of the Company, as well as the capital necessary for the development of the Group.

The dividend payment by the Company is subject to various types of legal restrictions. In particular, the date and method of payment of the dividend have been specified in the Polish commercial law. In addition, every year the PFSA issues positions regarding the dividend policy of financial institutions.

In the last position of 22 May 2018, later confirmed by position dated 17 December 2019, the PFSA recommended that the dividend from the profit for 2019 should pay no more than 75% of the net profit, only brokerage houses that jointly meet the following criteria (for brokerage houses subject to capital requirements):

- as at 31 December 2019: the Common Equity Tier 1 ratio was at least 6%, the Tier 1 capital ratio was at least 9%, and the total capital ratio was at least 14%;
- the supervisory rating assigned in the BION process conducted in 2019 is 1 or 2;
- the entity did not violate the capital adequacy norms, including the regulations regarding large exposure limits

On 17 July 2019, the Company received from the Department of Investment Companies and Capital Market Infrastructure of the Polish Financial Supervision Authority ("PFSA") a supervisory assessment of the regulations, strategies, processes and mechanisms implemented by XTB in the field of risk management. According to the received letter, the Company was granted a supervisory rating 2 [2.56]. The supervisory rating was assigned to 31 December 2018.

In line with the position of the PFSA of 22 May 2018 and the position dated 17 December 2019, XTB meet the criteria enabling the Commission to assess dividend payment for 2019.

The table below presents information about the separate net profit of the Company and the total amount of the dividend paid for the financial years indicated therein.

	FOR THE YEAR ENDED (IN PLN'000)	
	31.12.2018	**31.12.2017**
Net profit of the Company	90 898	87 398
Dividend	19 955	-
The advance payment of dividend	41 084	-

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).

4. Corporate Governance

4.1 Set of rules of corporate governance applied by X-Trade Brokers Dom Maklerski S.A

Acting pursuant to § 91 section 5 point 4 in connection with § 92 section 4 of the Regulation on current and periodic information (...), the Management Board of X-Trade Brokers Dom Maklerski S.A. provides a declaration on the application of corporate governance principles in 2019.

Best Practice of WSE Listed Companies

X-Trade Brokers Dom Maklerski S.A. applies the corporate governance principles expressed in the Code of Best Practice for WSE Listed Companies, adopted by the Warsaw Stock Exchange Council on 13 October 2015 and which came into force on 1 January 2016. The current content is available on the website dedicated to the principles of corporate governance of companies listed on the WSE under: www.gpw.pl/dobre-praktyki.

A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practices for WSE Listed Companied 2016 is posted on the website of X-Trade Brokers Dom Maklerski S.A., in the Investor Relations' section.

In 2019, X-Trade Brokers Dom Maklerski S.A. complied with the principles expressed in the Code of Best Practice for WSE Listed Companies, excluding recommendation IV.R.2 and 2 detailed rules: I.Z.1.20, IV.Z.2.

In relation to the recommendation contained in Chapter IV, point 2, as follows:

„If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:
1) real-life broadcast of the general meeting,
2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,
3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary."

The Company identifies threats to the proper conduct of the General Meeting, especially legal risks, which in the opinion of the Company would exceed the potential benefits. Slight dissemination of practice of conducting the general meetings by means of electronic communication and inadequate preparation of the market may lead to increased risk of organizational and technical problems that might disrupt the proper running of the general meeting, as well as the risk of a possible undermining of the adopted resolutions of the general meeting, in particular due to technical defects. Due to the above, the Company does not apply on a permanent basis of this recommendation.

With regard to the rules contained in Chapter I, point 1.20, as follows:

"A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of a general meeting."

The Company has not adopted the use of this principle for the same reasons, which are described above.

With regard to the rules contained in Chapter IV, point 2, as follows:

""If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings."

The Company has not adopted the use of this principle for the same reasons as described in case of recommendation IV.R.2.

Principles of Corporate Governance of the PFSA

On 22 July 2014, the PFSA published the Principles of corporate governance for supervised institutions. The rules and information on their application are available on XTB website under:
www.xtb.com/pl/oferta/informacje-o-rachunku/informacje-prawne

In accordance with the PFSA Corporate Governance Principles, a supervised institution should strive to apply the principles set out in the Corporate Governance Rules of the Polish Financial Supervision Authority to the widest extent, taking into account the principle of proportionality resulting from the scale, nature of the business and the specifics of the institution. However, the withdrawal from the application of specific rules to the full extent can only occur if their comprehensive introduction would be unduly burdensome for the supervised institution.

On 18 December 2014, the Management Board adopted a resolution regarding the application of the Corporate Governance Rules of the Polish Financial Supervision Authority. The application of the Corporate Governance Rules of the Polish Financial Supervision Authority was confirmed by a resolution of the Extraordinary General Meeting of Shareholders of 28 January 2015.

The Company applies the Corporate Governance Rules of the Polish Financial Supervision Authority to the extent to which they define the rules of functioning of brokerage houses and are consistent with the generally applicable provisions.

The KNF Corporate Governance Principles, as expected by the PFSA, were implemented by the Company as of 1 January 2015. In the reporting period, the Company applied the KNF Corporate Governance Rules, with the following reservations:

- The principle set out in § 8 section 4 of the Corporate Governance Code of PFSA to the extent that it imposes on the supervised institution the obligation to facilitate the participation of all shareholders in the assembly of the supervisory body, inter alia by ensuring the possibility of electronically active participation in the meetings of the decision-making body.

  Pursuant to the Articles of Association, participation in the General Meeting using electronic means of communication will be provided by the Company, if the announcement on convening the General Meeting will contain information about the possibility of shareholders participating in the General Meeting using electronic means of communication.

- The principle set out in § 21 section 2 of the Corporate Governance Code of PFSA to the extent it stipulates that the election of the chairman of the supervisory body should be made on the basis of experience and the ability to manage such body, taking into account the independence criterion.

  Pursuant to the Articles of Association, Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board acting as the Chairman of the Supervisory Board by way of a written statement on the appointment or dismissal of the Chairman of the Supervisory Board delivered to the Company. Therefore, compliance with the above rule will depend on Jakub Zabłocki.

4.2 Equity

As at 31 December 2019 and as at the submission date of this annual 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.

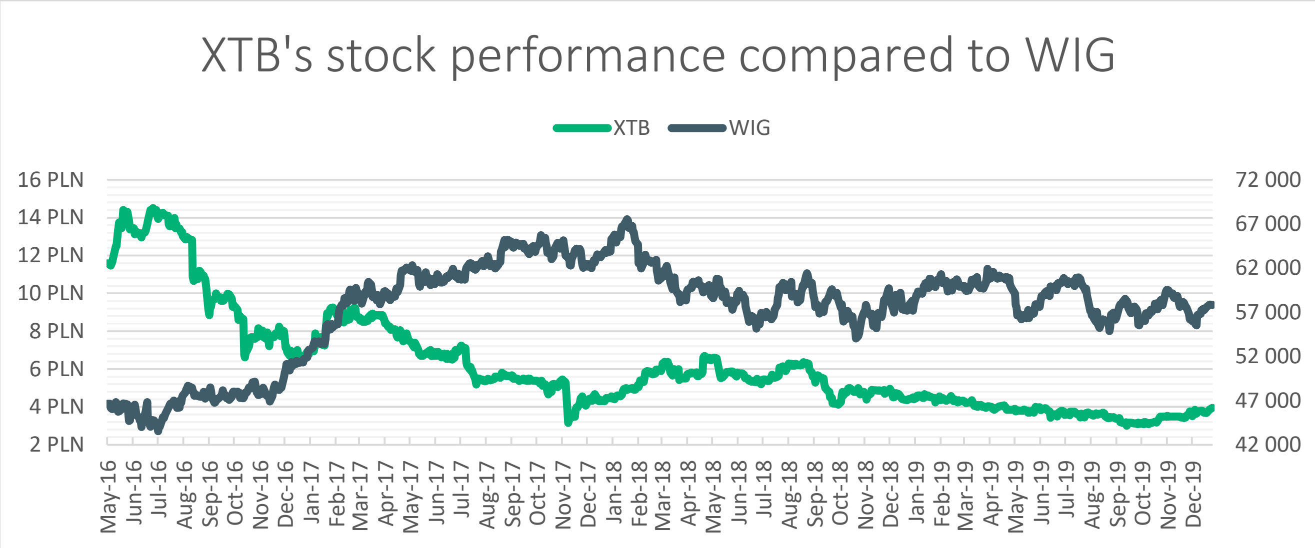
4.3 Shares on the stock exchange

On 4 May 2016, the Warsaw Stock Exchange (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.

XTB's share price

X-Trade Brokers Dom Maklerski S.A. made its debut on the Warsaw Stock Exchange (WSE) on 6 May 2016. The Company's shares have been listed on the main market of the WSE.

The maximum price per share of XTB stock in 2019 was PLN 4,68 on 17 January 2019 (at closing prices). The annual price trough of PLN 3,00 was recorded on 18 September 2019.



4.4 Shareholding structure

4.4.1 Shareholding structure at the end of the reporting period

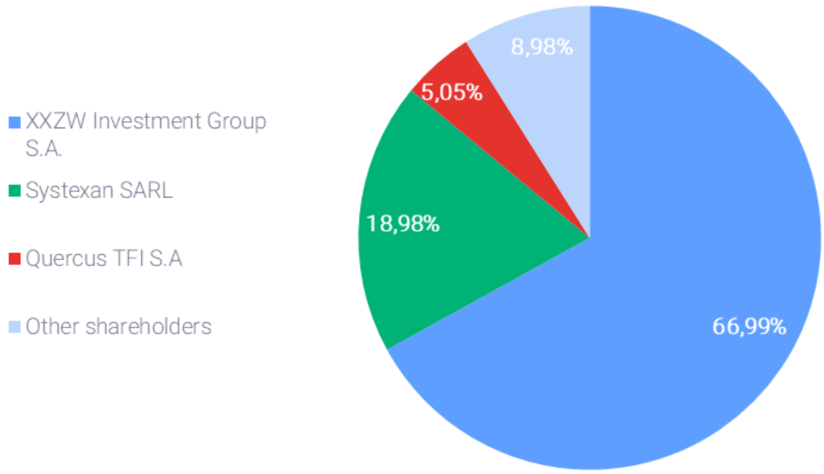
To the best knowledge of the Management Board of the Company as at 31 December 2019, the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

	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]	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%

[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 31 December 2019 is presented in the following chart:



4.4.2 Changes in the shareholding structure after the balance sheet date

To the best knowledge of the Management Board of the Company as at the date of publishing this periodic report, 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 did not change compared to the status as at 31 December 2019.

4.5 Acquisition of own shares

In the financial year 2019, the Company and its subsidiaries did not acquire the shares of X-Trade Brokers Dom Maklerski S.A

4.6 Holders of securities with special control rights

In the 2019 financial year and as at the date of publication of this report, there were no securities that would give special control rights to the Company.

4.7 Restrictions on exercising the voting right

In the 2019 financial year and as at the date of publication of this report, there were no limitations to the exercise of voting rights attached to the Company's securities.

4.8 Restrictions on the transfer of ownership of shares

In accordance with the principles of the Incentive Scheme, Jakub Malý (on 10 January of 2017 Mr Jakub Malý was dismissed from the position of the President of the Management Board), Paweł Frańczak (on 25 April 2018 Mr. Paweł Frańczak previously holding the position of a Member of the Management Board of the Company resigned from his function) and Alberto Medrán pledged to XXZW and SYSTEXAN that due to the fact that the options were exercised and shares were granted on the basis of the Incentive Scheme, they will not sell them on the date on which The Company is subject to a contractual limitation of the transferability of the Shares (specified in the Bid Guarantee Agreement, i.e. within 360 days from the date of the first listing of the Company's shares on the WSE (ie until 01 May 2017).

At the same time, as at the balance sheet date and as at the date of publication of this report, there were no restrictions on the transfer of ownership of securities.

4.9 Agreements as a result of which changes may occur in the future in the proportions of shares held by the current shareholders

As at the date of publication of this annual report, the Company is not aware of any events that may result in future changes in the proportions of shares held by existing shareholders.

4.10 Management Board

The governing body of the Company is the Management Board.

4.10.1 Composition, changes and election of the Management Board

The rules for appointing and dismissing Management Board members and their rights are specified in the Company's Articles of Association. Pursuant to the Articles of Association of the XTB, the composition of the Management Board may include from three to six members, including the President of the Management Board and two Vice Presidents of the Management Board.

In accordance with its Articles of Association, at least two members of the Management Board need to have:

- higher education,
- at least three years of experience of working for financial market institutions
- a good opinion in connection with the positions held thereby.

Articles of Association of the Company is available on the Company's website www.xtb.pl in the Investor Relations section.

Members of the Management Board are appointed and dismissed by the Supervisory Board. The number of members of the Management Board is determined by the Supervisory Board in the resolution on appointing members of the Management Board. A member of the Management Board may also be dismissed or suspended from office by resolution of the General Meeting.

The Management Board is appointed for a joint three-year term.

The mandates of members of the Supervisory Board shall expire on the date of the General Meeting which approves the financial statements of the Company for the last full year of their term of office and in other cases specified in the Code of Commercial Companies.

As at 31 December 2019 and as at the date of publication of this interim report, the composition of the Management Board was as follows:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	Chairman of the Management Board	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 Chairman of the Board. On 23.03.2017 he was appointed the Chairman of the Management Board.*

The main information on the education, qualifications and previously held positions of the members of the Management Board are presented below:

Omar Arnaout

CEO and President of the Management Board. Mr. Omar Arnaout graduated in 2005 with a master's degree from the Warsaw School of Economics – Banking and Finance. He is associated with the Company since January 2007. In 2007-2009 he held the position of the Sales Dealer. In 2009-2010 he worked as the deputy director of the Romanian branch of XTB and in 2010-2012 as deputy director of the Italian branch of XTB. In 2012-2014 Mr. Omar Arnaout worked as the director of the foreign branches office at Noble Securities Dom Maklerski S.A. and in 2014, he also worked as Sales Director and Chairman of the Management Board of xStore sp. z o.o. In 2014-2016 he held the position of the Retail Sales Director in XTB Limited in the UK and in 2016 Mr. Omar Arnaout became the regional director of XTB for Poland, Hungary, Germany and Romania.

Filip Kaczmarzyk

Member of the Management Board responsible for Trading. Mr. Filip Kaczmarzyk is a graduate of the Warsaw School of Economics majoring in Quantitative Methods in Economics and Information Systems. He started his professional career at X-Trade Brokers DM S.A. in 2007 in the Trading Department on the position of Junior Trader. Since April 2009 he held the position of Deputy Chief Trader. In November 2010 he began working in the CFH Markets in London in the Customer Support Department. From May 2011 to May 2015 he worked at Noble Securities SA, initially as the Director of the OTC Instruments Trading Office, and from November 2012 as the Director of the Foreign Markets Department. Mr. Filip Kaczmarzyk returned to XTB in May 2015 for the position of the Director of Trading Department.

Paweł Szejko

Chief Financial Officer and Member of the Management Board at XTB. Mr. Paweł Szejko commenced his professional career in 2003 in the Audit Department of BDO Polska sp. z o.o., where he was employed until 2006 as, among others a Supervisor. From 2007 to 2008 he worked as a Senior Consultant in the Audit Department of PricewaterhouseCoopers sp. z o.o., and then, from July 2008 to September 2014, as the Director of Finance and a member of the management board at P.R.E.S.C.O. GROUP S.A. Since October 2014 Mr. Paweł Szejko has worked for the Company as Director of Finance and since January 2015 as a member of the Management Board. Mr. Paweł Szejko graduated from the Higher School of Banking in Poznań (WSB) and from the Poznań Economy Academy, where he specialised in Business Finance and Accounting. In 2007 Mr. Paweł Szejko was awarded an ACCA certificate in International Financial Reporting. In 2008, he was registered on the list of certified auditors at the Polish National Chamber of Statutory Auditors and in 2009 was awarded a accountancy certificate by the Ministry of Finance.

Jakub Kubacki

Member of the Management Board responsible for Legal. Mr. Jakub Kubacki graduated in 2009 as a Master of Law from Koźmiński University, then he completed his training advocate and in 2013 passed the Bar exam at the District Warsaw Bar Association he was admitted to the Bar. In 2010 he started his professional career at XTB in the Legal and Compliance Department, where since 2012 he has been the Compliance Officer. From 25 April 2018 he became the Director of the Legal Department. He specializes in capital market law. Mr. Jakub Kubacki is responsible for legal affairs and internal control in the XTB Group.

Andrzej Przybylski

Member of the Management Board responsible for Risk Management. Mr. Przybylski graduated in 1994 with a master's degree on Wroclaw University of Technology and completed doctoral studies in economics at the Warsaw School of Economics in 2011. Since 1995, Mr. Przybylski has a stockbroker license. Professionally connected with brokerage houses and offices since 1995 until 1997 with DDM S.A. in Wrocław, then CBM WBK S.A., and until 1998 with Dom Maklerski BMT S.A. From 1998 he worked as a stockbroker specialist at CDM Pekao S.A. and then since 2002 as a risk management specialist. From 2007 to 2010 he worked at UniCredit CAIB Poland S.A. as a risk and compliance manager. From 2010 to 2013 he worked at ING TFI S.S. and ING Investment Management (Poland) S.A. as a senior specialist in risk management and performance measurement. From 2013 to 2014 he was the Director of business project part of launching a brokerage house and an expert on risk management at PGE Dom Maklerski S.A. From 2014 Mr. Przybylski became the Director of the Risk Management Department at XTB and from 1 May 2019 he became a Member of the Management Board at XTB.

During the reporting period the following changes occurred in the composition of the Management Board:

- on 9 April 2019 the Polish Financial Supervision Authority, in accordance with the Announcement from the 14th meeting, unanimously agreed to the appointment of Mr. Andrzej Przybylski as a Member of the Company's Management Board, who formally is a Member of the Management Board responsible in XTB for supervising the risk management system since 1 May 2019;
- on 18 April 2019 the Company's Supervisory Board adopted a resolution on the appointment of the XTB Management Board for a new term of office, which will have five members, i.e.
  - Omar Arnaout - Chairman of the Management;
  - Paweł Szejko - Board Member;
  - Filip Kaczmarzyk - Board Member;
  - Jakub Kubacki - Board Member;
  - Andrzej Przybylski - Board Member;

  for a joint term of office of three years, i.e. from 30 June 2019 to the end of 30 June 2022.

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

4.10.2 Powers of the Management Board

The Management Board is authorized to conduct the affairs of the Company, represent the Company and any meters not reserved by law or the Articles of Association of the Company to the General Meeting or the Supervisory Board. The Management Board conducting the Company's affairs, makes decisions in the interest of the Company, shall draft the Company's development strategy and identifies the main goals of the Company.

All members of the Management Board are obliged and authorized to jointly conduct the Company's affairs.

President of the Management Board shall convene meetings of the Management Board and chair. Chairman of the Management Board may authorize other members of the Management Board to convene and preside over meetings of the Management Board. In the absence of the President Management, the meeting of the Management Board shall be convened by the oldest member of the Management Board.

In particular, the Management Board shall have the power and shall be required to:

- act on behalf of the Company and represent the Company in dealings with third parties,
- prepare periodic reports and statements of the Company within timeframes allowing for their publication in accordance with relevant laws,
- submit financial statements to a statutory auditor for the purpose of their audit or review,
- submit reports of the Management Board on the activities of the Company and the financial statements, including an opinion and report of the statutory auditor (if required by law), to the Supervisory Board for the purpose of evaluation,
- convene General Meetings, submit proposals to be considered by the General Meeting and prepare draft resolutions of the General Meeting in a timely manner,

- submit reports of the Management Board on the activities of the Company and the financial statements, including an opinion and report of the statutory auditor, for the last financial year, to the General Meeting for the purpose of consideration and approval,
- develop and adopt regulations related to the operations of the Company, unless such authority has been reserved for any other body of the Company,
- prepare draft annual budgets, including the budget of the Company, budgets of Subsidiaries and the consolidated budget of the capital group of the Company, to be presented for approval to the Supervisory Board,
- fulfill reporting obligations imposed on brokerage houses,
- any other matters not reserved for other bodies of the Company.

The Management Board does not have a special competence in the issue and redemption of XTB shares.

4.10.3 The operation of the Management Board

The Management Board operates on the basis of the Regulations of the Management Board.

Meetings of the Management Board shall be held not less than once a month at the headquarters of the Company or if all members agree, elsewhere on Polish territory. The Management Board may hold a meeting without being formally convened if all members are present at the meeting and no one objects to holding the meeting or any of the proposed items on the agenda. Management Board resolutions are passed by an absolute majority of votes cast, and in the case of an equal number of votes "for" and "against" the vote of the Chairman of the Board decides.

Board members may participate in adopting resolutions of the Board by casting their votes in writing through another member of the Management Board. Casting a vote in writing may not concern matters introduced to the agenda during the meeting of the Board. Resolutions may be passed in writing or using means of direct remote communication. The resolution is valid if all the members of the Board have been notified of the draft resolution.

In accordance with the Articles of Association, the President of the Management Board supervises the activities of the Management Board and determines the internal division of tasks and powers among particular members of the Management Board, specifically, the President of the Management Board may entrust the management of specific departments to particular members of the Management Board. Furthermore, the President of the Management Board calls and chairs meetings of the Management Board. The President of the Management Board may authorise other members of the Management Board to convene and chair meetings of the Management Board. In the absence of the President of the Management Board or if the position of the President of the Management Board is vacant, the meetings of the Management Board are convened by the oldest member of the Management Board. Additionally, special rights of the President of the Management Board in terms of managing the work of the Management Board may be determined in the Regulations of the Management Board.

Two members of the Management Board acting jointly are authorised to make representations on behalf of the Company.

4.10.4 Shares of the Company and related entitles held by the Members of the Management Board

Management Board Members did not have any shares of the Company at the end of the reporting period and as at the date of this report.

As at the end of the reporting period and as at the date of this report, Management Board Members did not have any rights to the Company's shares.

The Management Board Members did not own shares in related entities.

4.10.5 Positions held by the Management Board Members of the issuer in the Group companies

The following table provides information on the functions carried out by members of the Management Board of the parent company in the authorities of subsidiaries:

NAME AND SURNAME	COMPANY	FUNCTION
Paweł Szejko	X Trade Brokers Menkul Değerler	Board Member
Omar Arnaout*	X Trade Brokers Menkul Değerler	Board Member

* *Omar Arnaout has been Chairman of the Management Board of X-Trade Brokers Menkul Değerler from 17 February 2017.*

Members of the Management Board of the parent company did not receive in 2019 and 2018 remuneration for performing functions in the bodies of subsidiaries.

4.11 Supervisory Board

Supervisory Board shall supervise the operations of the Company in all areas of its operations.

4.11.1 Composition, changes and election of the members of the Supervisory Board

Pursuant to § 15 of the Articles of Association of the Company, the Supervisory Board consists of five to nine members. The Supervisory Board members are appointed for a joint three year term of office.

Composition and election of the Supervisory Board

The Supervisory Board members are appointed and dismissed as follows:

- Jakub Zabłocki has the right to appoint and dismiss one member of the Supervisory Board, who is the Chairman of the Supervisory Board, by way of a written representation on the appointment or dismissal of the chairman of the Supervisory Board submitted to the Company; the above right which, within the meaning of Article 385 §2 of the Commercial Companies Code is classified as an "other method of appointment" of a member of the Supervisory Board, will be enjoyed by Jakub Zabłocki until such time that, through entities personally controlled thereby, within the meaning of the Accounting Act, or jointly with such entities or personally, he holds shares in the Company representing at least 33% of the overall number of votes at the General Meeting;
- SYSTEXAN, as long as it holds shares in the Company representing at least 10% of the overall number of votes at the General Meeting, will enjoy the personal right to appoint and dismiss one member of the Supervisory Board by way of a written representation on the appointment or dismissal of the given member of the Supervisory Board delivered to the Company;
- the other members of the Supervisory Board will be appointed and dismissed by the General Meeting

The number of members of the Supervisory Board in a given term is determined by the General Meeting, and if the General Meeting does not reach other decision, the number of members of the Supervisory Board will be five. In the case of the election of the Supervisory Board by way of separate group voting in compliance with Article 385 of the Commercial Companies Code, the number of Supervisory Board members will be five.

The members of the Supervisory Board may elect from among themselves a Deputy Chairman of the Supervisory Board and a secretary of the Supervisory Board. Once Jakub Zabłocki loses his personal right referred to above, the members of the Supervisory Board will elect a Chairman of the Supervisory Board from amongst themselves.

The mandates of the Supervisory Board members shall expire on the date of the General Meeting approving financial statements for the last full year as a member of the Supervisory Board and in other cases specified in the Code of Commercial Companies.

As at 31 December 2019 and as at the date of submission of this report, the composition of the Supervisory Board was as follows:

NAME AND SURNAME	FUNCTION	STARTING DATE OF THE CURRENT TERM OF OFFICE	EXPIRATION DATE OF THE CURRENT TERM OF OFFICE
Jakub Leonkiewicz	Chairman 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

The main information on the education, qualifications and previously held positions of the members of the Supervisory Board are presented below:

Jakub Leonkiewicz, Chairman of the Supervisory Board

Jakub Leonkiewicz started his professional career in 2001 in the business development department at Interhyp.de in Germany. In 2001-2002 he worked at Roland Berger Strategy Consultants in Germany. In the years 2002-2015 Jakub Leonkiewicz was associated with J.P. Morgan – first as an analyst in the merger and acquisition team in London and since 2012 as a director of J.P. Morgan in Warsaw, where he was responsible for J.P. Morgan's practice in Poland and the Baltic countries. From November 2015 to January 2017 and once again from May 2017 he is the Chairman of the XTB Supervisory Board. Currently, Mr. Jakub Leonkiewicz acts as a partner in Avia Capital private equity fund.

Jakub Leonkiewicz graduated in 2002 with a master's degree from the Warsaw School of Economics with a degree in finance and banking. Jakub Leonkiewicz participated in the CEMS Master Program (Community of European Management Schools) at the London School of Economics and was a scholarship holder at the Christian-Albrecht Universität zu Kiel.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

Łukasz Baszczyński, Member of the Supervisory Board

Łukasz Baszczyński commenced his professional career in 1999 as a clerk in the District Court in Zgierz. From 2002 to 2006 he cooperated as an attorney with the law office of Kancelaria Radców Prawnych P. Stopczyk & R. Mikulski and as an assistant to the management board of Sarton Management sp. z o.o. He is a partner at the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. and a partner in Baszczyński & Dąbrowska Intellectual Property Law and a member of the supervisory board of Novama Cloud S.A.

Łukasz Baszczyński graduated from the Faculty of Law and Administration at the University of Lodz. In 2008, he was registered in the register of legal advisors and in 2010 in the register of advocates at the District Chamber of Advocates in Warsaw. Łukasz Baszczyński is entered in the list of candidates for members of supervisory boards of companies with the shareholding of the State Treasury.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

Jarosław Jasik, Member of the Supervisory Board

Jarosław Jasik commenced his professional career in 1992 at the Polish Securities and Exchange Commission as an advisor and then as a specialist, later becoming a chief specialist in the Finance and Economic Analyses Office. From 1995 to 1996, he was an Investments Specialist at the Capital Investments Bureau of Ciech S.A. From 1996 he was the director of Public Market, Head of Public Markets and Investment Analyst at XI Narodowy Fundusz Inwestycyjny S.A. From 1999 to 2000, Jarosław Jasik worked as an expert in the Capital Investments Department at BIG Bank Gdański S.A. From 2000 to 2006, Jarosław Jasik worked for the PZU S.A. group as: Head of the Project of the Consolidation of the PZU Group, deputy director of the Operating Control Bureau, member of the management board of PZU Tower sp. z o.o. and vice president for finance at PZU Ukraina. From 2007 to 2008, Jarosław Jasik was a member of the management board of Perła Browary Lubelskie S.A. From 2009 to 2017, Jarosław Jasik was the managing director at Saba Consulting sp. z o.o and from 2011 to 2015 he has been the president of the management board of Saba Nieruchomości sp. z o.o. and from 2011 to 2017 he has been the president of the management board of Secus Property S.A.

Jarosław Jasik graduated from the Faculty of Finance and Statistics at the Warsaw School of Economics, he completed post-graduate studies in management and finance at the Warsaw School of Economics. From 2002 to 2003 he participated in a programme for the management of PZU S.A. at the Herriot-Watt University in Edinburgh.

Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

Bartosz Zabłocki, Member of the Supervisory Board	Bartosz Zabłocki commenced his professional career in 2002 in Contract Administration sp. z o.o. where until 2007 he was the specialist for brand protection. From 2005 he is a partner in the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. Since 2006, Bartosz Zabłocki has been running his own business: "Globetroter Bartosz Zabłocki". Bartosz Zabłocki graduated from the Department of Law and Administration at the University of Lodz. Member of the Supervisory Board does not satisfy the independence criteria provided for in § 20, section 2 of the Articles of Association.
Grzegorz Grabowicz, Member of the Supervisory Board	Grzegorz Grabowicz gained knowledge and experience in management while working: over the period 1998 – 2003 in the Audit Department at Deloitte, in 2003 as Financial Controller at Magellan S.A., over the period 2004 – 2017 as Financial Director at Magellan S.A. and Vice President of the Management Board at Magellan S.A. Between 2010 and 2013 he worked as President of the Management Board of MEDFinance S.A. In the years 2007 – 2017 was a Member of the Supervisory Board of Magellan Czech Republic and Magellan Slovakia. Over the period 2013 – 2017 he was a Chairman of the Supervisory Board of MEDFinance S.A. From 2014 to October 2018 Mr Grzegorz Grabowicz was a Member of the Supervisory Board of Skarbiec Holding S.A. From October 2018 he is a Member of the Supervisory Board of Medicalgorithmics S.A. Grzegorz Grabowicz holds a graduate degree. In 1998 he graduated from the University of Lodz, Faculty of Management and Marketing, specialisation in Accounting, and received a Master's degree in Management and Marketing. In 2010 he completed a programme organised by the Nottingham Trent University and the WSB at the University in Poznań and receive the EMBA (Executive Master of Business Administration) degree. Grzegorz Grabowicz is also a Statutory Auditor. Member of the Supervisory Board satisfies the independence criteria provided for in § 20, section 2 of the Articles of Association.

In 2019 the Supervisory Board held nine meetings. In 2019, 61 resolutions were adopted at the Supervisory Board meetings and by circulation.

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.

4.11.2 Powers of the Supervisory Board

The Supervisory Board shall exercise permanent supervision over the operations of the Company in all areas of such operations.

Apart from the matters reserved for the competence of the Supervisory Board by the Code of Commercial Companies, the Supervisory Board shall be responsible, in particular, for:

- evaluation and review of the financial statements for the last financial year and evaluation of the report of the Management Board on the activities of the Company for the last financial year, in terms of their compliance with accounting books and documents, as well as the actual state of affairs, and review of the distribution of profits or covering the losses proposed by the Management Board;
- submitting to the General Meeting of the annual written report on the results of the review and evaluation referred to in point above;
- suspending members of the Management Board in their activities, for material reasons;
- determining conditions of remuneration and employment of members of the Management Board;
- appointing committees referred to in §18 of the Regulations of the Supervisory Board;
- granting consent to the payment of interim dividends;
- approving annual budgets, including the budget of the Company, the budgets of the Subsidiaries, and the consolidated budget of the capital group of the Company;
- appointing an independent external auditor for the Company and the Subsidiaries;

- granting consent to the provision of sureties, guarantees or other forms of collateral for third-party liabilities, excluding any events which are directly and closely related to the operations of the Company, which shall be understood as any activities directly related to the current brokerage activities performed by the Company and the Subsidiaries, and in particular those related to trading in foreign exchange contracts, contracts for difference and any other instruments in the OTC market, including any marketing activities (the "Operations of the Company");
- granting consent to establishment of pledges, mortgages, assignments by way of security, and any other encumbrances on the assets of the Company or the Subsidiaries, not provided for in the budget;
- granting consent to the acquisition, subscription or disposal by the Company or any of the Subsidiaries any shares or stocks in other companies, or any assets or organised part of the enterprise of another company or other companies, or to mergers with (or demergers from) other companies or enterprises by the Company or any of the Subsidiaries, excluding any agreements concluded within the framework of Operations of the Company, if such acquisition, subscription or disposal does not exceed 5% of the share capital of such other company;
- granting consent to the sale, encumbrance, leasing or any other disposal of the real estate of the Company or any of its Subsidiaries, not provided for in the budget approved by the Supervisory Board;
- granting consent to the conclusion of agreements between the Company or any of its subsidiaries and the members of the Managements Board, the Supervisory Board or shareholders of the Company, or any related party, with any member of the Management Board, the Supervisory Board or any shareholder of the Company, excluding any agreements concluded within the framework of Operations of the Company;
- expressing an opinion on changes to the investment policy of the Company, if any such change would result in the increase, by more than 50%, of the maximum exposure of the Company to market risk, unless the revenues of the Company, as planned in the budget approved by the Supervisory Board, were to increase by more than 50%, and in this case, such an opinion of the Supervisory Board shall be required if the percentage of the increase in the exposure exceeds the percentage of the increase in the revenues, as planned in the budget;
- granting members of the Management Board consent for competitive interests, within the meaning of article 380 of the Code of Commercial Companies;
- granting consent to the disposal by the Company of any right or incurring a liability with a value exceeding EUR 1 000 000 (one million), if any such disposal or liability has not been provided for in the budget approved by the Supervisory Board, including any disposal or liability related to repeated or continuous benefits/services, if the value of benefits arising therefrom exceeds EUR 1 000 000 (one million) per annum. In the event that the total value of all such disposals and liabilities made or incurred by the Company, and not provided for, or exceeding the value provided for, in the budget of the Company, exceeds in the calendar year the amount of EUR 3 000 000 (three million), the Management Board shall be required to request the Supervisory Board for its approval of any disposal of right or liability to be incurred which has not been provided for in the budget of the Company, regardless of the value thereof,
- granting consent to members of the Management Board to take office in the management or supervisory boards of companies from outside the capital group of the Company;
- granting consent to the appointment and dismissal of persons in charge of the internal audit and compliance departments of the Company,
- review and expressing opinion on matters to be discussed and put to a vote at the General Meeting.

4.11.3 The operation of the Supervisory Board

The Chairman of the Supervisory Board manages the work of the Supervisory Board and represents the Supervisory Board before other authorities of the Company. In the case of the absence of the chairman of the Supervisory Board or a vacancy in such position, the above-mentioned rights of the chairman of the Supervisory Board should be exercised by a member of the Supervisory Board authorised thereby to exercise such rights, and if no such authorisation has been granted, by the eldest member of the Supervisory Board.

The Chairman of the Supervisory Board or a member of the Supervisory Board authorised thereby convenes the meetings of the Supervisory Board and chairs such meetings, and if the chairman of the Supervisory Board has not granted the relevant authorisation, the right to convene and chair the meetings is enjoyed by the eldest member of the Supervisory Board. A meeting of the Supervisory Board may also be convened by two members of the Supervisory Board acting jointly.

The Management Board or a member of the Supervisory Board may demand that a meeting of the Supervisory Board be convened by presenting the proposed agenda. Such meeting of the Supervisory Board should be convened for a date falling no later than the 14th day from the date of submitting the request, provided that, if reasonable circumstances exist preventing the presence of at least half of the members of the Supervisory Board at the meeting within the above mentioned deadline, the meeting of the Supervisory Board may be convened not later than within 30 days from the date of filing the application.

Resolutions of the Supervisory Board may also be adopted in writing by circulating the resolution or by using means of direct remote communication.

Members of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting their vote in writing and delivering it through another member of the Supervisory Board. Such method of voting may only be used when voting on matters already on the agenda of a meeting of the Supervisory Board.

The detailed procedure for the operation of the Supervisory Board and the organisation thereof is set out in the Regulations of the Supervisory Board.

Resolutions of the Supervisory Board will be valid if all of the members of the Supervisory Board have been invited to and at least half are present at a Supervisory Board meeting, including the chairman or a deputy chairman of the Supervisory Board.

The Supervisory Board resolutions are passed by a simple majority. In case of equal number of votes, the vote of the Chairman of the Supervisory Board decides.

4.11.4 Shares of the Company and related entities held by the Supervisory Board Members

Supervising persons did not hold shares in subsidiaries.

The supervising persons did not own shares in related entities.

4.11.5 Positions held by the Supervisory Board Members of the Issuer in the Group companies

Members of the Supervisory Board of the Parent Company did not hold in the reporting period at the same time functions in the bodies of subsidiaries.

4.11.6 Committees of the Supervisory Board

The following committees operate within the Supervisory Board:

- Audit Committee;
- Remuneration Committee;
- Risk Management Committee;
- Nomination Committee.

The duties of the Remuneration Committee, Risk Committee and Nomination Committee are performed by all of the members of the Supervisory Board collectively pursuant to a resolution adopted thereby. From the date of 13 October 2017 the Audit Committee functions as a separate committee, before that date, the duties of the Audit Committee are performed by all of the members of the Supervisory Board.

The Supervisory Board may also appoint other committees. The detailed duties and procedures for the appointment and operation of the committees are provided for in the Regulations of the Supervisory Board.

Audit Committee

In 2019 the Audit Committee proceeds in the following composition:

- Grzegorz Grabowicz – Chairman of the Audit Committee;
- Jakub Leonkiewicz – Member of the Audit Committee;
- Łukasz Baszczyński – Member of the Audit Committee;
- Bartosz Zabłocki – Member of the Audit Committee;
- Jarosław Jasik – Member of the Audit Committee.

Basic assignments taken by the Audit Committee:

- monitoring the financial reporting process;
- monitoring Company's SLC systems, SIC systems, SIA systems including SRM;
- monitoring the performance of financial audit activities, particularly an audit performed by an audit firm, taking into account any conclusions and findings of an inspection carried out at the audit firm;
- checking and monitoring the independence of the statutory auditor of permitted non-audit services;
- presenting to the Supervisory Board offers of audit firms and recommending the selection of a company to conduct audits of financial statements;

- informing the Supervisory Board on the results of the audit and explaining in what way the audit contributed to the honesty of the financial reporting process in the Company, as well as what was the role of the audit committee in the audit process;
- monitoring the independence of the statutory auditor and granting consent for performance of services permitted by him other than financial audits;
- establishing an audit firm selection policy and regularly reviewing this documents;
- establishing the policy for conducting permitted non-audit services by an audit firm carrying out the statutory audit, entities related to this audit firm and any member of the network to which the audit firm and regularly reviewing this documents;
- establishing the procedure of an audit firm selection and regularly reviewing this documents;
- presenting the recommendation regarding selection of the certified auditors or audit firms to the Supervisory Board;
- providing recommendations to ensure reliability of the public-interest entity's financial reporting process;
- adoption of the report on the activities of the Audit Committee for the previous year.

Regarding XTB Audit Committee:

- members who meet the independence criteria:

  In 2019 in the members of the Audit Committee fulfilled the criteria of independence specified in article 129 item 3 of the Act of 11 May 2017 in auditors, audit firms and public supervision:
  - Grzegorz Grabowicz –Chairman of the Audit Committee;
  - Jakub Leonkiewicz –Member of Audit Committee;
  - Łukasz Baszczyński – Member of Audit Committee;
  - Jarosław Jasik – Member of Audit Committee;
- members with knowledge and skills in the field of accounting or auditing of financial statements, with an indication of how to acquire them

  The persons listed below, who are members of the Audit Committee, acquired as a result of the described education and professional experience knowledge and skills in the field of accounting or auditing of financial statements:
  - Grzegorz Grabowicz graduated from the University of Lodz, Faculty of Management and Marketing, specialisation in Accounting, and received a Master's degree in Management and Marketing in 1998. In 2010 he completed a programme organised by the Nottingham Trent University and the WSB at the University in Poznań and receive the EMBA (Executive Master of Business Administration) degree. Grzegorz Grabowicz is also a Statutory Auditor. Over the period has worked in the Audit Department at Deloitte, in 2003 as Financial Controller at Magellan S.A., over the period 2004-2017 as Financial Director at Magellan S.A.;
  - Jarosław Jasik graduated from the Faculty of Finance and Statistics at the Warsaw School of Economics, he completed post-graduate studies in management and finance at the Warsaw School of Economics. From 2002 to 2003 he participated in a programme for the management of PZU S.A. at the Herriot-Watt University in Edinburgh. He has a broad experience in financial management;
  - Jakub Leonkiewicz graduated in 2002 with a master's degree from the Warsaw School of Economics with a degree in finance and banking. Jakub Leonkiewicz participated in the CEMS Master Program (Community of European Management Schools) at the London School of Economics and was a scholarship holder at the Christian-Albrecht Universität zu Kiel. He gained his professional experience in Roland Berger Strategy Consultants in Germany and also in J.P. Morgan;
- members with knowledge and skills in the industry in which the issuer operates, with an indication of how to acquire them
  - Jakub Leonkiewicz – for over 3 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. Additionally, in 2001-2002 he worked at Roland Berger Strategy Consultants in Germany. In the years 2002-2015 Jakub Leonkiewicz was associated with J.P. Morgan – first as an analyst in the merger and acquisition team in London and since 2012 as a director of J.P. Morgan in Warsaw, where he was responsible for J.P. Morgan's practice in Poland and the Baltic countries. Currently, he acts as a partner in Avia Capital private equity fund;
  - Łukasz Baszczyński – for over 9 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB.

additionally, he is a partner at the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k. and a partner in Baszczyński & Dąbrowska Intellectual Property Law and a member of the supervisory board of Novama Cloud S.A.;

- Jarosław Jasik – for over 7 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. Additionally, from 1995 to 1996, he was an Investments Specialist at the Capital Investments Bureau of Ciech S.A. From 1996 he was the director of Public Market, Head of Public Markets and Investment Analyst at XI Narodowy Fundusz Inwestycyjny S.A. From 1999 to 2000, he worked as an expert in the Capital Investments Department at BIG Bank Gdański S.A. From 2000 to 2006, he worked for the PZU S.A. group as: Head of the Project of the Consolidation of the PZU Group, deputy director of the Operating Control Bureau, member of the management board of PZU Tower sp. z o.o. and vice president for finance at PZU Ukraina;
- Bartosz Zabłocki – for over 3 years he has been a member of the Supervisory Board of XTB, which allowed him to thoroughly learn about the financial industry and the specification of brokerage activities on the stock market and the OTC market (derivatives for currencies, commodities, indices, stocks and bonds) operated by XTB. From 2005 he is a partner in the law office of Kancelaria Prawna P. Grzelka & Wspólnicy sp. k.

- information on providing services by audit firm examining financial statement permitted non-audit services and on conducted assessment of independency of audit firm and expressed consent for providing these services

In 2019, the audit firm PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością Audyt sp.k. performed the following permitted non-audit services:

- review of the condensed financial statements for the six months ended on 30 June 2019;
- review of the process of storing and protecting the assets of Company's clients on 31 December 2019.

The above services were performed based on the consent of the Supervisory Board of 7 November 2018.

The Audit Committee approved the employment of the audit company (i.e. PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością Audyt sp.k.) to perform the abovementioned allowed non-audit services. Before submitting the relevant recommendations to the Audit Committee, the auditor services independence in the process of financial statements auditing had been positively verified.

- the main assumptions of the developed policy of selecting an audit firm to conduct the audit and the policy for the provision of permitted non-audit services by the audit firm conducting the audit, entities related to this audit firm and by a member of this audit firm's network

On 13 October 2017 Supervisory Board approved:

- Procedure of selecting an audit firm;
- Policy of selecting an audit firm;
- Policy for the provision of permitted non-audit services by the audit firm.

<u>Procedure for selection an audit firm:</u>

The purpose of the Procedure is to describe the process of selecting an audit firm. This procedure contains the following elements:

- offer inquiry;
- evaluation of offers;
- selection of the offer;
- conclusion of the agreement or repeated selecting.

<u>Policy for selection of audit firm:</u>

The purpose of the Policy is to define rules and criteria for selection of audit firm, which will conduct audit in the Company. It describes:

- selection criteria for entities authorized to conduct the audit;
- evaluation criteria of offers received;
- criteria for the independence assessment carried out by the Audit Committee;
- rules for submitting and selecting offers.

<u>Policy for the provision of permitted non-audit services by the audit firm:</u>

The purpose of the Policy is to define general principles on which the audit firm conducting audit may provide services to the Company or entities affiliated with the Company. The policy includes a catalogue of the permitted services.

- recommendation regarding the selection of an audit firm to conduct the audit

  In 2018, the Supervisory Board of the Company selected a new audit firm PricewaterhouseCoopers Sp. z o.o. for the audit of the Company's financial statements for 2019 and 2020. The selection of a new entity authorized to audit financial statements was carried out on the basis of the Policy for selection of audit firm in force in the Company and the Procedure for selecting an audit firm to audit XTB's financial statements. The core of the procedure was the Audit Committee's execution of analysis of the submitted offers in terms of the requirements specified under the Act of Auditors as well as the criteria and guidelines set out in the above mentioned Policy. As a result of analysing and comparing offers, the Audit Committee recommended two audit firms to the Supervisory Board, at the same time indicating PricewaterhouseCoopers Sp. o.o., as the preferred one.

  The Supervisory Board, after having familiarized itself with the recommendation, chose the entity preferred by the Audit Committee.

  Summarizing, the recommendation of the Audit Committee regarding the selection of an audit firm to conduct the audit for 2019-2020 was made as a result of a selection procedure, which meets all binding criteria.

- number of meetings of the Audit Committee or meetings of the Supervisory Board or other supervisory or controlling body dedicated to performing the duties of the Audit Committee

  In 2019 eleven meetings of the Company's Audit Committee were held.

Remuneration Committee

The function of the Compensation Committee in the Company is performed by the entire Supervisory Board. The tasks of the Compensation Committee include:

- expressing opinion on the variable remuneration components policy, including the amount of remuneration and the components of remuneration;
- expressing opinion on performing the variable remuneration components policy;
- expressing opinion on and monitoring of payment of the remuneration variable components to the persons holding managerial positions responsible for risk management, internal audit and compliance of the brokerage house's activity with law;
- determining list of the persons holding managerial positions in the Company, and;
- approving the planned amount of remuneration and the components of remunerations of the persons holding managerial positions.

Risk Management Committee

The function of the Risk Management Committee is performed by the entire Supervisory Board in the Company. The main tasks include:

- developing a draft document regarding the risk appetite of a brokerage house;
- expressing opinions on the strategy of a brokerage house developed by the Management Board in the scope of risk management;
- supporting the Supervisory Board in monitoring the implementation of the brokerage house strategy in terms of risk management by the Management Board;
- verification of the remuneration policy and the rules of its implementation in terms of adjusting the remuneration system to the risk to which the brokerage house is exposed, its capital, liquidity and probabilities and dates of obtaining income.

Nomination Committee

The function of the Nominating Committee is performed by the entire Supervisory Board. Its main tasks include:

- recommending candidates for the management board of the brokerage house, taking into account the necessary knowledge and skills as well as the experience of the management board as a whole, necessary to manage the brokerage house, and taking into account diversity in the composition of the management board of the brokerage house;
- defining the scope of duties for the candidate to the management board of a brokerage house, knowledge and skills requirements and anticipated commitment in terms of time spent, that is necessary to perform the function;
- conducting periodic reviews, at least once a year, of the knowledge, skills and experience of the board as a whole and individual board members and informing the management board about the results of this assessment;
- periodically reviewing management's policy regarding the selection and appointment of persons holding management positions and presenting recommendations to the management board in this regard.

4.11.7 The control system for employee share schemes

With the exception of the Incentive Scheme introduced on the basis of the shareholders' agreement of 28 March 2011 adopting the option plan of the Company concluded between XXZW and SYSTEXAN in the execution of the investment agreement (of which the Company informed in detail in the Prospectus), XTB does not operate employee share program. On 23 December 2016, members of the Management Board entitled under the Incentive scheme exercised their entitlement to acquisition of XTB shares.

4.12 General Meeting of Shareholders

The operation of the General Meeting of the Company and its powers are contained in the Articles of Association and the Regulations of the General Meeting of X-Trade Brokers Dom Maklerski SA with its registered office in Warsaw, which is available on the Company's website under www.xtb.pl in Investors Relations section.

4.12.1 Operation of the General Meeting

General Meetings is convened by the Management Board as ordinary or extraordinary.

Ordinary General Meetings are held annually, not later than within six months after the end of the financial year.

Extraordinary General Meetings are convened in the circumstances specified in the Commercial Companies Code or in the Articles of Association and also if the authorities or persons authorised to convene General Meetings believe such to be necessary.

Ordinary General Meeting may be convened by the Supervisory Board, if the Management Board fails to convene it on time. The Supervisory Board may also convene the extraordinary General Meeting if it deems it necessary. The right to convene an extraordinary General Meeting is also vested with the Company's shareholders representing at least one-half of the Company's share capital or at least one-half of the total number of votes in the Company. In such case, the Company's shareholders will appoint the chairman of such General Meeting.

Furthermore, a shareholder or shareholders of the Company representing at least one-twentieth of the Company's share capital may request that an extraordinary General Meeting be convened and that certain matters be placed on the agenda of such General Meeting. The request to convene the extraordinary General Meeting must be submitted to the Management Board in writing or in electronic form. If within two weeks from the submission of such request to the Management Board the extraordinary General Meeting is not convened, the registry court may authorise the Company's shareholders submitting such request to convene an extraordinary General Meeting. In such case, the chairman of the General Meeting is appointed by the court.

4.12.2 Powers of General Meetings

According to the Commercial Code of Companies, tasks of the General Meeting include in particular:

- the consideration and approval of the Management Board's report on the Company's Operations and the financial statements for the previous financial year,
- the granting of a vote of approval to the members of the Management Board and the Supervisory Board with respect to the performance of their duties,
- decisions regarding claims for the redress of damage caused while establishing the Company or exercising management or supervision over the Company,
- the sale or lease of the Company's enterprise or an organised part thereof and the establishment of a limited property right thereon,
- making a distribution of profit or covering of losses,
- issue of convertible bonds or bonds with priority rights and subscription warrants, referred to in art. 453 § 2 of the CCC,
- liquidation of the Company,
- the acquisition of own shares for redemption, redemption and reduction of share capital of the Company,
- the merger, transformation or split of the Company,
- amending the Articles of Association of the Company.

According to the Articles of Association, the competences of the General Meetings include also:

- the approval of the Regulations of the Management Board,
- the adoption of the Regulations of the Supervisory Board,
- the determination of the rules and amount of the remuneration of the members of the Supervisory Board,
- the creation, drawing upon and liquidation of reserve capitals and other special-purpose funds and the drawing upon the supplementary capital.

The resolutions of the General Meeting passed by an absolute majority of votes, unless the law or the Articles of Association provide for stricter requirements for the adoption of the resolution.

As of the Dematerialisation Date, the General Meeting will be deemed to have been validly convened regardless of the number of shares represented thereat, provided that the General Meeting will be able to adopt a resolution regarding the amendment to §15, sections 3 and 4 of the Articles of Association only in the presence of shareholders representing at least 2/3 (two-thirds) of the overall number of votes a the General Meeting.

4.12.3 Rights and obligations related to the Shares

Certain rights and obligations related to the Shares are presented below. The issues regarding the rights and obligations related to the shares are specifically regulated under the Polish Commercial Companies Code, the Act on Public Offering, the Act on Trading in Financial Instruments and the Articles of Association.

The Articles of Association do not contain provisions regarding the threshold amount of shares owned, beyond which it is necessary to state the shareholding of the Company shareholder or contain provisions imposing stricter conditions governing changes in capital than specified by the applicable law.

Right to dispose of the Shares

The shareholders of the Company have the right to dispose of shares. Disposal of shares consists of their disposal (transfer of ownership) and other forms of the ordinance, including pledging, establishing rights of use and their lease.

Dividend

The shareholders of the Company have the right to participate in the profit, which will be shown in the annual financial statement audited by the statutory auditor, designated by the resolution of the General Meeting for payment to the shareholders of the Company (right to dividend).

The Ordinary General Meeting is the body authorized to make decisions on the distribution of the Company's profit and dividend payment. The Ordinary General Meeting of Shareholders adopts a resolution on whether and what part of the Company's profit shown in the financial statements, audited by the statutory auditor, should be used to pay dividends. The Ordinary General Meeting should take place within six months after the end of each financial year (the financial year corresponds to the calendar year), ie by the end of June.

The Ordinary General Meeting also sets the date of the dividend and the date of dividend payment. The dividend day may be designated as at the date of adoption of the resolution on the distribution of profit or within the next three months, counting from that day.

The amount to be distributed among the shareholders of the Company may not exceed the profit for the last financial year, increased by undistributed profits from previous years, and amounts transferred from the supplementary and reserve capital created from profit, which may be allocated for the payment of dividends. However, this amount should be reduced by uncovered losses, own shares and amounts that, according to the Commercial Companies Code or the Articles of Association, should be allocated from the profit for the last financial year to supplementary or reserve capital.

The Management Board may pay shareholders an advance on the anticipated dividend at the end of the financial year if the Company has sufficient funds to pay. The advance payment requires the consent of the Supervisory Board. The company may pay an advance if its approved financial statements for the previous financial year show profit. The advance may amount to at most half of the profit earned from the end of the previous financial year, shown in the financial statements audited by the statutory auditor, increased by reserve capital created from profit, which the Management Board may use to distribute advances and reduced by uncovered losses and own shares.

The right to dividend is payable to persons on accounts of which dematerialized shares (bearer shares) are kept on the dividend day and to entities authorized to sell dematerialized Shares on a collective account.

A shareholder's claim against the Company for payment of a dividend may be made within 10 years, starting from the date of adoption by the ordinary General Meeting of a resolution to allocate all or part of the Company's profit to be paid to shareholders. After this date, the Company may evade payment of the dividend, raising the plea of limitation.

Terms of payment of dividend

The conditions for the receipt of dividends by the shareholders of the Company correspond to the rules adopted for public companies. The resolution on dividend payment should indicate the date of determining the right to dividend (dividend day) and the dividend payment date. Subject to the provisions of the Rules and Regulations of the NDS, the dividend day may be designated as at the date of adoption of the resolution or within the next three months, counting from that day. The dividend is paid on the day specified in the resolution of the General Meeting, and if the resolution of the General Meeting does not specify such a day, the dividend is paid on the day determined by the Supervisory Board.

Pre-emption right

The shareholders of the Company have the right to subscribe for the new shares of the Company in relation to the number of Shares held (pre-emptive right). The Company's shareholders have the right of priority to acquire new shares of the Company in relation to the number of Shares held, with the pre-emptive right also for issuing securities convertible into shares of the Company or incorporating the right to subscribe for shares of the Company.

The resolution on increasing the share capital of the Company should indicate the day according to which the shareholders of the Company are designated who have the right to collect new shares (day of subscription right). The subscription right can't be determined later than within six months from the day the resolution was passed.

The agenda of the General Meeting at which a resolution to increase the share capital of the Company is to be adopted should specify the proposed day of subscription right. Depriving the Company's shareholders of the right to acquire the shares of the new issue of the Company may take place only in the interest of the Company and in the event that it was announced in the agenda of the General Meeting. The Management Board presents the General Meeting with a written opinion justifying the reasons for the deprivation of the pre-emptive right and the proposed issue price of new shares of the Company or the method of its determination. A majority of at least four fifths of votes is required to pass a resolution regarding the deprivation of the Company's shareholders rights.

The above-mentioned requirements regarding the adoption of a resolution regarding the deprivation of the current shareholders of the Company's pre-emptive rights are not applicable if:

- the resolution on capital increase states that the new shares of the Company are to be fully covered by the financial institution (underwriter), with the obligation to offer them to the shareholders of the Company in order to enable them to exercise the pre-emptive right on the terms specified in the resolution;
- the resolution states that the new shares of the Company are to be taken up by the underwriter in the event that the shareholders of the Company, with whom the pre-emptive right is used, will not take part or all of the shares offered to them.

Right to a share in the assets in the case of the liquidation of the Company

If the Company is liquidated, the assets remaining after the satisfaction or securing of the creditors of the Company are divided between the shareholders of the Company on a pro rata basis to their contributions to the share capital.

The right to participate in the General Meeting and voting rights

The shareholder exercises the right to vote at General Meetings. Pursuant to the Code of Commercial Companies, General Meetings may be ordinary (ordinary General Meetings) or extraordinary (Extraordinary General Meetings).

Each Action gives the right to one vote at the General Meeting.

A shareholder of the Company may participate in the General Meeting and exercise the right to vote in person or through a proxy. A shareholder of the Company intending to participate in the General Meeting through a proxy must give the proxy proxies in writing or in electronic form. The Company takes appropriate actions to identify the Company's shareholder and proxy in order to verify the validity of the power of attorney granted in electronic form.

A detailed description of the manner of verifying the validity of the power of attorney granted in electronic form includes an announcement on convening the General Meeting.

Pursuant to the Articles of Association, participation in the General Meeting by means of electronic communication is allowed, subject to the following. In the event that the announcement on convening the General Meeting contains information about the possibility of shareholders participating in the General Meeting using electronic means of communication, the Company is obliged to provide shareholders with the opportunity to participate in the General Meeting using electronic means of communication.

The detailed rules for conducting the General Meeting using electronic means of communication are determined by the Management Board, taking into account the provisions of the Regulations of the General Meeting. The Management Board announces the rules on the Company's website along with the announcement on convening the General Meeting.

A shareholder of the Company holding shares registered on more than one securities account may appoint separate proxies to exercise the rights attached to shares registered on each account.

If a representative of a shareholder of the Company at the General Meeting is a member of the Management Board, a member of the Supervisory Board, liquidator, employee of the Company or a member of the bodies or employee of a subsidiary or a subsidiary of the Company, the power of attorney may authorize to represent only one General Meeting.

The proxy is obliged to disclose to the shareholder of the Company circumstances indicating the existence or the possibility of a conflict of interests. In this case, granting a further power of attorney is unacceptable. The proxy referred to above votes in accordance with the instructions provided by the shareholder of the Company.

Each share gives the right to one vote at the General Meeting. The Articles of Association do not provide for voting preference. A shareholder may vote differently from each of the shares held. A proxy may represent more than one shareholder of the Company and vote differently from the shares of each shareholder of the Company.

A shareholder of the Company may not, either personally or by proxy, vote on adopting resolutions regarding his liability towards the Company for any reason, including granting a vote of acceptance, exemption from obligations towards the Company and a dispute between him and the Company. The above limitation does not apply to voting by a shareholder of the Company as a proxy of another shareholder when adopting resolutions regarding the person referred to above.

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (day of registration of participation in the General Meeting) have the right to participate in the General Meeting. In order to participate in the General Meeting, those entitled from the dematerialized Bearer Stocks of the Company should request the entity maintaining their securities account to issue a personal certificate on the right to participate in the General Meeting. The demand should be presented not earlier than after the announcement of convening the General Meeting and no later than the first weekday after the date of registration of participation in the General Meeting.

Holders of registered shares and temporary certificates, as well as pledgees and users who have the right to vote, have the right to participate in the General Meeting, if they are entered into the book of shares on the day of registration of participation in the General Meeting.

The list of persons entitled to participate in the General Meeting is determined on the basis of the list prepared by the entity keeping the securities deposit in accordance with the Act on Trading in Financial Instruments and on the basis disclosed in the Company's share register on the day of registration of participation in the General Meeting. The above list is displayed at the Company's office for three days preceding the day of the General Meeting. The Company's shareholder may request that the list of shareholders entitled to participate in the General Meeting be sent to him free of charge via e-mail, providing his own e-mail address to which the list should be sent.

In relation to shares registered on a collective account, a certificate confirming the right to participate in the General Meeting shall be a document with appropriate content issued by the holder of the said account. If the omnibus account is maintained by NDS (or an entity employed by NDS to perform duties related to the maintenance of securities), information on the holder of such an account should be disclosed to NDS (or an entity employed by NDS to perform duties related to the operation of the securities depository)) by the entity conducting a collective account for it before the first issue of such a document.

On the basis of the above-mentioned documents, the omnibus account holder will prepare a list of persons authorized to participate in the General Meeting. If the omnibus account holder is not a NDS participant (or a bank employed by NDS in order to perform duties related to the securities depository), the list of persons authorized to participate in the General Meeting is delivered through a NDS participant (or a bank that NDS has employed to perform its duties associated with keeping a securities depository).

The Company's shareholder may transfer the Shares in the period between the date of registration of participation in the General Meeting and the date of closing the General Meeting.

Right to place particular matters on the agenda

A shareholder or shareholders of the Company representing at least one twentieth of the Company's share capital may request that specific matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the General Meeting. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days before the set date of the General Meeting, changes to the agenda introduced at the request of the Company's shareholders. The announcement is made in a manner appropriate for convening the General Meeting.

Manner in which the General Meeting is convened

The General Meeting is convened through an announcement made on the Company's website and in a manner specified for the provision of current information in accordance with the Act on Public Offering. The announcement should be made at least twenty-six days before the date of the General Meeting. The announcement about the General Meeting should include in particular:

- the date, time and place of the General Meeting and the detailed agenda,
- a precise description of the procedures for participation in the General Meeting and the exercise of voting rights,
- day of registering participation in the General Meeting,
- information that only persons who are shareholders of the Company on the registration date of participation in the General Meeting have the right to participate in the General Meeting,
- an indication of where and how a person entitled to participate in the General Meeting may obtain the full text of documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or Supervisory Board regarding matters introduced into the agenda the General Meeting or issues that are to be included in the agenda before the date of the General Meeting,
- indication of the address of the website on which information on the General Meeting will be made available.

Pursuant to the Regulation on Reports, the Company will be required to submit in the form of a current report, among others the date, time and place of the General Meeting together with its detailed agenda.

In addition, in the event of a planned amendment to the Statute, the current provisions, the content of the proposed amendments and if, due to a large scope of intended changes, the Company makes a decision to prepare a new uniform text, the new uniform text of the Articles of Association together with the calculation of its new provisions. The content of draft resolutions and attachments to the projects to be discussed at the General Meeting that are relevant to the resolutions adopted shall also be announced in the form of a current report.

Venue of the General Meeting

General Meetings are held in the Company's registered office.

Right to propose draft resolutions to the Company

A shareholder or shareholders of the Company representing at least one-twentieth of the share capital may submit to the Company in writing or using electronic communication means draft resolutions regarding matters included in the agenda of the General Meeting or issues to be included in the agenda prior to the date of the General Meeting. The company immediately publishes draft resolutions on its website.

Right to demand the issuance of duplicates of motions

Each shareholder of the Company has the right to demand copies of motions regarding issues included in the agenda of the next General Meeting. Such a request should be submitted to the Management Board, no later than one week before the General Meeting.

Right to demand that the list of participants of the General Meeting be verified

Immediately after the election of the chairman of the General Meeting, an attendance list containing a list of participants of the General Meeting should be drawn up, specifying the number of shares of the Company that each of them presents and their votes. The attendance list should be signed by the chairman of the General Meeting and presented during the meeting. At the request of shareholders holding one-tenth of the share capital represented at the General Meeting, the attendance list should be checked by a committee elected for this purpose, composed of at least three persons. Applicants have the right to choose one member of the commission.

Right to information

The Management Board is obliged to provide the Company's shareholder, during the General Meeting, upon request with information regarding the Company, if it is justified for the assessment of a matter covered by the agenda of the General Meeting. If there are important reasons to do so, the Management Board may provide information in writing outside the General Meeting. In such a case, the Management Board is obliged to provide information not later than within two weeks from the day the shareholder filed a request at the General Meeting.

The Management Board refuses to provide information if it could cause damage to the Company, a company associated with the Company or a company or a cooperative subsidiary of the Company, in particular by disclosing technical, commercial or organizational secrets of the company. A member of the Management Board may refuse to provide information if the provision of information could be the basis of his criminal, civil or administrative liability.

The information provided to the Company shareholder should be made available to the public in the form of a current report.

A shareholder who was refused to disclose the information requested during the General Meeting and who filed an objection to the Minutes may submit an application to the registry court to oblige the Management Board to provide information. Such a request should be submitted within one week from the end of the General Meeting at which information was refused. A shareholder may also submit an application to the registry court for obliging the Company to publish information provided to another shareholder outside the General Meeting. Pursuant to the Regulation on Reports, the Company will be obliged to provide in the form of a current report information provided to a shareholder following the Management Board's obligation by the registry court in the cases referred to above.

Right to demand the issuance of duplicates of the annual financial statements

Each shareholder of the Company has the right to request copies of the Management Board's report on the Company's operations and financial statements along with a copy of the Supervisory Board's report and the auditor's opinion no later than fifteen days before the General Meeting.

Right to request the election of the Supervisory Board by separate groups

At the request of the Company's shareholders representing at least one fifth of the Company's share capital, the Supervisory Board should be elected by the next General Meeting by voting in separate groups. In this case, the mode provided for in the Statute will not be applicable and the shareholders will apply the procedure provided for in the Code of Commercial Companies. The mechanism of such selection is as follows: the total number of Company shares is divided by the total number of members of the Company's Supervisory Board. Shareholders who represent such a number of shares may form a separate group to elect one member of the Supervisory Board and may not vote in the selection of other members. If, after a vote in the voting mode, separate groups in the Supervisory Board remain vacancies, shareholders who have not participated in the creation of any group will be entitled to elect other members of the Supervisory Board. If the election of the Supervisory Board is made by way of voting in separate groups, the limitation of the preference for voting rights does not apply, and each Action gives the right to one vote, excluding restrictions on shares that do not entitle to exercise voting rights.

Right to appeal against the resolutions of the General Meeting

The Company's shareholders are entitled to appeal against resolutions adopted by the General Meeting by way of an action to repeal a resolution or an action for annulment of a resolution.

Action for the revocation of a resolution

A resolution of the General Meeting that is contrary to the Statute or decency and which harms the interest of the Company or intended to harm a shareholder of the Company may be appealed against by way of action against the Company for repealing the resolution.

An action to cancel a resolution of the General Meeting should be brought within one month from the date of receipt of information about the resolution, however not later than within three months from the date of adopting the resolution.

Action to have a resolution declared invalid

A resolution of the General Meeting contrary to the Act may be challenged by an action brought against the Company for the annulment of a resolution.

An action for annulment of a resolution of the General Meeting should be brought within thirty days from the date of its announcement, but no later than one year from the date of adoption of the resolution.

Entities authorised to challenge resolutions of the General Meeting

The following persons have the right to file an action seeking to have a resolution of the General Meeting declared invalid or an action for the revocation of a resolution of the General Meeting:

- the Management Board, the Supervisory Board and the individual members thereof;
- a shareholder of the Company who voted against the resolution and who upon the adoption thereof requested that his objection be recorded in the minutes of the General Meeting;
- a shareholder of the Company who was refused participation in the General Meeting without providing a good reason;
- the shareholders of the Company who were not present at the General Meeting – only if the General Meeting was improperly convened or in the case of a resolution on a matter which was not included on the agenda.

Change to the Rights Entrusted with the Company's Shareholders

A change in the rights of shareholders in the form of amending the provisions of the Statute requires a resolution of the General Meeting adopted by a three-fourths majority of votes and an entry in the Register of Entrepreneurs of the National Court Register. In addition, a resolution to amend the Articles of Association, increasing the benefits of the Company's shareholders or reducing the rights granted personally to the Company's shareholders, requires the consent of all shareholders of the Company to whom it applies.

Redemption of Shares

Shares may be redeemed by way of a decrease in the share capital of the Company, however, the redemption requires the consent of the shareholder of the Company. The Statute does not contain a provision regarding the compulsory retirement of the Shares.

The conditions, legal basis and procedure for redemption of shares and the amount of remuneration for redeemed shares or justification for redemption without remuneration shall be determined each time by the General Meeting in the form of a resolution.

Right to Request the Appointment of a Special-Purpose Auditor

According to art. 84 of the Act on Public Offer, at the request of a shareholder or shareholders of the Company, holding at least 5% of the total number of votes, the General Meeting may adopt a resolution regarding the examination by a court expert of a specific issue related to the creation of the Company or conducting its affairs. These shareholders may, for this purpose, request that an extraordinary General Meeting be convened or that the matter of adopting this resolution be placed on the agenda of the next General Meeting. If the shareholders decide to take advantage of the first option and within two weeks from the date of requesting convening such a General Meeting, the Extraordinary General Meeting will not be convened, the registry court may authorize the shareholders of the Company to submit the request to convene an extraordinary General Meeting. The court appoints the chairman of this General Meeting. If shareholders decide to use the second option and request that the resolution be placed on the agenda of the next General Meeting, such request must be delivered to the Management Board in writing no later than twenty one days before the planned date of the General Meeting.

The resolution of the General Meeting on the selection of the auditor for special matters should specify in particular:

- the data of the special-purpose auditor, which auditor should be approved in writing by the requesting shareholder;
- the subject and the scope of the audit, which should comply with the contents of the request, unless the requesting party consented in writing to change the subject and scope of the audit;
- the types of documents that should be made available to the auditor by the Company; and
- the start date of the audit, which should not be later than three months from the date of the adoption of the resolution.

If the General Meeting fails to adopt the resolution in accordance with the request or adopts such resolution in breach of Article 84 clause 4 of the Act on Public Offering, the requesting parties may, within 14 days of the date of the adoption of the resolution, request that the registry court appoint the identified entity as a special purpose auditor.

The auditor for special matters may only be an entity having the expertise and qualifications necessary to examine the matter specified in the resolution of the General Meeting, which will ensure the preparation of a reliable and objective audit report. The auditor for special matters may not be an entity providing services to the Company, its parent or subsidiary in the audited period, as well as its parent entity or a significant investor within the meaning of the Accounting Act. The auditor for special matters may also not be an entity that belongs to the same capital group as the entity that provided the services referred to above.

The Management Board and the Supervisory Board are required to make available to the special-purpose auditor such documents as have been specified in the resolution of the General Meeting upon the appointment of the special purpose auditor, or upon the decision of the court on the appointment of the special purpose auditor, and to provide the auditor with the explanations necessary for carrying out the audit.

The special purpose auditor is required to present to the Management Board and the Supervisory Board of the company a written report on the audit results. The Management Board is required to announce the report in the form of a current report. The report of the special purpose auditor may not disclose information that constitutes a technical, trade or organisational secret of the Company, unless it is necessary for justifying the position presented in the report.

The Management Board is required to submit a report on the consideration of the audit findings at the next General Meeting.

4.13 Change of the Articles of Association of the Company

Change of the Articles of Association of the Company in accordance with the provisions of the Commercial Companies Code, is within the competence of the General Meeting. The resolution concerning amendments to the Statute is adopted by a majority of three-quarters of votes.

Resolution on amendments to the statute, increasing the benefits of shareholders or limiting the rights granted personally to individual shareholders in accordance with art. 354 Commercial Companies Code, requires the consent of all shareholders concerned.

4.14 The main features of internal control and risk management in relations to the process of preparing separate and consolidated financial statements

The system of internal control and risk management in relation to the process of preparing separate financial statements and consolidated financial is directly under the Management Board of the parent company. Supervision over the process of preparation of financial statements lies with the Financial Director. Financial statements are prepared by the Finance and Accounting Department of the parent company under the supervision of the Chief Accountant. The Parent Company also controls and analyses costs in terms of financial targets.

In order to eliminate the risks associated with the preparation of financial statements, also of the Group subsidiaries are annually audited by the independent auditor. The Group constantly monitors the performance of individual areas and compares to financial targets. The annual financial statements of the Parent Company and the annual consolidated financial statements of the Group are audited by an independent auditor. While the half-year financial statements of the Parent Company and consolidated half-year financial statements of the Group are reviewed by the certified auditor. The quarterly and half-yearly condensed consolidated financial statements of the Group as well as the annual financial statements of the Parent Company and the Group are approved prior to publication by the Management Board of the Parent Company.

4.15 Remuneration Policy

According to the internal system of remuneration, employees receive salary for the work corresponding to the type of work performed and the qualifications required for its performance, taking into account the quality and quantity of work performed.

4.15.1 Remuneration of the Management Board members

The remuneration of Board members is determined adequate to their function and to the scale of operations of the company. The total remuneration consists of the following:

- Fixed remuneration – flat monthly base compensation (for a calendar month).
- variable remuneration– supplementary remuneration for a given financial year depending on the extent to which management objectives are attained. The employment contracts with the members of the Management Board shall determine the amount and the components of remuneration, also provide the opportunity to receive additional commissions or annual bonus granted in the amount and under the conditions specified separately. According to the adopted policy of variable remuneration components, employees holding key management positions may receive variable remuneration paid in cash and in the form of a financial instrument.

  Key parameters determining the variable remuneration components have been described in the Policy of Variable Remuneration Components in X-Trade Brokers DM S.A. of 12 December 2016.

  Assumptions of implementation of the Variable Remuneration Components Policy are determined by the Supervisory Board, acting as the Remuneration Committee, with the approval of the budget of the brokerage house for the year.

  The Supervisory Board, after verification of the fulfilment of the criteria and justification for obtaining the Variable Component of Remuneration may approve granting of a premium in derivatives based on the value of XTB shares, for the realization of plans for the year.

  The bonus is determined by the Supervisory Board in the form of a resolution on the terms specified in the Policy of Variable Remuneration Components. The bonus must meet the following conditions:

  - take into account the company's results for the period in which the person holds a position, but not longer than for the last 3 financial years;
  - should consider the way of performance of the tasks assigned to a person holding a managerial position based on internal organizational rules of the company and on the basis of regulations of organizational units directed by that person for the period in which the person holds a managerial position, but not longer than for the previous 3 years.

The employment contracts of the members of the management board do not provide for severance pay in case of termination.

Due to the fact that the members of the management board were concluded non-competition agreements, in respect of compliance with this prohibition on competition after termination of employment of board members, they shall be entitled to compensation, the amount of which was determined as follows:

- Member of Management Board – Mr Paweł Szejko is entitled to compensation amounting to 50% of gross salary received by the employee before the termination of employment for a period corresponding to the non-competition, payable in 12 monthly instalments;

The tables below presents the remuneration received by each member of the Management Board in 2019 and 2019. These benefits include base salaries, bonuses, contributions to social security paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

Fixed remuneration

NAME AND SURNAME	FIXED REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000))	
	2019	2018
Omar Arnaout	532	524
Filip Kaczmarzyk	471	469
Paweł Szejko	413	407
Jakub Kubacki[1]	343	158
Andrzej Przybylski[2]	234	-
Paweł Frańczak[3]	-	233

[1]) Jakub Kubacki on 10 July 2017 was appointed a member of the Management Board for Legal;
[2]) Andrzej Przybylski on 1 May 2019 was appointed a member of the Management Board responsible for supervising the risk management system;
[3]) Paweł Frańczak on 25 April 2018 resigned from position of a Member of the Management Board of the Company

Variable remuneration

NAME AND SURNAME	VARIABLE REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2019	2018
Omar Arnaout	230	163
Filip Kaczmarzyk	247	183
Paweł Szejko	198	144
Jakub Kubacki[1]	94	-
Andrzej Przybylski[2]	-	-
Paweł Frańczak[3]	-	301

[1]) Jakub Kubacki on 10 July 2017 was appointed a member of the Management Board for Legal;
[2]) Andrzej Przybylski on 1 May 2019 was appointed a member of the Management Board responsible for supervising the risk management system;
[3]) Paweł Frańczak on 25 April 2018 resigned from position of a Member of the Management Board of the Company

Non-wage benefits enjoyed by individual members of the management board and key managers include health benefits, vacation benefits, provision of recreation and sports, and Christmas vouchers. In addition, in the reporting period board members - Filip Kaczmarzyk, Jakub Kubacki were provided with a company car

4.15.2 Agreements concluded with the management, including compensation in case of resignation or dismissal from the position without a material ground or their removal or dismissal is due to the Company's merger by acquisition

As at 31 December 2019, and as at the date of publication of this report in the Parent Company and the Group companies there were no agreements with management providing for compensation in case of their resignation or dismissal from the position without a material reason or if their removal or dismissal is due to merger of the Parent Company by acquisition.

4.15.3 Remuneration of the Supervisory Board members

The table below presents the remuneration received by the members of the Supervisory Board of the Company. The total remuneration include gross salaries and contributions to social security paid for by the employer.

NAME AND SURNAME	VARIABLE REMUNERATION RECEIVED FROM THE COMPANY IN THE YEAR: (IN PLN'000)	
	2019	2018
Jakub Leonkiewicz	54	39
Łukasz Baszczyński	51	26
Jarosław Jasik	51	26
Bartosz Zabłocki	49	26
Grzegorz Grabowicz[1]	46	6
Marek Strugała[2]	-	16

[1]) Grzegorz Grabowicz was appointed as a Member of the Supervisory Board for the new term of office from 10 November 2018.
[2]) Marek Strugała held the position of a Member of the Supervisory Board until 9 November 2018.

4.15.4 Information on liabilities arising from pensions and similar benefits for former members of management, supervisory and administrative bodies

As at 31 December 2019 there were no liabilities arising from pensions and similar benefits for former members of management, supervisory or administrative bodies, as well as no liabilities incurred in relation with these pensions.

4.15.5 Changes in the remuneration policy

In 2019, there were no changes in the remuneration policy.

4.15.6 Assessment of the remuneration policy

The general principles of the remuneration policy are aimed to ensure the coherence of the system of remuneration and additional benefits for employees with the strategy of long-term development of the company and taking into account the costs adopted in the financial plan, while maintaining compliance of risk management and stability of the company.

Additionally, assumptions of the variable components of the remuneration for persons in key positions, which should strengthen the relationship between the amount of the variable part of the remuneration and the implementation of long-term company growth, contributes significantly to the stabilization of the company's operations and its shareholder value growth.

Evaluation of the remuneration policy is under the Supervisory Board, which exercises ongoing supervision over the adopted remuneration policy, subjects them to review and makes recommendations to the Management Board as to possible changes in order to ensure a competitive level and effectiveness of remunerations, and ensuring their transparency, compliance with legal regulations and internal justice

4.15.7 Sponsorship, charity and similar activities

The Group did not conduct material sponsorship, charity and other similar activities in the reporting period.

4.15.8 Description of diversity policy

X-Trade Brokers Dom Maklerski S.A. follows a policy of diversity and a policy of equal treatment for all the Company's employees, its authorities and key managers, because of its firm belief that diversity, as a fundamental value of contemporary society, has a significant impact on the development, competitiveness and innovation of our organization.

The pursuit of a policy of diversity can be seen, among other things, in hiring employees of different gender, age, educational background, qualifications, professional experience, nationality, ethnic background, religion, denomination, nondenominational character, political views, state of health, psychosexual orientation, family status, lifestyle, place of residence, form, scope and basis of employment, ensuring respect, tolerance and equal treatment in the workplace for all employees, as well as creating a work environment conducive to making the most of the above differences for the good of the organization.

The policy of diversity pursued at X-Trade Brokers Dom Maklerski S.A. is aimed at exploiting the potential of our employees, their skills, talents, passions, knowledge and qualifications to the full.

We create an organizational culture focused on achieving the Company's objectives by building in-house teams which vary in terms of gender, age and qualifications, which makes it possible to resolve problems in a more effective manner, leads to a better working environment, boosts the creativity of project teams, and enables effective knowledge sharing.

In the implementation of one of the important aspects of the policy of diversity, the Company offers internships and traineeships to university students and graduates with various job profiles and gives them the opportunity to pursue a career within our organization.

As part of the policy of diversity, X-Trade Brokers Dom Maklerski S.A. also promotes and supports charitable initiatives initiated by its employees.

Managing diversity also consists of including provisions for preventing discrimination and mobbing as well as other regulations which specify the standards for equal treatment, protection against violence, harassment or unfair dismissal in the policies and procedures in place at XTB. The principles of equal treatment in employment are described in the Company's internal documents, among others, in the Labour Regulations, and are freely available to all employees.

In the scope of diversification in connection with the selection of X-Trade Brokers Dom Maklerski S.A authorities the Company has implemented the Diversity Policy in relation to the Members of the Management Board of the Company. The company provides a variety of qualifications and competences in terms of education, professional experience and the skills of the selected staff, including the managerial staff, in order to guarantee comprehensive and reliable performance of the tasks entrusted to it. In addition, as part of the Diversity Policy during recruitment to the authorities of the Company in X-Trade Brokers Dom Maklerski S.A. professional qualifications, reputation, professional experience, predispositions to perform duties within a given position or function, as well as gender, age, place of origin and education are taken into account.

The members of the Company's authorities are specialists in various areas of knowledge and are equipped with varied industry-specific experience which corresponds to the functions they currently perform. The individual competencies of the members of the Company's authorities complement each other in such a manner as to ensure an appropriate level of collegial management at X-Trade Brokers DM S.A

5. Other information

5.1 Audit company authorised to audit the financial statements

On 7 November 2018, the Company's Supervisory Board in accordance with § 19 item 2 point i) of the Company's Articles of Association and in accordance with § 8 item 2 point h) of the Supervisory Board's Regulations has adopted a resolution regarding the appointment of the entity authorized to audit the Company's financial statements for 2019-2020. The appointed entity is PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością Audyt sp.k, with its registered office in Warsaw, address: st. Lech Kaczyński 14 entered under the number 144 (further "PwC") onto the list of entities entitled to carry out the audit of financial statements. The choice has been made in accordance with applicable laws.

On 25 January 2019, between X-Trade Brokers Dom Maklerski S.A. and PricewaterhouseCoopers concluded an agreement on:

- audit of financial statements for the years ended 31 December 2019 and 31 December 2020, respectively;
- review of condensed interim financial statement for the period of 6 months ended on 30 June 2019 and on 30 June 2020;

Additionally, on 10 January 2019 an annex was signed to the above-mentioned agreements for:

- performing the assurance service regarding the assessment of Company's compliance with law regarding the client's assets holding in the period from 1 January 2019 until 31 December 2019;

In previous years, the Company used consultancy services provided by other PwC entities mainly in terms of tax consulting. In the Company's opinion, the provided services do not affect the provision of the required level of impartiality and independence of the auditor.

The total remuneration of the entity authorized to audit the financial statements for the current and previous year, separately for the audit of the annual financial statements, other assurance services, including review of the financial statements and other services was disclosed in notes *32 and 31*, respectively to the Separate and Consolidated financial statements.

5.2 The information on the significant court proceedings, arbitration authority or public administration authority

As at 31 December 2019 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 balance sheet day, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 13,7 million, of which suits brought by the employees pending before court consist of the three proceedings where the total value of claims was approximately PLN 5,8 million and seven brought by clients with the total value of claims of approximately PLN 7,9 million. 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 8,5 million, which consists of one suit brought by the employee with the total value of PLN 650 thousand and five suits brought by clients with the total value of PLN 7,9 million. Below are presented the most significant, in the Company's view:

- proceedings initiated by a former employee of the Company's branch in France. The case was pending before the court on December 21, 2012. Pursuant to the judgment of the Court of November 4, 2014, an amount representing an estimated equivalent of PLN 100,000 was awarded to a former employee. On December 14, 2014, the plaintiff appealed. The original value of this claim was set at PLN 2.2 million. However, according to the statement of the law firm handling the case, it should theoretically be assumed that the value of the subject matter of the dispute may increase until it is settled by about EUR 20,000 per month. Pursuant to the judgment of the General Court of 4 November 2014, the plaintiff was awarded EUR 24,000. The plaintiff filed an appeal on December 14, 2014. The hearing was held on March 26, 2019, the final decision, unfavourable XTB, was issued on May 29, 2019. On June 7, 2019, the Company paid the amount resulting from the ruling in the total amount of EUR 84,668.65. On July 29, 2019, the plaintiff appealed to the cassation court. After the balance sheet day, on January 8, 2020 XTB received the final decision on the rejection of the cassation and end of the proceeding;
- 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;
- After the balance sheet date, 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;

- 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.

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. The Company is currently awaiting the decision of the body examining the appeal.

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 are currently pending before European Union Intellectual Property Office (EUIPO) as regards the annulment of conflicting marks of Xtrade Europe Ltd. A ruling in this case is expected in April 2020.

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 Polish Financial Supervision Authority 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 in the date of insurance registration of one employee, failure to pay health contributions for one employee for several months and calculation of contributions in the Labour Fund for Members of the Supervisory Board for the period 2016-2017 and the Labour Fund and the Employee Benefits Guarantee Fund for several employees. Moreover, it was found that one of the employees was not entitled to the payment of care allowance and the benefits for him were overpaid. 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.

  After balance sheet date, 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 received control report, the Company's Management Board decided to lodge substantiated objections in accordance with the provisions in force until March 9, 2020. All together with establishing scope of irregularities, the Company will exercise 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.

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.

The so-called the MiFID II/MIFIR package implementation into national legislative system by introducing act amending the act on trading in financial instruments and some other acts and new regulations to this act

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January, 2018. Transposition of the MiFID II Directive into the national law took place by introducing amendments to the act on trading in financial instruments. The amended act entered into force on 21 April, 2018, albeit a longer vacatio legis has been reserved for some of its provisions. The main purpose of this act is to increase the safety of financial market participants and ensure competitive conditions for investment companies. The starting point for covering customers of investment companies with greater protection is an obligation of entities providing services to act in a reliable and professional manner, in accordance with principles of fair trading and the best interest of their clients. The legislator distinguished two stages: (i) preceding and (ii) accompanying and following after providing brokerage services and for each of them indicated separate obligations towards clients of investment companies. The professionalism and reliability of investment companies have been strengthened by new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them. During provision of services investment companies were obliged to provide clients with regular reports related to the performance of a contract for the provision of brokerage services. Novum, also ensuring greater transparency of the market for its participants is authorisation of a new category of trading system in the form of an organised trading facilities (OTF). Non-discriminatory access rules to OTF will contribute to make the market competitive. There also were introduced separate provisions dedicated to the new type of financial instruments trading system, alternative trading platform for small and medium-sized enterprises. The regulation is intended to increase transparency of cross-selling by entities providing retail services inter alia in the area of fees associated with this kind of selling. The regulation also reduced unnecessary costs that could be charged to the client. The charging of remuneration, commissions or any other benefits from third parties by companies proving independent investment advisory services and asset management shall henceforth subject to significant restrictions. Thanks to the changes, it should be clear for the client who uses investment advisory services, whether they are independent and he also should be familiarised with their costs and grounds. As a result of the amendment, the outsourcing of the processes, services or activities of an investment company was regulated, and the entities that deal with the algorithmic trading technique were subject to special surveillance. Following the amendment to the act on trading in financial instruments, a new regulation of the Minister of Finance of May 30, 2018 on the mode and conditions of conduct of investment firms and banks, which are referred to in Art. 70 (2) of the act on trading in financial Instruments, and custodian banks (hereinafter the "RMC Regulation") entered into force. The layout and content of the new RMC Regulation is based on the previous regulation, however the Ministry of Finance broadened the definition part and enriched the RMC Regulation with additional sections. From the perspective of financial entities, it is crucial to determine the conditions for providing clients with report related to the performance of a contract for the provision of brokerage services: its content, method and time limit for its transfer. It also settled according to which principles incentives may be received or paid. From the law arise, among others, prohibition on accepting or receiving incentives if the investment company would provide brokerage services in a way that is unreliable, unprofessional, inconsistent with the principles of fair trading or does not duly take into account the interests of clients or potential clients. The aforementioned prohibition corresponds to the obligation to disclose data concerning benefits to those persons and to collect and store documentation confirming that the purpose of any benefits provided is to improve the quality of services. The RMC Regulation sets out situations where such the benefit is considered as improving the quality of services. The law has been enriched with a catalogue of forms of benefits considered as minor cash benefits. In relation to the previous regulation, the provisions on the principles of categorisation clients as retail or professional were modified. There are also new provisions for practices related to cross-selling. In addition, the RMC Regulation sets out the terms and conditions for the conduct of investment firms recommending, offering or otherwise enabling the acquisition or subscription of a financial instrument. The act contains additional conditions for the activity of investment companies who are: issuers of financial instruments or entities providing advice on issuing financial instruments. In conclusion, RMC Regulation extends mechanisms for securing clients and limits the possibility of receiving incentives by investment firms. New provisions came into force on 23 June, 2018, whereby their implementation in investment companies was to take place until 21 October 2018.

Another element of the implementation of the MiFID II/ MIFIR package into the Polish system is the introduction of the regulation of the Minister of Finance of 29 May 2018 on detailed technical and organizational conditions for investment companies, banks referred to in art. 70 (2) of the act on trading in financial instruments, and custodian banks (hereinafter "RTOC Regulation"). It regulates in detail the storage, registration and safekeeping of financial instruments and keeping cash accounts. The provisions of the RTOC Regulation contain a description of the manner and detailed conditions for recording and depositing funds of clients as well as categories of entities in which these funds may be deposited. An innovation is necessity to appoint one person responsible for fulfilling duties in the area of safekeeping of financial instruments and clients' funds in order to prevent the fragmentation of responsibility between individual employees and to reduce the associated risks. The regulations indicate the necessity of introducing organizational solutions regarding the manner of remunerating persons offering or concluding agreements in the course of cross-selling, in order to remove any possibility of concluding cross-selling contracts with clients for whom it will be inappropriate. There also can occur organizational changes in investment companies as a result of changes in the functioning of the internal audit and specifying rules allowing serving on boards of investment companies and holding other key positions. In relation to previous internal audit regulation, more flexibility was given in the area of shaping the audit principles, because it was reduced to the obligation to introduce internal audit regulations. The requirements for the management personnel, also in the area of improvement of professional qualifications are indicated to strengthen the professionalism of activities of the investment companies. The RTOC Regulation develops the principles for keeping records of transactions, archiving documentation and other medium of information prepared in connection with running a business. The law issued on 29 May 2018 entered into force on 23 June 2018. Similarly to the RMC Regulation, the transitional provisions allowed investment companies to comply with the new requirements by 21 October 2018.

The Company exercised due diligence in order to comply with amendments to the act on trading in financial instruments and requirements of RMC Regulation and RTOC Regulation. However, it cannot be excluded that a given rule or requirement will be interpreted by Company in a manner inconsistent with the regulations which may be connected with supervisory activities and sanctions specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

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. The Company exercises 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.

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.

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.

Activity of the European Securities and Markets Authority ("ESMA")

The group is witnessing continuous regulatory changes in the industry at an international level that may change over time. The European Securities and Markets Authority (ESMA) published on 29 June 2017 a statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR.

On 5 February, 2018 the ESMA published its Guidelines on MiFID II product governance requirements. The document discussed obligations regarding compliance with the law and reporting, and it presented: (i) guidelines for manufacturers, including the manufacturer's obligation to identify the potential target market and the relationship between the manufacturer's distribution strategy and their target market definition; (ii) guidelines for distributors, which define – inter alia – the relationship between the product governance requirements and assessment of suitability or adequacy, as well as the distribution strategy, and (iii) guidelines regarding issues applicable to manufacturers and distributors, including principles of identification of the negative target market and sales outside the positive target market, as well as application of the requirements of the target market to firms operating on wholesale markets.

Moreover, on 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU. Agreed measures regarding CFDs included: (i) leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, 30:1 for major currency pairs, 20:1 for non-majors currency pairs, 10:1 for commodities other than gold and non-major equity indices, 5:1 for individual equities and other reference values, 2:1 for cryptocurrencies; (ii) a margin close out rule on a per account basis; (iii) negative balance protection on a per account basis; (iv) a restriction on the incentives offered to trade CFDs; (v) a standardised risk warning. When it comes to binary options, the agreed measures included a prohibition on the marketing, distribution or sale of those instruments to retail clients. Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union. The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return. In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

According to MiFIR Regulation, ESMA may introduce temporary intervention measures only for three months. Before the end of the three-month period, ESMA each time considers the need to extend the intervention measures for a further three months. In August 2018, ESMA reviewed the product intervention measure on binary options on the basis of a study carried out among the national competent authorities on the practical application and impact as well as on the basis of additional information provided by the competent national authorities and interested parties. On 24 August 2018 ESMA announced decision to extend its application from 2 October 2018 for following, three-months period. In September 2018 the review concerned the measures applied to CFDs after which, on 28 September 2018 ESMA decided on their extension from 1 November 2018 for a further three months. It also conditionally shortened risk information for CFDs as ESMA was notified that some investment firms had some technical problems with using standard risk warnings due to limitations on the number of marks imposed by external marketing service providers. On 1 August 2019 the Polish Financial Supervision Authority decided to introduce additional requirements while offering contracts for difference to retail clients and to introduce the category of an experienced retail client who will be able to offer CFDs with a higher level of leverage while applying the remaining restrictions.

Assumptions of the PFSA's Product intervention:

1. prohibition of placing on the market consisting of the dissemination, directing to retail clients or potential retail clients of information, advertising or promotion, as well as the distribution or sale of contracts for difference to retail clients, except when the following conditions are met:

- the investment firm requires the retail client to make an initial margin, which should be understood as any payment in order to conclude a CFD, excluding commissions, transaction fees and any other related costs, with a percentage specified in the PFSA Product Intervention;
- the investment firm provides protection to the retail client by forcibly closing a position on the retail client's account (so-called stop-out) when the margin level reaches 50%;
- the investment firm provides the retail client with protection against a negative balance, which shall be understood as a limitation of the total liabilities of the retail client in respect of all CFD positions related to the CFD trading account at the supplier of the CFD contract to the amount of funds on that account;
- the investment firm does not directly or indirectly transfer to the retail client any payment, monetary advantage or any excluded non-monetary benefit in connection with the marketing, distribution or sale of CFDs, except for realized profits from the CFDs provided, whereby a non-monetary benefit should be understood as any non-monetary benefit information and research tools to the extent that they relate to CFDs;
- advertising or promotional information, including correspondence or messages, disseminated or directed to the retail client or potential retail client directly or indirectly by the investment firm, in connection with the marketing, distribution or sale of CFDs, contains an appropriate risk warning.

2. entering the status of experienced retail customer - retail clients of an investment firms who already have relevant experience and awareness of investment risk have the opportunity to submit a written application for the status of an experienced retail client. In order to become an experienced retail customer, two conditions must be met in total:

(a) the retail customer concluded within 24 months:
- opening transactions in CFDs with a nominal value of at least PLN equivalent of EUR 50 000* each, with a frequency of at least 10 opening transactions per quarter in four quarters; or
- CFD opening transactions with a nominal value of at least PLN equivalent of EUR 10 000* each, with a frequency of at least 50 opening transactions per quarter during four quarters; or
- opening transactions in the scope of CFDs with a total nominal value of at least PLN equivalent of EUR 2 000 000*, with the client concluding at least 40 opening transactions per quarter in four quarters;

(b) the retail client shall have appropriate knowledge regarding derivatives, including CFDs, supported by:
- obtaining relevant professional certificates, in particular: Investment Advisor, Securities Broker, Chartered Financial Analyst, Financial Risk Manager, Professional Risk Manager, ACI Dealing Certificate, ACI Diploma, or relevant field education; or
- a minimum of 50 hours of training on derivatives, including CFDs, confirmed by obtaining relevant certificates or confirmations issued on the basis of knowledge verification by relevant training providers, within the last 12 months; or
- confirmation that the client carries out or performed activities or works or worked under an employment contract or other contractual relationship on which the function is based, for at least a year in a position that requires professional knowledge regarding the conclusion of transactions in CFDs or other derivatives.

** the equivalent of amounts expressed in Euro is determined using the average Euro exchange rate announced by the National Bank of Poland, in force on the day preceding the date of submission of the application by the retail customer in which the exchange rate was announced.*

Despite the Group acting with due diligence implemented organizational changes to comply with these requirements of conducting activity, it cannot be excluded that the manner of interpretation of prohibition and restrictions of regulators may be different than solutions adopted by the Group. It may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of decisions may have a negative impact on the financial results of the Group.

Following the publication on 1 June 2018 of the decision of ESMA regarding product intervention concerning CFD contracts, on 18 July 2018 the Company received a letter from the PFSA with a questionnaire regarding operations on CFD market and the process of adaptation business activity to the aforementioned ESMA's decision. The Company informed about its implementation activities and detected inaccuracies in the interpretation of the abovementioned ESMA's decision. In the view of the prohibition of 22 May 2018 regarding the trading, distribution or sale of binary options issued by ESMA, on 19 October 2018 the PFSA asked the Company to provide information regarding the sale of binary options. The Company provided appropriate explanations, including information about the withdrawal of binary options from her offer. On 19 November 2018 the Company filled in the PFSA the answer for the questionnaire. As at the submission date of this report, the Company exercised due diligence in order to comply with the obligations arising from aforementioned ESMA decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the PFSA expectations to its interpretation which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

5.3 Employment information

As at 31 December 2019, the Group employed 445 people, including 275 persons employed by the Company. The Group's employment structure is dominated by employees involved in sales. The Group does not employ a significant number of temporary employees.

The table below presents information on the number of employees of the Parent Company, its foreign branches and Group Companies on dates indicated therein

		AS AT
	31.12.2019	31.12.2018
Parent Company	275	264
Foreign branches	90	100
Group companies	80	62
Total	445	426

5.4 Major research and development achievements

In the reporting period, the Company conducted works in compilation and developing of highly innovative, comprehensive solutions in the field of transactions and Internet investments ("R & D"). The main aim of the above works is to develop innovative technologies and solutions which could allow further development of products offered to clients.

Applied research and development aimed to develop of necessary tools for effective functioning of XTB's transactional systems as well as modernization and upgrade of CRM systems in accordance with identified needs. The elimination of errors and providing the functionality and safety of systems and database were those which focused on research areas. Also research and development focused on development of new electronic trade systems. The main types of activities in terms of research and development contain:

- developing the IT infrastructure of XTB, which amongst others would ensure effective network, continuous servers' development as well as other active device in XTB,
- creating new or improving current software solutions supporting XTB operations;
- creating and developing significant transactional applications and CRM systems,
- developing solutions in the area of increasing work safety in the network as well as external access,
- developing solutions in data storage security,
- creating and implementing new and innovative hardware, software and program solutions in the company,
- analysis of product development opportunities, in terms of current technological solutions.

6. Statement and information 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 2019 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.

Information of the Management Board of X-Trade Brokers Dom Maklerski S.A. about appointing an audit company to audit financial statements

Hereby, the Management Board of X-Trade Brokers Dom Maklerski S.A. informs that on the basis of the statement of the Supervisory Board, an auditing company authorized to audit financial statements, undertaking consolidated and separate financial statements for 2019 was selected in accordance with the regulations, including the selection and procedure for selecting an audit firm. At the same time, the Management Board of X-Trade Brokers Dom Maklerski S.A. informs that the audit company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the annual consolidated and separate financial statements, in line with the binding provisions of the law and professional standards and that the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed. In addition, the Management Board of X-Trade Brokers Dom Maklerski S.A. informs that the Issuer has a policy of selecting an audit firm to carry out statutory audit of X-Trade Brokers Dom Maklerski S.A. financial statements and the policy of carrying out the permitted non-audit services by the audit firm conducting the audit, by entities related to this audit firm and by any member of the network to which the audit firm belongs, including services conditionally exempt from the prohibition of provision by an audit company.

Warsaw, 9 March 2020

Omar Arnaout
President of the Management Board

Filip Kaczmarzyk
Member of the Management Board

Paweł Szejko
Member of the Management Board

Jakub Kubacki
Member of the Management Board

Andrzej Przybylski
Member of the Management Board

DECLARATION AND ASSESSMENT OF THE SUPERVISORY BOARD

Declaration and assessment of the Supervisory Board of X-Trade Brokers Dom Maklerski S.A

Declaration of the Supervisory Board of X-Trade Brokers Dom Maklerski S.A concerning the Audit Committee

The Supervisory Board hereby declares that it is in compliance with the regulations concerning appointment, composition and functioning of the audit committee, including the requirements for its members to satisfy the independence criteria and the requirements concerning knowledge and abilities from the sector in which the Company operates as well as accounting and audit of financial statements; Moreover the Supervisory Board declares that the Audit Committee performed the tasks of the audit committee as provided by the applicable laws.

Supervisory Board assessment of the consolidated and standalone financial statements prepared jointly with the Management Board report on the operations of the Group and the Company

The Supervisory Board of X-Trade Brokers Dom Maklerski S.A has assessed the presented by the Management Board:

- The standalone financial statements of X-Trade Brokers Dom Maklerski S.A for the year 2019,
- The consolidated financial statements of Capital Group X-Trade Brokers Dom Maklerski S.A for the year 2019,
- The Management Board report on the operations for the year 2019

Hereinafter referred to as ‘statements’.

As a result of the assessment The Supervisory Board of X-Trade Brokers Dom Maklerski S.A stated that Statements present truly and fairly all necessary information for assessment of financial standing of the Company and the Group and are in line with the ledgers, documents and the state of affairs.

The Supervisory Board of X-Trade Brokers Dom Maklerski S.A. positively assessed the financial statements on the basis of:

- the contents of the statements presented by the Company’s Management;
- independent auditor’s report on the audit of the consolidated and standalone financial statements for the year 2019, as well as additional report for the Audit Committee prepared in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and the Act on auditors, audit firms and public supervision of 11 May 2017;
- meetings with the representatives of the audit firm, including the key statutory auditor;
- meeting with the Company’s Management Board;
- the results of other verification activities made in selected financial and operational areas.

Jakub Leonkiewicz President of the Supervisory Board	Łukasz Baszczyński Member of the Supervisory Board	Jarosław Jasik Member of the Supervisory Board

Bartosz Zabłocki Member of the Supervisory Board	Grzegorz Grabowicz Member of the Supervisory Board

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