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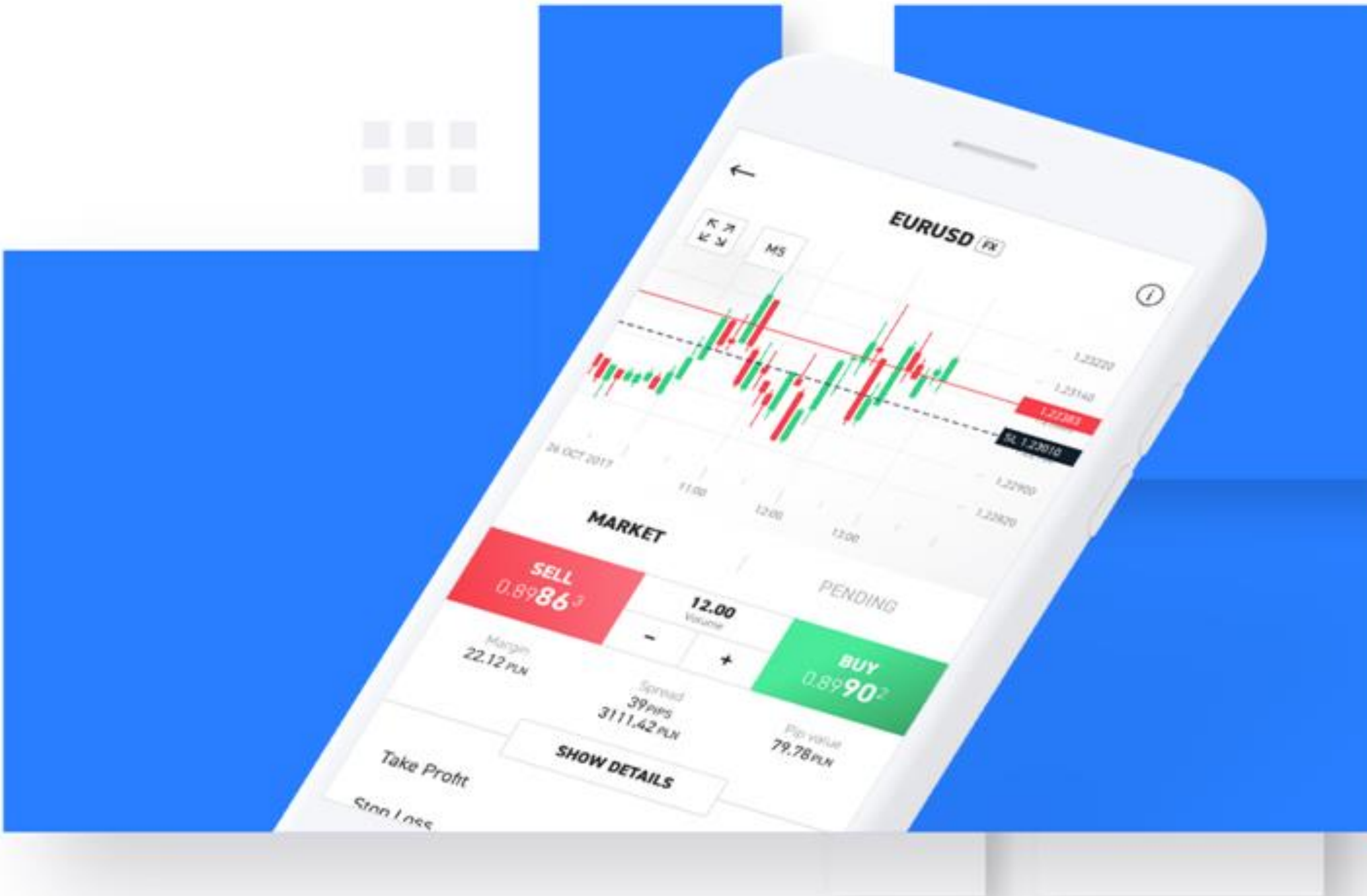

REPORT FOR THE 1ST QUARTER 2018

X-TRADE BROKERS DM S.A.

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TABLE OF CONTENTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 THREE-MONTH ENDED		IN EUR'000 THREE-MONTH ENDED	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
Consolidated comprehensive income statement:				
Total operating income	113 737	58 718	27 220	13 690
Profit on operating activities	72 694	22 153	17 398	5 165
Profit before tax	73 743	13 731	17 649	3 201
Net profit	59 487	10 640	14 237	2 481
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,51	0,09	0,12	0,02
Consolidated cash flow statement:				
Net cash from operating activities	87 457	(51)	20 931	(12)
Net cash from investing activities	(68)	(944)	(16)	(220)
Net cash from financing activities	(27)	(46)	(6)	(11)
Increase/(Decrease) in net cash and cash equivalents	87 362	(1 041)	20 908	(243)

	IN PLN'000		IN EUR'000	
	31.03.2018	**31.12.2017**	**31.03.2018**	**31.12.2017**
Consolidated statement of financial position:				
Total assets	919 848	897 704	218 569	215 230
Total liabilities	461 511	497 362	109 662	119 246
Share capital	5 869	5 869	1 395	1 407
Equity	458 337	400 342	108 907	95 985
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)	3,90	3,41	0,93	0,82

The above data was translated into EUR as follows:

- items in the consolidated comprehensive income statement and consolidated cash flow statement - by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,1784;
  - for the comparative period: 4,2891;
- items of consolidated statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period: :
  - for the current period: 4,2085;
  - for the comparative period: 4,1709.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)
Result of operations on financial instruments	6.1	112 551	57 650
Income from fees and charges	6.2	1 175	1 052
Other income		11	16
Total operating income	6	113 737	58 718
Salaries and employee benefits	7	(19 452)	(18 425)
Marketing	8	(7 799)	(7 175)
Other external services	9	(6 838)	(4 351)
Costs of maintenance and lease of buildings		(1 939)	(1 912)
Amortisation and depreciation	16,17	(1 479)	(1 330)
Taxes and fees		(367)	(1 019)
Commission expenses	10	(2 335)	(1 499)
Other costs		(834)	(854)
Total operating expenses		(41 043)	(36 565)
Profit on operating activities		72 694	22 153
Finance income	11	4 258	4 501
Finance costs	11	(3 209)	(12 923)
Profit before tax		73 743	13 731
Income tax	25	(14 256)	(3 091)
Net profit		59 487	10 640
Other comprehensive income		(1 492)	(5 323)
Items which will be reclassified to profit (loss) after meeting specific conditions		(1 492)	(5 323)
- foreign exchange differences on translation of foreign operations		*(1 773)*	*(3 691)*
- foreign exchange differences on valuation of separated equity		*347*	*(2 015)*
- deferred income tax		*(66)*	*383*
Total comprehensive income		57 995	5 317
Net profit attributable to shareholders of the Parent Company		59 487	10 640
Total comprehensive income attributable to shareholders of the Parent Company		57 995	5 317
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	24	0,51	0,09
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	24	0,51	0,09
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	24	0,51	0,09
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	24	0,51	0,09

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
ASSTES				
Own cash and cash equivalents	13	452 041	367 096	286 000
Customers' cash and cash equivalents	13	326 372	378 471	406 048
Financial assets held for trading	14	114 505	127 944	114 667
Financial assets available for sale		138	147	173
Income tax receivables		318	375	3 548
Loans granted and other receivables	15	5 829	4 009	9 302
Prepayments and deferred costs		5 613	3 216	4 361
Intangible assets	16	1 775	2 915	9 901
Property, plant and equipment	17	2 760	3 034	3 419
Deferred income tax assets	25	10 497	10 497	10 935
Total assets		919 848	897 704	848 354
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	402 622	421 400	418 384
Financial liabilities held for trading	19	19 657	40 905	28 520
Income tax liabilities		2 867	1 268	2 270
Other liabilities	20	22 433	21 913	22 095
Provisions for liabilities	21	1 759	1 666	922
Deferred income tax provision	25	12 173	10 210	14 953
Total liabilities		461 511	497 362	487 144
Equity				
Share capital	22	5 869	5 869	5 869
Supplementary capital	22	71 608	71 608	71 608
Other reserves	22	247 992	247 992	212 554
Foreign exchange differences on translation	22	(17 398)	(15 906)	(10 268)
Retained earnings		150 266	90 779	81 447
Equity attributable to the owners of the Parent Company		458 337	400 342	361 210
Total equity		458 337	400 342	361 210
Total equity and liabilities		919 848	897 704	848 354

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated statement of changes in equity for the period from 1 January 2018 to 31 March 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2018	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342
Total comprehensive income for the financial year							
Net profit	–	–	–	–	59 487	59 487	59 487
Other comprehensive income	–	–	–	(1 492)	–	(1 492)	(1 492)
Total comprehensive income for the financial year	–	–	–	(1 492)	59 487	57 995	57 995
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	–	–	–	–	–
- dividend payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–	–
As at 31 March 2018 (unaudited)	5 869	71 608	247 992	(17 398)	150 266	458 337	458 337

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

Consolidated statement of changes in equity for the period from 1 January 2017 to 31 December 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	92 973	92 973	92 973
Other comprehensive income	–	–	–	(10 961)	–	(10 961)	(10 961)
Total comprehensive income for the financial year	–	–	–	(10 961)	92 973	82 012	82 012
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	35 438	–	(73 001)	(37 563)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–	–
As at 31 December 2017 (audited)	5 869	71 608	247 992	(15 906)	90 779	400 342	400 342

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

Interim condensed consolidated statement of changes in equity for the period from 1 January 2017 to 31 March 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 554	(4 945)	70 807	355 893	355 893
Total comprehensive income for the financial year							
Net profit	–	–	–	–	10 640	10 640	10 640
Other comprehensive income	–	–	–	(5 323)	–	(5 323)	(5 323)
Total comprehensive income for the financial year	–	–	–	(5 323)	10 640	5 317	5 317
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	–	–	–	–	–
- dividend payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–	–
As at 31 March 2017 (unaudited)	5 869	71 608	212 554	(10 268)	81 447	361 210	361 210

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		73 743	13 731
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		–	6
Amortization and depreciation		1 479	1 330
Foreign exchange (gains) losses from translation of own cash		2 417	3 698
Other adjustments	27.2	(1 480)	(5 212)
Changes			
Change in provisions		93	(26)
Change in balance of financial assets and liabilities held for trading		(7 809)	(13 889)
Change in balance of restricted cash		52 099	(30 406)
Change in balance of loans granted and other receivables		(1 820)	(4 058)
Change in balance of prepayments and accruals		(2 397)	(771)
Change in balance of amounts due to customers		(18 778)	41 116
Change in balance of other liabilities	27.1	547	(554)
Cash from operating activities		98 094	4 965
Income tax paid		(10 637)	(5 018)
Interests		–	2
Net cash from operating activities		87 457	(51)
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	17	(68)	(228)
Expenses relating to payments for intangible assets	16	–	(716)
Net cash from investing activities		(68)	(944)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(27)	(44)
Interest paid under lease		–	(2)
Net cash from financing activities		(27)	(46)
Increase (Decrease) in net cash and cash equivalents		87 362	(1 041)
Cash and cash equivalents – opening balance		367 096	290 739
Effect of FX rates fluctuations on balance of cash in foreign currencies		(2 417)	(3 698)
Cash and cash equivalents – closing balance	13	452 041	286 000

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

ADDITIONAL EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Parent Company", "Brokerage") 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 and a tax identification (NIP) number 527–24–43–955.

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

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

The interim condensed consolidated financial statements cover the following foreign branches which form the Parent Company:

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

1.2 Composition of the Group

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

COMPANY NAME	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
		31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
XTB Limited	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Poland	100%	100%	100%
DUB Investments Ltd	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	100%	100%	100%
Lirsar S.A.	Uruguay	–	–	100%
XTB International Limited	Belize	100%	100%	100%
XTB Chile SpA	Chile	100%	100%	–
XTB Services Limited	Cyprus	100%	100%	–
X Trading Technologies Sp. z o.o.	Poland	100%	–	–

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

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

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

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

On 17 April and on 16 May 2014 the Parent Company acquired 100% shares in X Trade Brokers Menkul Değerler A.Ş. with its registered office in Turkey, as a result of which on 30 April 2014 it took control over the Company. The acquisition of 100% of the shares led to taking up control by the Parent Company. 12 999 996 shares were taken up against the loan granted to Jakub Zabłocki for the purchase of the entity; as at the moment of settlement, the loan was PLN 27 591 thousand. The remaining four shares were purchased with cash. The value of shares taken up by way of settlement against the loan amounted to PLN 28 081 thousand, the shares purchased with cash amounted to PLN 8,88. The fair value of the consideration paid was PLN 28 081 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method, in accordance with the accounting policy adopted for transactions under joint control. As at the acquisition date particular net assets of the acquired company X Trade Brokers Menkul Değerler A.Ş. were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Turkish market of PLN 8 017 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years.

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 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).

In case of closing the activity on the Turkish market which from the accounting point of view means the repayment of the capital / liquidation of the assets (loss of licence) the Group, according to the applicable accounting rules, will be obliged to take action 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 effect of such translation will be recognized as financial expenses. The Group would like to explain that the amount of exchange rate differences concerning the investment in Turkey is derived among other the exchange rate of Turkish lira, which fluctuates therefore as at the date of these financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future.

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The Company's results are consolidated under the acquisition method as of the date of its acquisition. In December 2017 Lirsar with its seat in Uruguay was liquidated. Subsidiary's share capital and retained earnings were transferred to Parent Company on 14 December 2017.

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

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

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

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

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

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The Company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary.

1.3 Composition of the Management Board

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Jakub Zabłocki	Chairman of the Management Board	10.01.2017	delegated for the position for the period of 3 months from the 10 January to 10 April 2017; delegation cancelled on the 23 March 2017
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March appointed for the position of the Chairman of the Management Board
Omar Arnaout	Vice-Chairman of the Management Board	10.01.2017	from the 10 January appointed for the new term of office; on the 23 March 2017 appointed for the position of the Chairman of the Management Board
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Filip Kaczmarzyk	Board Member	10.01.2017	from the 10 January appointed for the new term of office

2. Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2017.

3. Basis for drafting the financial statements

3.1 Compliance statement

These interim condensed consolidated financial statements have been prepared according to the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Group's operations or their impact would be immaterial.

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

The interim condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2018 to 31 March 2018 with comparative data for the period from 1 January 2017 to 31 March 2017 and as at 31 December 2017 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading and financial instruments held for sale 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 interim condensed consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with the IFRS.

The interim condensed consolidated financial statements do not cover all information and disclosures required to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2017.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 9 May 2018. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

3.2 Functional currency and reporting currency

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

3.3 Going concern

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

3.4 Comparability of data and consistency of the policies applied

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

3.5 Changes in the accounting policies

The accounting policies applied in the preparation of the attached consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2017, except for the below amendments. These changes were applied in the attached consolidated financial statements on their effective date and had no significant impact on the disclosed financial information, or did not apply to the Group's transactions:

- IFRS 9 Financial instruments

  The changes refer to the following areas: • Classification and measurement – introduction of three classification categories for debt instruments, i.e. measured at: amortised cost, fair value through other comprehensive income and fair value through profit or loss. Changes were made in the measurement of equity instruments by limiting the possibility of measurement at historical cost; • Expected credit losses – introduction of a new model for recognition of impairment (ECL): impairment charge is required to be measured as lifetime expected credit losses rather than 12-month expected credit losses; • Hedge effectiveness testing and eligibility for hedge accounting – replacement of the precise effectiveness range (80-125%) with a requirement that there is an economic relationship between the hedged item and the hedging instrument and that the hedge ratio is the same as the one used for risk management purposes. Ineffective hedges continue to be taken to a profit and loss account; • Hedged items – new requirements allow appointment of new hedged items in relation to certain economically viable hedging strategies, which, to date, were not eligible under IAS 39; • Hedging instruments – relaxation of requirements pertaining to certain hedging instruments listed in IAS 39. The standard allow recognition of the time value of options purchased and implementing non-derivative financial instruments as hedging instruments; • Recognition of change in the fair value of financial liability arising from changes in the liability's credit risk in other comprehensive income (in principle).

- IFRS 15 Revenue from contracts with customers

  Changes relate to the following areas: • Transfer of control – recognition of revenue only when the customer gains control over a good or service. The amendment makes the definition of the transfer of control more precise. Introducing regulations allowing to define the legitimacy of recognising the revenue over time or at a point in time; • Variable consideration - the amendment takes into account variable consideration in prices of goods or services arising, for example, as a result of penalties or performance bonus; • Allocation of the transaction price on the basis of an adequate sales price per unit - introduction of the requirement to allocate the payment for goods or services in the case of sale under a single contract; • Licences - introduction of the requirement for entities to define the time for which a licence is transferred and specifying more precisely the revenue calculation in the case of transferring a licence at a point in time or over time; • Time value of money – the transaction price is adjusted for the time value of money. The entity may choose not to account for the time value of money when the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months; • Costs of obtaining a contract - introducing the conditions which determine if the given costs of obtaining a contract are subject to capitalization and can be amortised parallel to revenue recognition; • Disclosures - introduction of a requirement to disclose qualitative and quantitative information relating to judgements and changes in the judgements related with revenue recognition.

- Improvements to IFRS 4 Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts

  Improvements to IFRS 4 "Insurance Contracts" address the issue of adopting a new standard, i.e. IFRS 9 "Financial Instruments". Improvements to IFRS 4 supplement the existing options and are aimed to prevent temporary fluctuations in the insurance industry results arising from the implementation of IFRS 9.

- Commentary on IFRS 15 Revenue from contracts with customers

  The commentary is a source of additional information and guidance re: the key assumptions of IFRS 15, including the identification of unit-specific commitments, the establishment of the unit's role (agent vs. principal) and the mode of recording revenue generated under the licence. Apart from additional guidance, there are exemptions and simplified rules for first time adopters.

- Amendments to IFRS 2 Classification and measurement share-based payment transactions

  Changes relate to the following areas: • Guidelines on fair value measurement of liability due to cash-settled share-based payment transaction; • Guidelines on classification modification from cash-based to equity-settled payment transactions and also • Guidelines on employees tax liabilities recognition relating to share-based payment transactions.

- Annual improvements to IFRS 2014 - 2016

  In December 2016, the International Accounting Standards Board published "Annual Improvements to IFRS Standards 2014-2016 Cycle" which amended 3 standards, i.e. IFRS 12 "Disclosure of Interests in Other Entities", IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates". The improvements feature guidelines and amendments re: the scope of applicability, recognition and valuation as well as terminology and editing changes.

- IFRIC 22 Foreign currency transactions and advance consideration

  IFRIC Interpretation 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Interpretation relates to the situation when the transaction is in foreign currency and the entity pays or receives consideration in advance in a foreign currency before the recognition of the related asset, expense or income.

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.

3.6 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:

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– 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 2016;
- 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;
- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018;
- 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 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 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 2019;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 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 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 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 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 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 2019;
- 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.

3.6.1 Implementation of IFRS 16

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.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Group leases properties and cars as disclosed in details in notes 24 and 25.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Group has not decided to IFRS 16 early adoption.

At the date of the authorization of these consolidated financial statements for publication, the Management Board is in the process of assessing the impact of the application of IFRS 16 on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results.

3.6.2 Implementation of other standards and interpretations

At the date of the authorization of these interim condensed consolidated financial statements for publication, the Management Board has not yet completed its assessment of the impact of above standards and interpretations' implementation on the Group's accounting policies relating to its operations or financial results.

4. Adopted accounting principles

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2017, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2018.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result on financial instruments

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
CFDs		
Index CFDs	65 534	43 249
Currency CFDs	33 278	11 782
Commodity CFDs	11 346	2 831
Stock CFDs	956	471
Bond CFDs	149	(123)
Total CFDs	111 263	58 210
Options		
Currency options	2 193	1 609
Index options	454	366
Commodity options	55	105
Bond options	–	2
Total options	2 702	2 082
Shares and listed derivative instruments	8	–
Gross gain on transactions in financial instruments	113 973	60 292
Bonuses and discounts paid to customers	(932)	(797)
Commission paid to cooperating brokers	(490)	(1 845)
Net gain on transactions in financial instruments	112 551	57 650

Bonuses paid to customers are strictly related to trading in financial instruments by the customer with Group. Customers receive 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.

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

6.2 Income from fees and charges

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Fees and charges from institutional clients	900	772
Fees and charges from retail clients	275	280
Total income from fees and charges	1 175	1 052

Other fees and charges refer to commission received from institutional partners and regulatory commission charged to retail customers.

6.3 Geographical areas

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Operating income		
Central and Eastern Europe	53 792	22 893
- including Poland	*30 344*	*10 610*
Western Europe	54 138	30 926
- including Spain	*20 459*	*13 081*
Latin America and Turkey	5 807	4 899
- including Turkey	–	*4 360*
Total operating income	113 737	58 718

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

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

7. Salaries and employee benefits

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Salaries	(15 637)	(14 754)
Social insurance and other benefits	(2 819)	(2 957)
Employee benefits	(996)	(714)
Total salaries and employee benefits	(19 452)	(18 425)

8. Marketing

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Marketing online	(6 078)	(4 750)
Marketing offline	(1 615)	(2 418)
Advertising campaigns	(99)	–
Competitions for clients	(7)	(7)
Total marketing	(7 799)	(7 175)

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

9. Other external services

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)
Support database systems	(1 444)	(1 030)
Legal and advisory services	(1 315)	(657)
Market data delivery	(1 165)	(1 048)
IT support services	(949)	(162)
Internet and telecommunications	(630)	(568)
Accounting and audit services	(444)	(382)
Recruitment	(104)	(227)
Postal and courier services	(33)	(34)
Other external services	(754)	(243)
Total other external services	(6 838)	(4 351)

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)
Bank commissions	(1 185)	(650)
Stock exchange fees and charges	(1 050)	(755)
Commissions of foreign brokers	(100)	(94)
Total commission expenses	(2 335)	(1 499)

11. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)
Interest income		
Interest on own cash	1 576	966
Interest on customers' cash	130	261
Total interest income	1 706	1 227
Foreign exchange gains	2 550	3 272
Other finance income	2	2
Total finance income	4 258	4 501

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)
Interest expense		
Interest paid to customers	(51)	(209)
Interest paid under lease agreements	–	(2)
Other interest	(16)	(66)
Total interest expense	(67)	(277)
Foreign exchange losses	(3 088)	(12 646)
Other finance costs	(54)	–
Total finance costs	(3 209)	(12 923)

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

12. Segment information

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

1. Retail operations, which include the provision of trading in financial instruments for individual 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 Group concludes transactions only with external clients. Transactions between operating segments are not concluded.

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	102 624	9 927	112 551	112 551
CFDs				
Index CFDs	57 672	7 862	65 534	65 534
Currency CFDs	32 152	1 126	33 278	33 278
Commodity CFDs	10 302	1 044	11 346	11 346
Stock CFDs	612	344	956	956
Bond CFDs	188	(39)	149	149
Options				
Currency options	2 193	–	2 193	2 193
Index options	454	–	454	454
Commodity options	55	–	55	55
Shares and listed derivative instruments	8	–	8	8
Bonuses and discounts paid to customers	(522)	(410)	(932)	(932)
Commissions paid to cooperating brokers	(490)	–	(490)	(490)
Fee and commission income	275	900	1 175	1 175
Other income	11	–	11	11
Total operating income	102 910	10 827	113 737	113 737
Salaries and employee benefits	(18 809)	(643)	(19 452)	(19 452)
Marketing	(7 205)	(594)	(7 799)	(7 799)
Other external services	(6 629)	(209)	(6 838)	(6 838)
Cost of maintenance and lease of buildings	(1 887)	(52)	(1 939)	(1 939)
Amortization and depreciation	(1 468)	(11)	(1 479)	(1 479)
Taxes and fees	(363)	(4)	(367)	(367)
Commission expense	(2 316)	(19)	(2 335)	(2 335)
Other expenses	(568)	(266)	(834)	(834)
Total operating expenses	(39 245)	(1 798)	(41 043)	(41 043)
Operating profit	63 665	9 029	72 694	72 694
Finance income	–	–	–	4 258
Finance costs	–	–	–	(3 209)
Profit before tax	–	–	–	73 743
Income tax	–	–	–	(14 256)
Net profit	–	–	–	59 487

ASSETS AND LIABILITIES AS AT 31.03.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	286 305	40 067	326 372	326 372
Financial assets held for trading	108 673	5 832	114 505	114 505
Other assets	478 612	359	478 971	478 971
Total assets	873 590	46 258	919 848	919 848
Amounts due to customers	359 518	43 104	402 622	402 622
Financial liabilities held for trading	16 895	2 762	19 657	19 657
Other liabilities	39 228	4	39 232	39 232
Total liabilities	415 641	45 870	461 511	461 511

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	43 762	13 888	57 650	57 650
CFDs				
Index CFDs	26 133	17 116	43 249	43 249
Currency CFDs	13 001	(1 219)	11 782	11 782
Commodity CFDs	4 177	(1 346)	2 831	2 831
Stock CFDs	429	42	471	471
Bond CFDs	(85)	(38)	(123)	(123)
Options				
Currency options	1 609	-	1 609	1 609
Index options	366	-	366	366
Commodity options	105	-	105	105
Bond options	2	-	2	2
Bonuses and discounts paid to customers	(797)	-	(797)	(797)
Commissions paid to cooperating brokers	(1 178)	(667)	(1 845)	(1 845)
Fee and commission income	280	772	1 052	1 052
Other income	16	-	16	16
Total operating income	**44 058**	**14 660**	**58 718**	**58 718**
Salaries and employee benefits	(18 006)	(419)	(18 425)	(18 425)
Marketing	(6 913)	(262)	(7 175)	(7 175)
Other external services	(3 924)	(427)	(4 351)	(4 351)
Cost of maintenance and lease of buildings	(1 860)	(52)	(1 912)	(1 912)
Amortization and depreciation	(1 327)	(3)	(1 330)	(1 330)
Taxes and fees	(1 016)	(3)	(1 019)	(1 019)
Commission expense	(1 482)	(17)	(1 499)	(1 499)
Other expenses	(776)	(78)	(854)	(854)
Total operating expenses	**(35 304)**	**(1 261)**	**(36 565)**	**(36 565)**
Operating profit	**8 754**	**13 399**	**22 153**	**22 153**
Finance income	-	-	-	4 501
Finance costs	-	-	-	(12 923)
Profit before tax	-	-	-	**13 371**
Income tax	-	-	-	(3 091)
Net profit	-	-	-	**10 640**

ASSETS AND LIABILITIES AS AT 31.12.2017 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	335 799	42 672	378 471	378 471
Financial assets held for trading	120 433	7 511	127 944	127 944
Other assets	390 961	328	391 289	391 289
Total assets	847 193	50 511	897 704	897 704
Amounts due to customers	374 747	46 653	421 400	421 400
Financial liabilities held for trading	37 376	3 529	40 905	40 905
Other liabilities	35 053	4	35 057	35 057
Total liabilities	447 176	50 186	497 362	497 362

ASSETS AND LIABILITIES AS AT 31.03.2017 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	369 132	36 916	406 048	406 048
Financial assets held for trading	107 880	6 787	114 667	114 667
Other assets	327 345	294	327 639	327 639
Total assets	804 357	43 997	848 354	848 354
Amounts due to customers	381 468	36 916	418 384	418 384
Financial liabilities held for trading	27 456	1 064	28 520	28 520
Other liabilities	40 228	12	40 240	40 240
Total liabilities	449 152	37 992	487 144	487 144

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
In hand	1	1	30
In current bank accounts	778 131	743 142	690 618
Short-term bank deposits	281	2 424	1 400
Cash and cash equivalents in total	778 413	745 567	692 048

Restricted own and customers' cash

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Customers' cash and cash equivalents	326 372	378 471	406 048
Own cash and cash equivalents	452 041	367 096	286 000
Cash and cash equivalents in total	778 413	745 567	692 048

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

14. Financial assets held for trading

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Index CFDs	44 313	56 760	80 081
Currency CFDs	23 670	28 263	20 235
Commodity CFDs	18 316	14 415	10 580
Stock CFDs	7 790	5 447	3 620
Bond CFDs	186	92	151
Stocks	20 230	22 967	–
Total financial assets held for trading	114 505	127 944	114 667

Detailed information on the estimated fair value of the instrument is presented in note 32.1.1.

15. Loans and other receivables

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Gross amounts due from customers	2 732	2 667	2 707
Impairment write-downs of receivables	(2 475)	(2 480)	(2 365)
Total amounts due from customers	257	187	342
Trade receivables	2 544	1 543	6 392
Deposits	1 827	1 791	1 866
Statutory receivables	1 712	1 030	1 305
Impairment write-downs of other receivables	(511)	(542)	(603)
Total other receivables	5 829	4 009	9 302

Movements in impairment write-downs of receivables

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(3 022)	(3 107)	(3 107)
Write-downs recorded	(156)	(567)	(243)
Write-downs reversed	120	146	287
Write-downs utilized	72	506	95
Impairment write-downs of receivables – at the end of the reporting period	(2 986)	(3 022)	(2 968)

Write-downs of receivables in 2018 and 2017 resulted from the debit balances which arose in customers' accounts in those periods.

16. Intangible assets

Intangible assets in the period from 1 January 2018 to 31 March 2018 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2018	5 541	10 792	4 814	–	21 147
Additions	–	–	–	–	–
Sale and scrapping	–	–	–	–	–
Impairment of intangible assets	–	–	–	–	–
Net foreign exchange differences	3	–	–	–	3
Gross value as at 31 March 2018	5 544	10 792	4 814	–	21 150
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(112)	(482)	(544)	–	(1 138)
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	(5)	–	–	–	(5)
Accumulated amortization as at 31 March 2018	(4 812)	(9 977)	(4 586)	–	(19 375)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 31 March 2018	732	815	228	–	1 775

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

Intangible assets in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2017	5 190	10 792	8 017	–	23 999
Additions	496	–	2 409	–	2 905
Sale and scrapping	(94)	–	–	–	(94)
Impairment of intangible assets	–	–	(5 612)	–	(5 612)
Net foreign exchange differences	(51)	–	–	–	(51)
Gross value as at 31 December 2017	5 541	10 792	4 814	–	21 147
Accumulated amortization as at 1 January 2017	(4 350)	(7 451)	(2 138)	–	(13 939)
Amortization for the current period	(479)	(2 044)	(1 904)	–	(4 427)
Sale and scrapping	94	–	–	–	94
Net foreign exchange differences	40	–	–	–	40
Accumulated amortization as at 31 December 2017	(4 695)	(9 495)	(4 042)	–	(18 232)
Net book value as at 1 January 2017	840	3 341	5 879	–	10 060
Net book value as at 31 December 2017	846	1 297	772	–	2 915

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

In the period ended 31 December 2017 the Group recognized an impairment of licence for the brokerage activity in Turkey in the amount of PLN 5 612 thousand. There was no impairment in the analogical period. The impairment was presented in comprehensive income statement in line Impairment of intangible assets.

Intangible assets in the period from 1 January 2017 to 31 March 2017 (unaudited)

(IN PLN'000)	LICENCES FOR COMPUTER SOFTWARE	INTANGIBLE ASSETS MANUFACTURED INTERNALLY	OTHER INTANGIBLE ASSETS	ADVANCES FOR INTANGIBLE ASSETS	TOTAL
Gross value as at 1 January 2017	5 190	10 792	8 017	–	23 999
Additions	455	–	261	–	716
Sale and scrapping	(1)	–	–	–	(1)
Net foreign exchange differences	(53)	–	–	–	(53)
Gross value as at 31 March 2017	5 591	10 792	8 278	–	24 661
Accumulated amortization as at 1 January 2017	(4 350)	(7 451)	(2 138)	–	(13 939)
Amortization for the current period	(122)	(540)	(205)	–	(867)
Sale and scrapping	1	–	–	–	1
Net foreign exchange differences	45	–	–	–	45
Accumulated amortization as at 31 March 2017	(4 426)	(7 991)	(2 343)	–	(14 760)
Net book value as at 1 January 2017	840	3 341	5 879	–	10 060
Net book value as at 31 March 2017	1 165	2 801	5 935	–	9 901

Intangible assets manufactured internally relate to a financial instrument trading platform and applications compatible with this platform. Other intangible assets relate to the separated licence value under the acquisition of the subsidiary described in note 1.2.

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2018 to 31 March 2018 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2018	9 131	6 100	100	–	15 331
Additions	75	69	(76)	–	68
Sale and scrapping	(3)	–	–	–	(3)
Net foreign exchange differences	(9)	33	–	–	24
Gross value as at 31 March 2018	9 194	6 202	24	–	15 420
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(233)	(108)	–	–	(341)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	3	(27)	–	–	(24)
Accumulated amortization as at 31 March 2018	(7 705)	(4 955)	–	–	(12 660)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 31 March 2018	1 489	1 247	24	–	2 760

Property, plant and equipment in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2017	9 534	7 162	143	–	16 839
Additions	873	457	(43)	–	1 287
Sale and scrapping	(1 073)	(1 141)	–	–	(2 214)
Net foreign exchange differences	(203)	(378)	–	–	(581)
Gross value as at 31 December 2017	9 131	6 100	100	–	15 331
Accumulated amortization as at 1 January 2017	(7 530)	(5 563)	–	–	(13 093)
Amortization for the current period	(1 100)	(527)	–	–	(1 627)
Sale and scrapping	1 020	952	–	–	1 972
Net foreign exchange differences	133	318	–	–	451
Accumulated amortization as at 31 December 2017	(7 477)	(4 820)	–	–	(12 297)
Net book value as at 1 January 2017	2 004	1 599	143	–	3 746
Net book value as at 31 December 2017	1 654	1 280	100	–	3 034

Property, plant and equipment in the period from 1 January 2017 to 31 March 2017 (unaudited)

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
Gross value as at 1 January 2017	9 534	7 162	143	–	16 839
Additions	181	188	(141)	–	228
Sale and scrapping	(122)	(33)	–	–	(155)
Net foreign exchange differences	(114)	(228)	(2)	–	(344)
Gross value as at 31 March 2017	9 479	7 089	–	–	16 568
Accumulated amortization as at 1 January 2017	(7 530)	(5 563)	–	–	(13 093)
Amortization for the current period	(294)	(169)	–	–	(463)
Sale and scrapping	116	33	–	–	149
Net foreign exchange differences	76	182	–	–	258
Accumulated amortization as at 31 March 2017	(7 632)	(5 517)	–	–	(13 149)
Net book value as at 1 January 2017	2 004	1 599	143	–	3 746
Net book value as at 31 March 2017	1 847	1 572	–	–	3 419

Non-current assets by geographical area

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	3 582	4 413	6 440
- including Poland	*3 282*	*4 072*	*5 990*
Western Europe	517	530	487
- including Spain	*135*	*138*	*175*
Latin America and Turkey	436	1 006	6 393
Total non-current assets	4 535	5 949	13 320

18. Amounts due to customers

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Amounts due to retail customers	359 518	374 747	381 468
Amounts due to institutional customers	43 104	46 653	36 916
Total amounts due to customers	402 622	421 400	418 384

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

19. Financial liabilities held for trading

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Index CFDs	8 924	12 523	18 676
Currency CFDs	4 292	20 809	3 472
Commodity CFDs	3 448	4 677	3 598
Stock CFDs	2 968	2 844	2 727
Bond CFDs	25	52	47
Total financial liabilities held for trading	19 657	40 905	28 520

20. Other liabilities

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Trade liabilities	8 440	5 608	7 642
Provisions for other employee benefits	8 157	12 379	7 306
Statutory liabilities	4 794	3 196	5 691
Liabilities due to employees	628	525	1 183
Liabilities due to brokers	229	–	–
Liabilities under finance lease	101	128	214
Amounts due to the Central Securities Depository of Poland	84	77	59
Total other liabilities	22 433	21 913	22 095

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.

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

Program of variable remuneration elements

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

The value of provisions for employee benefits includes 50 per cent of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 50 per cent of the value based on financial instruments, paid in the years 2015–2018.

As at 31 March 2018, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 419 thousand, as at 31 December 2017 in the amount of PLN 419 thousand and as at 31 March 2017 in the amount of PLN 563 thousand.

21. Provisions for liabilities and contingent liabilities

21.1 Provisions for liabilities

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Provisions for retirement benefits	933	846	187
Provisions for legal risk	826	820	735
Total provisions	1 759	1 666	922

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

Provisions for legal risk include expected amounts of payments to be made in connection with disputes to which the Group is a party. As at the date of preparation of these financial statements, the Group is not able to specify when the above liabilities will be repaid.

Movements in provisions in the period from 1 January 2018 to 31 March 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	INCREASES	DECREASES		AS AT 31.03.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	87	–	–	933
Provisions for legal risk	820	6	–	–	826
Total provisions	1 666	93	–	–	1 759

Movements in provisions in the period from 1 January 2017 to 31 December 2017 (audited)

(IN PLN'000)	AS AT 01.01.2017	INCREASES	DECREASES		AS AT 31.12.2018
			USE	REVERSAL	
Provisions for retirement benefits	177	690	–	21	846
Provisions for legal risk	771	250	201	–	820
Total provisions	948	940	201	21	1 666

Movements in provisions in the period from 1 January 2017 to 31 March 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	INCREASES	DECREASES		AS AT 31.03.2017
			USE	REVERSAL	
Provisions for retirement benefits	177	10	–	–	187
Provisions for legal risk	771	–	–	36	735
Total provisions	948	10	–	36	922

21.2 Contingent liabilities

The Group is party to a number of court proceedings associated with the Group's operations. The proceedings in which the Parent Company and Group companies act as defendant relate mainly to employees' and customers' claims. As at 31 March 2018 the total value of claims brought against the Parent Company and Group companies amounted to approx. PLN 7,12 million (as at 31 December 2017: PLN 6,23 million, as at 31 March 2017: PLN 5,82 million). Parent Company has not created provisions for the above proceedings. In the assessment of the Parent Company there is low probability of loss in these proceedings.

On 17 November 2017 the Parent Company received decision issued by Polish Financial Supervision Authority dated 14 November 2017 on initiation of administrative proceedings regarding the imposition of a fine on the Parent Company in connection with the suspicion of a significant violation of the law, in particular in the area of brokerage services for the benefit of the Parent Company's clients as well as the organization and operation of transaction systems. According to the above mentioned decision Polish Financial Supervision Authority may impose a fine up to 10% of income presented in the last audited financial statements. In the Parent Company's opinion the violations indicated by the Polish Financial Supervision Authority are unfounded and are not confirmed in the actual situation. Moreover the Parent Company does not identify the risk of clients' claims concerning the issues raised by the Polish Financial Supervision Authority that would any have material effect on these financial statements.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 52 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 1 502 thousand.

On the 30 June 2016 the Parent Company concluded the agreement with K3 System Sp. z o.o. for lease of computer hardware which is secured with a bill of exchange with the bill declaration for the maximum amount of PLN 200 thousand.

On 7 July 2017 the Parent Company issued a guarantee in the amount of PLN 5 277 thousand to secure the agreement concluded between subsidiary XTB Limited based in UK and Worldpay (UK) Limited, Worldpay Limited and Worldpay AP LTD based in UK. The guarantee was issued for the period of the agreement which was concluded for three years with the possibility of further extension.

22. Equity

Share capital structure as at 31 March 2018, 31 December 2017 and 31 March 2017

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 Parent 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 Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 March 2018 and as at 31 December 2017 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.	6 243 759	312	5,32%
Other shareholders	10 229 875	511	8,71%
Total	117 383 635	5 869	100,00%

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 31 March 2017 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 126 913	3 906	66,56%
Systexan SARL	22 280 207	1 114	18,98%
Other shareholders	16 976 515	849	14,46%
Total	117 383 635	5 869	100,00%

Other capitals

Other capitals consist of:

- supplementary capital, 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 247 992 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 (17 398) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	374	289	72
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	290	296	272
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	269	224	283
X-Trade Brokers Dom Maklerski Spółka Akcyjna	59	17	(89)
XTB Services Limited	–	(4)	–
Lirsar S.A.	–	–	20
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	(3)	(10)	(1)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	(6)	(17)	(3)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	(25)	(63)	(13)
XTB Chile SpA	(26)	(30)	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(82)	(117)	(71)
DUB Investments Ltd	(120)	(154)	(110)
XTB International	(362)	(319)	(21)
XTB Limited	(765)	(968)	(543)
X Trade Brokers Menkul Değerler A.Ş.	(17 001)	(15 050)	(10 064)
Total foreign exchange differences on translation	(17 398)	(15 906)	(10 268)

23. Profit distribution and dividend

As at 31 March 2018 the profit for 2017 has not been split. The split of 2017 profit was done on 10 April 2018 as described in note 28.

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2016 in the amount of PLN 72 999 thousand was partially earmarked for the payment of a dividend in the amount of PLN 37 563 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2016, paid on 23 May 2017, amounted to PLN 37 563 thousand. The amount of dividend per share paid for 2016 was equal to PLN 0,32.

24. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. When calculating both basic and diluted earnings per share, the Group uses the amount of net profit attributable to shareholders of the Group 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)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	59 487	10 640
Weighted average number of ordinary shares	117 383 635	117 383 635
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	0,51	0,09
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,51	0,09

25. Current income tax and deferred income tax

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.

25.1 Income tax

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(12 359)	(111)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(1 897)	(2 980)
Income tax disclosed in profit and loss	(14 256)	(3 091)

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Profit before tax	73 743	13 731
Income tax based in the applicable tax rate of 19%	(14 011)	(2 609)
Difference resulting from application of tax rates applicable in other countries	49	(41)
Non-taxable revenue	6	8
Non-deductible expenses	(135)	(116)
Realisation of tax losses for the preceding periods	9	10
Other items affecting the tax burden amount	(174)	(343)
Income tax disclosed in profit or loss	(14 256)	(3 091)

25.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 31 March 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.03.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	–	91
Loans granted and other receivables	45	(45)	–
Financial liabilities held for trading	6 670	(3 681)	2 989
Provisions for liabilities	245	(197)	48
Prepayments and deferred costs	1 436	(60)	1 376
Other liabilities	19	(4)	15
Tax losses of previous periods to be settled in future periods	10 145	26	10 171
Total deferred income tax assets	18 652	(3 962)	14 690

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.03.2018
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 31.03.2018
Deferred income tax provision:			
Financial assets held for trading	18 108	(1 988)	16 120
Other liabilities	8	7	15
Prepayments and deferred costs	16	7	23
Property, plant and equipment	247	(91)	156
Total deferred income tax provision	18 379	(2 065)	16 314
Deferred tax disclosed in profit or (loss)	–	(1 897)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 31.03.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	52	52
Total deferred income tax provision included directly in the equity	–	52	52

Change in the balance of deferred tax for the period from 1 January to 31 December 2017 (audited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax assets:			
Cash and cash equivalents	–	1	1
Property, plant and equipment	100	(9)	91
Loans granted and other receivables	45	–	45
Financial liabilities held for trading	4 113	2 557	6 670
Provisions for liabilities	50	195	245
Prepayments and deferred costs	1 262	174	1 436
Other liabilities	22	(3)	19
Tax losses of previous periods to be settled in future periods	11 293	(1 148)	10 145
Total deferred income tax assets	16 885	1 767	18 652

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
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 01.01.2017	PROFIT OR (LOSS)	AS AT 31.12.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	965	18 108
Other liabilities	1	7	8
Loans granted and other receivables	4	(4)	–
Prepayments and deferred costs	21	(5)	16
Property, plant and equipment	658	(411)	247
Total deferred income tax provision	17 827	552	18 379
Deferred tax disclosed in profit or (loss)	–	1 215	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.12.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(479)	–
Total deferred income tax provision included directly in the equity	479	(479)	–

Change in the balance of deferred tax for the period from 1 January to 31 March 2017 (unaudited)

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.03.2017
Deferred income tax assets:			
Property, plant and equipment	100	3	103
Loans granted and other receivables	45	1	46
Financial liabilities held for trading	4 113	825	4 938
Provisions for liabilities	50	(1)	49
Prepayments and deferred costs	1 262	(20)	1 242
Other liabilities	22	(15)	7
Tax losses of previous periods to be settled in future periods	11 293	(575)	10 718
Total deferred income tax assets	16 885	218	17 103

(IN PLN'000)	AS AT 01.01.2017	PROFIT OR (LOSS)	AS AT 31.03.2017
Deferred income tax provision:			
Financial assets held for trading	17 143	3 293	20 436
Other liabilities	1	1	2
Loans granted and other receivables	4	(1)	3
Prepayments and deferred costs	21	11	32
Property, plant and equipment	658	(106)	552
Total deferred income tax provision	17 827	3 198	21 025
Deferred tax disclosed in profit or (loss)	–	(2 980)	–

(IN PLN'000)	AS AT 01.01.2017	INCLUDED IN EQUITY	AS AT 31.03.2017
Deferred income tax provision included directly in the equity:			
Separate equity of branches	479	(383)	96
Total deferred income tax provision included directly in the equity	479	(383)	96

Geographical division of deferred income tax assets

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Deferred income tax assets			
Central and Eastern Europe	52	100	64
- including Poland	–	–	–
Western Europe	10 196	10 172	10 714
- including Spain	–	–	–
Latin America and Turkey	248	225	157
Total deferred income tax assets	10 497	10 497	10 935

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 March 2018 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	4 178	16 351	–	12 173
Czech Republic	35	15	20	–
Slovakia	33	–	33	–
Germany	2 811	–	2 811	–
France	5 405	–	5 405	–
Great Britain	1 980	–	1 980	–
Turkey	24	–	24	–
Chile	224	–	224	–
Total	14 690	16 366	10 497	12 173

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 2017 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	8 160	18 370	–	10 210
Czech Republic	49	–	49	–
Slovakia	60	9	51	–
Germany	2 815	–	2 815	–
France	5 387	–	5 387	–
Great Britain	1 970	–	1 970	–
Turkey	26	–	26	–
Chile	199	–	199	–
Total	18 666	18 379	10 497	10 210

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 March 2017 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSETS	DEFERRED INCOME TAX PROVISION
Poland	6 168	21 121	–	14 953
Czech Republic	29	–	29	–
Slovakia	36	–	36	–
Germany	2 954	–	2 954	–
France	5 548	–	5 548	–
Great Britain	2 211	–	2 211	–
Turkey	157	–	157	–
Total	17 103	21 121	10 935	14 953

26. Related party transactions

26.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 31 March 2018 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.

26.2 Figures concerning related party transactions

As at 31 March 2018 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 38 thousand due to his investment account. As at 31 December 2017 and 31 Match 2017 the Group had no settlements with related parties. In the periods covered by the interim condensed consolidated financial statements there we no revenues or expenses resulting from transactions with related entities.

26.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Benefits to the Management Board members	(506)	(1 559)
Benefits to the Supervisory Board members	(30)	(27)
Total benefits to the Management Board and Supervisory Board	(536)	(1 586)

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

Members of the Management Board of the Parent Company are included in the scheme of variable remuneration elements specified in note 23 of the financial statements. The value of the element settled in financial instruments in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 419 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 36.4 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

26.4 Share-based payments

Pursuant to the Shareholders Agreement of the Parent Company of 28 March 2011, the Parent Company introduced an incentive scheme for the key employees, who received the right to shares of the Company before 2012, constituting a payment programme in the form of share options ("Options programme"). The value of the program depends on individual targets set for the employees in relation to the results of the Company in specific years. The scheme covers the years 2011-2014. For 2011, rights to shares were acquired by three employees in the amount of 177 025 items, for 2012, one employee acquired rights to shares in the amount of 41 245 items, for 2013, one employee acquired rights to shares in the amount of 123 370 items and for 2014 and 2015, according to the best knowledge of the Company's Management Board, no employee will acquire rights to shares. In total, the employees acquired 341 640 rights to shares. The estimated value of the scheme as at the balance-sheet date is PLN 462 thousand. The vesting period expired in 2015. Depending on individual contracts, the shares can be acquired starting from 2014 based on the participation rules specified in the Options Program.

On the 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

For the shares options granted, the fair value of services rendered by the key employees is measured in relation to the fair value of rights granted as at the date of granting. The fair value of rights is determined based on option estimation models, which include among others execution price, share price as at the date of granting, expected variability of option value during the programme and other appropriate factors affecting fair value. The Group assesses the probability of acquiring the rights in the programme, which affects the programme value in the costs for the period.

The following ratios were adopted in the valuation of the share option plan: volatility ratio of 54,69%, risk-free interest rate of 5,03%, weighted average share price of PLN 494,42.

No other features relating to grant of options were taken into consideration during fair value measurement.

Unrealized rights to shares

	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	–	84 805	84 805
Realized rights to shares	–	(84 805)	(84 805)
Unrealized rights to shares as at the end of the period	–	–	–

Volatility used to measure the options was calculated on the basis of the average volatility of share prices of peer companies. Volatility in the peer group of companies was calculated based on historical daily rates of return. Based on the daily rates of return, the standard deviation was calculated and annualised, on the assumption that a trading year lasts 250 days. The period for which the rates of return were accounted for complied with the options exercise period. Volatility was calculated for each option in appropriate periods. Companies which were listed for a period shorter than the option exercise period were eliminated from the peer group.

26.5 Loans granted to the Management Board and Supervisory Board Members

As at 31 March 2018, 31 December 2017 and 31 March 2017 there are no loans granted to the Management and Supervisory Board members.

27. Supplementary information and explanations to the cash flow statement

27.1 Change in the balance of other liabilities

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Change in other liabilities	520	(598)
Payment of finance lease liabilities	27	44
Change in the balance of other liabilities	547	(554)

27.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(1 492)	(5 323)
Foreign exchange differences in translation of financial assets available for sale	9	17
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	3	94
Change in other adjustments	(1 480)	(5 212)

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

28. Post balance sheet events

On 10 April 2018 General Shareholders' Meeting of the Parent Company made a decision on retaining the whole Parent's Company net profit for 2017, i.e. transferring 2017 net profit to reserve capital.

On 10 April 2018 Quercus TFI S.A. attended the General Shareholders' Meeting of the Parent Company verifying the number of shares held to 5 930 000 and nominal value of PLN 297 thousand decreasing its share in Company's capital to 5,05%. Therefore to the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 10 April 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%

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 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).

On 25 April 2018 Mr. Paweł Frańczak resigned from his position in the Management Board of the Parent Company. At the same time, the Supervisory Board of XTB appointed Mr. Jakub Kubacki for the position of the Member of the Management Board of the Company. The resolution comes into force and the appointment becomes effective, provided that the Polish Financial Supervision Authority shall give its consent according to art. 102a of Act on Trading.

29. Customers' financial instruments and nominal values of transactions in derivatives (off-balance sheet items)

29.1 Nominal value of derivatives

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
CFDs			
Index CFDs	1 506 456	2 330 361	2 192 069
Currency CFDs	1 238 457	1 324 424	1 482 623
Commodity CFDs	519 596	420 791	343 808
Stock CFDs	107 611	127 443	116 065
Bond CFDs	23 212	23 761	21 123
Stocks	20 224	22 967	–
Total financial instruments	3 415 556	4 249 747	4 155 688

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 31 March 2018 transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2017: 2% of the total nominal value of instruments, as at 31 March 2017: 6% of the total nominal value of instruments).

29.2 Customers' financial instruments

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

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	1 579	83	215
Other securities registered in customers' securities accounts	311	329	332
Total customers' financial instruments	1 890	412	547

30. Items regarding the compensation scheme

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 285	2 687	2 687
- increases	*177*	*598*	*141*
b) closing balance	3 462	3 285	2 828
2. XTB's share in the profits from the compensation scheme	223	213	188

31. Capital management

The Group'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 Parent Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Parent Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Group and its business environment.

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

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

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

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

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

- capital requirements calculated in accordance with the Regulation (EU) of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and
- internal capital estimated in compliance with the Ordinance of the Minister of Finance of 27 September 2012 on defining detailed technical and organizational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2012, item 1072, as amended).

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

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

Prudential consolidation according to the CRR applies to subsidiaries in excess of the threshold referred to in Article 19 of the CRR. As regards the Group, the Parent Company includes its subsidiary X-Trade Brokers Menkul Değerler A.Ş. in prudential consolidation, from 31 October 2015 includes its subsidiary XTB Limited and from 30 April 2017 includes its subsidiary XTB International.

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

Key values in capital management:

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
The Company's own funds	318 916	317 344	247 550
Tier I Capital	318 916	317 344	247 550
Common Equity Tier I capital	318 916	317 344	247 550
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total risk exposure	2 173 939	2 630 505	2 457 792
Capital conservation buffer	40 761	32 881	30 722
Countercyclical capital buffer	1 867	3 100	679
Combined buffer requirement	42 628	35 981	31 401

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

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

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

(IN PLN'000)	AS AT 31.03.2018 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2017 (AUDITED)	AS TA 31.03.2017 (UNAUDITED)
1. Capital/Own funds	318 916	317 718	317 344	247 550
1.1. Base capital/Common Equity Tier I without deductions	324 868	324 868	324 868	289 429
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(5 952)	(7 150)	(7 524)	(41 879)
2. Amount of Tier II capital included in the value of capital subject to monitoring/Tier II capital	–	–	–	–
I. Level of capitals subject to monitoring/Own funds	318 916	317 718	317 344	247 550
1. Market risk	104 121	109 527	138 118	127 014
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	7 887	8 917	10 998	8 578
3. Credit risk	21 734	18 608	21 151	22 787
4. Operating risk	40 172	39 827	40 172	38 245
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	–
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	173 915	176 880	210 439	196 624
IIb. Total risk exposure	2 173 939	2 211 000	2 630 505	2 457 792
Capital conservation buffer	40 761	41 456	32 881	30 722
Countercyclical capital buffer	1 867	3 970	3 100	679
Combined buffer requirement	42 628	45 262	35 981	31 401

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.

32. Risk management

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

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

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

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

The Parent Company's Supervisory Board approves risk management system.

32.1 Fair value

32.1.1 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.

32.1.2 Fair value hierarchy

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

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

(IN PLN'000)	31.03.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	20 230	94 275	–	114 505
Financial assets available for sale	–	138	–	138
Total assets	20 230	94 413	–	114 643
Financial liabilities				
Financial liabilities held for trading	–	19 657	–	19 657
Total liabilities	–	19 657	–	19 657

(IN PLN'000)	31.12.2017 (AUDITED) LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	22 967	104 977	–	127 944
Financial assets available for sale	–	147	–	147
Total assets	22 967	105 124	–	128 091
Financial liabilities				
Financial liabilities held for trading	–	40 905	–	40 905
Total liabilities	–	40 905	–	40 905

(IN PLN'000)	31.03.2017 (UNAUDITED) LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	114 667	–	114 667
Financial assets available for sale	–	173	–	173
Total assets	–	114 840	–	114 840
Financial liabilities				
Financial liabilities held for trading	–	28 520	–	28 520
Total liabilities	–	28 520	–	28 520

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

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

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

32.2 Market risk

In the period covered by these interim condensed 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 Company's practice in this area is consistent with the following principles.

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

32.3 Currency risk

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

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

Assets and liabilities denominated in foreign currencies as at 31 March 2018 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	39 150	87 956	5 508	23 949	2 062	1 435	30 263	190 323	452 041
Customers' cash and cash equivalents	22 951	173 187	4 736	33 832	3 147	6 569	5 649	250 071	326 372
Financial assets held for trading	17 808	55 889	1 298	10 500	1 971	955	1 107	89 528	114 505
Financial assets available for sale	–	–	–	–	–	–	138	138	138
Income tax receivables	–	106	–	90	–	–	–	196	318
Loans granted and other receivables	515	3 063	168	157	10	136	740	4 789	5 829
Prepayments and deferred costs	104	272	200	181	–	22	108	887	5 613
Intangible assets	–	12	–	11	–	–	25	48	1 775
Property, plant and equipment	–	497	39	228	–	29	182	975	2 760
Deferred income tax assets	–	8 234	1 980	35	–	–	248	10 497	10 497
Total assets	80 528	329 216	13 929	68 983	7 190	9 146	38 460	547 452	919 848
Liabilities									
Amounts due to customers	32 817	206 168	5 583	42 826	4 957	6 475	6 368	305 194	402 622
Financial liabilities held for trading	5 468	7 657	341	1 459	204	181	414	15 724	19 657
Income tax liabilities	–	148	–	–	–	–	24	172	2 867
Other liabilities	1 008	8 725	960	1 004	–	176	1 321	13 194	22 433
Provisions for liabilities	–	–	–	–	–	428	833	1 261	1 759
Deferred income tax provision	–	–	–	–	–	–	–	–	12 173
Total liabilities	39 293	222 698	6 884	45 289	5 161	7 260	8 960	335 545	461 511

Assets and liabilities denominated in foreign currencies as at 31 December 2017 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	36 906	55 776	4 778	17 765	1 709	1 272	31 241	149 447	367 096
Customers' cash and cash equivalents	29 179	203 627	6 584	37 059	2 803	3 454	6 898	289 604	378 471
Financial assets held for trading	15 392	63 456	1 814	10 675	1 056	1 557	2 369	96 319	127 994
Financial assets available for sale	–	–	–	–	–	–	147	147	147
Income tax receivables	–	61	–	54	–	–	260	375	375
Loans granted and other receivables	328	2 558	183	17	–	148	229	3 463	4 009
Prepayments and deferred costs	107	75	392	176	–	10	24	784	3 216
Intangible assets	–	14	–	15	–	–	30	59	2 915
Property, plant and equipment	–	500	56	251	–	34	202	1 043	3 034
Deferred income tax assets	–	8 253	1 970	49	–	–	225	10 497	10 497
Total assets	81 912	334 320	15 777	66 061	5 568	6 475	41 625	551 738	897 704
Liabilities									
Amounts due to customers	41 280	222 477	5 438	42 061	3 596	4 822	164	319 838	421 400
Financial liabilities held for trading	4 130	15 372	2 642	3 904	168	147	1 037	27 400	40 905
Income tax liabilities	–	320	–	–	–	–	135	455	1 268
Other liabilities	526	6 364	2 178	1 572	–	391	1 244	12 275	21 913
Provisions for liabilities	–	–	–	–	–	425	754	1 179	1 666
Deferred income tax provision	–	–	–	–	–	–	–	–	10 210
Total liabilities	45 936	244 533	10 258	47 537	3 764	5 785	3 334	361 133	497 362

Assets and liabilities denominated in foreign currencies as at 31 March 2017 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	OTHER CURRENCIES	TOTAL	
Assets									
Own cash and cash equivalents	60 333	124 027	4 727	23 069	5 688	4 410	39 041	261 295	286 000
Customers' cash and cash equivalents	31 899	187 863	3 017	49 018	4 318	4 539	3 517	284 171	406 048
Financial assets held for trading	5 848	53 293	528	10 311	2 418	1 811	2 149	76 358	114 667
Financial assets available for sale	–	–	–	–	–	–	173	173	173
Income tax receivables	–	71	–	985	–	–	413	1 469	3 548
Loans granted and other receivables	4 973	2 188	1 094	72	–	72	336	8 735	9 302
Prepayments and deferred costs	5	292	522	154	–	14	230	1 217	4 361
Intangible assets	–	26	–	30	–	–	32	88	9 901
Property, plant and equipment	–	427	105	316	–	33	426	1 307	3 419
Deferred income tax assets	–	8 538	2 212	29	–	–	157	10 936	10 935
Total assets	103 058	376 725	12 205	83 984	12 424	10 879	46 474	645 749	848 354
Liabilities									
Amounts due to customers	39 350	191 965	3 371	48 643	5 099	4 563	3 520	296 511	418 384
Financial liabilities held for trading	1 510	16 420	172	1 523	227	852	341	21 045	28 520
Income tax liabilities	–	252	–	–	–	–	–	252	2 270
Other liabilities	1 455	5 914	1 256	1 467	–	384	1 891	12 367	22 095
Provisions for liabilities	–	148	–	–	–	440	79	667	922
Deferred income tax provision	–	–	–	–	–	–	–	–	14 953
Total liabilities	42 315	214 699	4 799	51 633	5 326	6 239	5 831	330 842	487 144

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

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2018 (UNAUDITED)		31.03.2017 (UNAUDITED)	
	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%	INCREASE IN EXCHANGE RATES BY 5%	DECREASE IN EXCHANGE RATES BY 5%
Income (expenses) of the period	9 546	(9 546)	6 352	(6 352)
Equity, of which:	3 269	(3 269)	3 213	(3 213)
Foreign exchange differences on translation	3 269	(3 269)	3 213	(3 213)

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

32.3.1 Interest rate risk

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

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

In addition, the source of the Group's profit variability associated with the level of market interest rates, are amounts paid and received in connection with the occurrence of the difference in interest rates for different currencies (swap points) as well as potential debt instruments. As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in customers' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Group from the bank maintaining the bank account in which 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 Group maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low. As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

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

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

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Financial assets			
Cash and cash equivalents	778 413	745 567	692 048
Total financial assets	778 413	745 567	692 048
Financial liabilities			
Amounts due to customers	60 386	64 824	114 971
Other liabilities	282	128	282
Total financial liabilities	60 668	64 952	115 253

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 31 March 2018 and from 1 January to 31 March 2017, using the average 1M interest rate in a given market.

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2018 (UNAUDITED)		31.03.2017 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	3 815	(3 815)	3 735	(3 735)

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

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

32.3.2 Other price risk

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

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

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Financial assets held for trading			
Commodity CFDs			
Precious metals	1 898	2 142	3 307
Base metals	308	776	236
Other	15 631	11 018	6 836
Total commodity CFDs	17 837	13 936	10 379
Equity CFDs			
Stocks	27 532	28 153	3 510
Indicies	43 844	56 062	79 597
Total equity CFDs	71 376	84 215	83 107
Debt CFDs	181	92	141
Total financial assets held for trading	89 394	98 243	93 627
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	186	1 080	469
Base metals	45	43	40
Other	2 738	3 075	2 882
Total commodity CFDs	2 969	4 198	3 391
Equity CFDs			
Stocks	2 481	2 588	2 622
Indicies	8 458	11 826	18 201
Total equity CFDs	10 939	14 414	20 823
Debt CFDs	19	52	37
Total financial liabilities held for trading	13 927	18 664	24 251

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2018 (UNAUDITED)		31.03.2017 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity CFDs				
Precious metals	(2 414)	2 414	(80)	80
Base metals	(44)	44	(146)	146
Other	(5 701)	5 701	(3 535)	3 535
Total commodity CFDs	(8 159)	8 159	(3 761)	3 761
Equity CFDs				
Stocks	(183)	183	(15)	15
Indicies	(8 573)	8 573	44 674	(44 674)
Total equity CFDs	(8 756)	8 756	44 659	(44 659)
Debt CFDs	608	(608)	735	(735)
Total income/(expenses) for the period	(16 307)	16 307	41 633	(41 633)

32.4 Liquidity risk

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

The objective of liquidity management 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 Group uses the liquidity model of which the essence is to determine the safe area of the state of free cash flow that does not require corrective action. Where the upper limit is achieved, the Group makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Group makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

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

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

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

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

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

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

Contractual payment periods of financial assets and liabilities as at 31 March 2018 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	778 413	778 413	778 413	–	–	–	–
Financial assets held for trading							
Stocks	20 230	20 230	20 230	–	–	–	–
CFDs	94 275	94 275	94 275	–	–	–	–
Total financial assets held for trading	114 505	114 505	114 505	–	–	–	–
Financial assets available for sale	138	138	–	–	–	–	138
Loans granted and other receivables	5 829	5 829	3 852	150	1 827	–	–
Total financial assets	898 885	898 885	896 770	150	1 827	–	138
Financial liabilities							
Amounts due to customers	402 622	402 622	402 622	–	–	–	–
Financial liabilities held for trading							
CFDs	19 657	19 657	19 657	–	–	–	–
Total financial liabilities held for trading	19 657	19 657	19 657	–	–	–	–
Other liabilities	22 433	22 433	13 199	7 478	15	–	1 741
Total financial liabilities	444 712	444 712	435 478	7 478	15	–	1 741
Contractual liquidity gap in maturities (payment dates)			461 292	(7 328)	1 812	–	(1 603)
Contractual cumulative liquidity gap			461 292	453 964	455 776	455 776	454 173

Contractual payment periods of financial assets and liabilities as at 31 December 2017 (audited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	745 567	745 567	745 567	–	–	–	–
Financial assets held for trading							
CFDs	127 944	127 944	127 944	–	–	–	–
Total financial assets held for trading	127 944	127 944	127 944	–	–	–	–
Financial assets available for sale	147	147	–	–	–	–	147
Loans granted and other receivables	4 009	4 009	2 218	–	1 791	–	–
Total financial assets	877 667	877 667	875 729	–	1 791	–	147
Financial liabilities							
Amounts due to customers	421 400	421 400	421 400	–	–	–	–
Financial liabilities held for trading							
CFDs	40 905	40 905	40 905	–	–	–	–
Total financial liabilities held for trading	40 905	40 905	40 905	–	–	–	–
Other liabilities	21 913	21 913	9 357	10 781	37	–	1 738
Total financial liabilities	484 218	484 218	471 662	10 781	37	–	1 738
Contractual liquidity gap in maturities (payment dates)			404 067	(10 781)	1 754	–	(1 591)
Contractual cumulative liquidity gap			404 067	393 286	395 040	395 040	393 449

Contractual payment periods of financial assets and liabilities as at 31 March 2017 (unaudited)

(IN PLN'000)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS	WITH NO SPECIFIED MATURITY
Financial assets							
Cash and cash equivalents	692 048	692 048	692 048	–	–	–	–
Financial assets held for trading							
CFDs	114 667	114 667	114 667	–	–	–	–
Total financial assets held for trading	114 667	114 667	114 667	–	–	–	–
Financial assets available for sale	173	173	–	–	–	–	173
Loans granted and other receivables	9 302	9 302	7 411	25	1 710	156	–
Total financial assets	816 190	816 190	814 126	25	1 710	156	173
Financial liabilities							
Amounts due to customers	418 384	418 384	418 384	–	–	–	–
Financial liabilities held for trading							
CFDs	28 520	28 520	28 520	–	–	–	–
Total financial liabilities held for trading	28 520	28 520	28 520	–	–	–	–
Other liabilities	22 095	22 095	15 231	6 757	107	–	–
Total financial liabilities	468 999	468 999	462 135	6 757	107	–	–
Contractual liquidity gap in maturities (payment dates)			351 991	(6 732)	1 603	156	173
Contractual cumulative liquidity gap			351 991	345 259	346 862	347 018	347 191

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

32.5 Credit risk

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

(IN PLN'000)	31.03.2018 (UNAUDITED) CARRYING AMOUNT	31.03.2018 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2017 (AUDITED) CARRYING AMOUNT	31.12.2017 (AUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.03.2017 (UNAUDITED) CARRYING AMOUNT	31.03.2017 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	778 413	778 413	745 567	745 567	692 048	692 048
Financial assets held for trading *	114 505		127 944	13 063	114 667	12 221
Investments in subsidiaries	138	138	147	147	173	173
Loans granted and other receivables	5 829	5 829	4 009	4 009	9 302	9 302
Total financial assets	898 885		877 667	762 786	816 190	713 744

** As at 31 March 2018 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 114 505 thousand (31 December 2017: PLN 101 566 thousand, 31 March 2017: PLN 114 667 thousand). This exposure was collateralised with customers' cash, which, as at 31 March 2018, covered the amount of PLN 84 938 thousand (31 December 2017: PLN 88 412 thousand, 31 March 2017: PLN 152 233 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

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

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

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

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and 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 March 2018, the Group had deposit accounts in 40 banks and institutions (31 December 2017: in 40 banks and institutions, 31 March 2017: 40 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	31.03.2018 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2017 (AUDITED) (IN PLN'000)	ENTITY	31.03.2017 (UNAUDITED) (IN PLN'000)
Bank 1	231 988	Bank 1	229 229	Bank 1	122 279
Bank 2	116 178	Bank 2	108 812	Bank 2	98 127
Bank 3	95 645	Bank 3	86 083	Bank 3	92 084
Bank 4	80 657	Bank 4	77 019	Bank 4	77 904
Bank 5	41 277	Bank 5	41 163	Bank 5	41 046
Bank 6	23 678	Bank 6	28 635	Bank 6	32 360
Bank 7	23 089	Bank 7	25 291	Bank 7	30 992
Bank 8	21 844	Bank 8	23 946	Bank 8	30 885
Bank 9	19 576	Bank 9	22 026	Bank 9	24 906
Bank 10	14 161	Bank 10	13 976	Bank 10	24 887
Other	110 320	Other	89 387	Other	116 578
Total	778 413	Total	745 567	Total	692 048

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

CREDIT QUALITY STEPS	WARTOŚĆ BILANSOWA (IN PLN'000) 31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
Cash and cash equivalent			
Step 1	690 477	657 250	577 457
Step 2	1 771	1 626	1 390
Step 3	57 231	77 364	81 664
Step 4	27 211	9 327	31 537
Step 5	1 723	–	–
Total	778 413	745 567	692 048

Financial assets held for trading

Financial assets held for trading result from transactions in financial instruments entered into with the Group's customers and the related hedging transactions.

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

Due to the mechanisms in place, used to mitigate credit risk, the credit quality of financial assets held for trading is high and does not show significant diversity.

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

	31.03.2018 (UNAUDITED)		31.12.2017 (AUDITED)		31.03.2017 (UNAUDITED)
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	919	Entity 1	2 076	Entity 1	1 896
Entity 2	487	Entity 2	1 340	Entity 2	992
Entity 3	288	Entity 3	713	Entity 3	509
Entity 4	191	Entity 4	703	Entity 4	465
Entity 5	177	Entity 5	675	Entity 5	384
Entity 6	155	Entity 6	433	Entity 6	378
Entity 7	147	Entity 7	416	Entity 7	292
Entity 8	136	Entity 8	383	Entity 8	291
Entity 9	112	Entity 9	238	Entity 9	290
Entity 10	111	Entity 10	234	Entity 10	248
Total	2 723	Total	7 211	Total	5 745

Financial assets held to maturity

As at 31 March 2018, 31 December 2017 and 31 March 2017 there were no financial assets held to maturity.

Other receivables

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

NOTES TO QUARTERLY REPORT

NOTES TO THE QUARTERLY REPORT

1. Information about the Group's activities

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

The Group is an international provider of trading and investment products, services and solutions, specializing 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 conducts its operations through two business segments: retail operations and institutional operations. 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, 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 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. It 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 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 analyzing 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).

During the three months of 2018, 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. The most important innovation was the introduction of a joint stock offer in March 2018, thanks to which investors with a higher risk aversion than CFD products can invest in stocks and ETFs from over a dozen global markets. This service was introduced on the xStation platform, which is still subject to improvements so that trade in financial instruments is as simple as possible, and the client has all the necessary information in one place, i.e. on the transaction platform. One of the examples of applications improving customer experience is the ETF Scanner introduced in the first quarter of 2018, which allows for a thorough fundamental analysis of funds traded on stock exchanges.
Also in the first quarter, XTB introduced a new refreshed investment offer on CFDs based on cryptocurrencies, which met with great interest of the Company's clients.

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

2. Summary and analysis of the results of the Group

In the I quarter of 2018 XTB noted a record consolidated net profit of PLN 59,5 million against PLN 10,6 million a year earlier. This is increase by PLN 48,9 million i.e. 459,1%. Operating profit (EBIT) increased by PLN 50,5 million y/y, ie 228,1%, reaching value PLN 72,7 million. Consolidated revenues amounted to PLN 113,7 million against PLN 58,7 million a year earlier.

2.1 Factors affecting operating and financial results

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

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

The key factors influencing the Group's financial and operating results for the 3 months ended 31 March of 2018 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's results for the I quarter 2018

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

(in PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2018	31.03.2017	CHANGE IN VALUE	CHANGE %
Result of operations on financial instruments	112 551	57 650	54 901	95,2
Income from fees and charges	1 175	1 052	123	11,7
Other income	11	16	(5)	(31,3)
Total operating income	113 737	58 718	55 019	93,7
Salaries and employee benefits	(19 452)	(18 425)	(1 027)	5,6
Marketing	(7 799)	(7 175)	(624)	8,7
Other external services	(6 838)	(4 351)	(2 487)	57,2
Costs of maintenance and lease of buildings	(1 939)	(1 912)	(27)	1,4
Amortisation and depreciation	(1 479)	(1 330)	(149)	11,2
Taxes and fees	(367)	(1 019)	652	(64,0)
Commission expenses	(2 335)	(1 499)	(836)	55,8
Other expenses	(834)	(854)	20	(2,3)
Total operating expenses	(41 043)	(36 565)	(4 478)	12,2
Operating profit (EBIT)	72 694	22 153	50 541	228,1
Finance income	4 258	4 501	(243)	(5,4)
Finance costs	(3 209)	(12 923)	9 714	(75,2)
Profit before tax	73 743	13 731	60 012	437,1
Income tax	(14 256)	(3 091)	(11 165)	361,2
Net profit	59 487	10 640	48 847	459,1

Income

Increase of revenues in I quarter of 2018 by 93,7% y/y i.e. PLN 55,0 million due to mainly from the increase in the volumne of trading calculated in lots and the profitability per lot. Turnover was higher by 135,3 thousand of lots y/y and unit profitability by PLN 59,7 y/y

	PERIOD ENDED							
	31.03.2018	**31.12.2017**	**30.09.2017**	**30.06.2017**	**31.03.2017**	**31.12.2016**	**30.09.2016**	**30.06.2016**
Total operating income (in PLN'000)	113 737	75 460	73 063	66 526	58 718	93 959	42 802	31 050
Transaction volume in CFD instruments in lots[1]	675 344	618 893	523 769	513 814	540 082	488 660	468 686	525 108
Profitability per lot (in PLN)[2]	168	122	139	129	109	192	91	59

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

XTB has a solid foundation for growth in the form of a constantly growing customer base and number of active clients. In the I quarter of 2018, the number of open new accounts amounted to 15 910 and was higher by 19,8% y/y. In turn the average number of active accounts was record-breaking both in relation to the previous quarters of 2017 and to 2016. The average number of active accounts was 25 279, which means increase by 23,9% y/y.

	PERIOD ENDED							
	31.03.2018	**31.12.2017**	**30.09.2017**	**30.06.2017**	**31.03.2017**	**31.12.2016**	**30.09.2016**	**30.06.2016**
New accounts[1]	15 910	16 530	11 278	9 635	13 280	9 624	8 060	7 178
Average number of active accounts[2]	25 279	21 088	20 194	20 016	20 408	17 243	16 531	16 305

[1]) Average quarterly number of accounts for 3 months of 2018 and 12, 9, 6 and 3 months of 2017 respectively, and 12, 9 and 6 months of 2016, respectively.
[2]) Average number of active accounts respectively 3 months of 2018 and 12, 9, 6 and 3 months of 2017 and 12, 9 and 6 months of 2016.

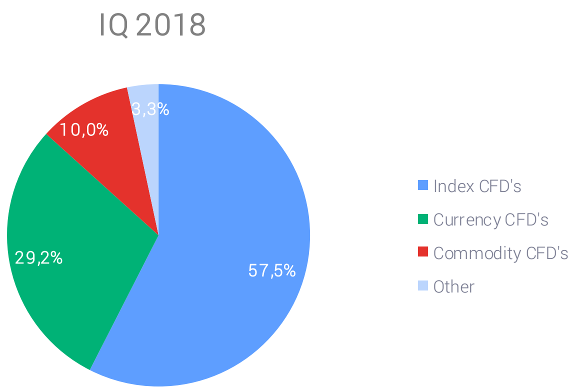
Similarly to the previous quarters, the increase in accounts in the I quarter of 2018 was related to the implementation of an optimized sales and marketing strategy and new products. An additional factor supporting the achievement of such an increase was favorable situation on the financial markets.

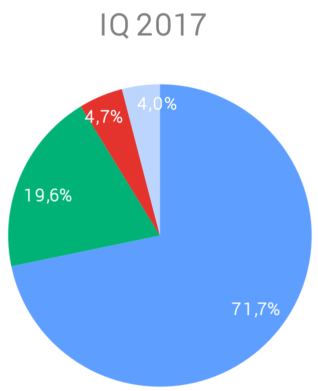
In the following quarters of 2018 the Management Board will strive to stabilize the number of newly opened accounts at the levels observed in the last two quarters, which was record breaking in this respect, and to further increase the average number of active accounts. In addition, the Management Board sees the greatest potential for business growth in the German, French and Latin America markets.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that, similarly as in the earlier periods, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the I quarter of 2018 exceeded 57,5% against 71,7% a year earlier. Traditionally, the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30). CFD based on US indices were also very popular. Revenues on CFD instruments based on currency pairs amounted to 29,2% of total revenues and the most popular currency pair was EURUSD.

(in PLN'000)	THREE-MONTH PERIOD ENDED		CHANGE %
	31.03.2018	31.03.2017	
Index CFDs	65 534	43 249	51,5
Currency CFDs	33 278	11 782	182,4
Commodity CFDs	11 346	2 831	300,8
Stock CFDs	956	471	103,0
Bond CFDs	149	(123)	(221,1)
Total CFDs	111 263	58 210	91,1
Options	2 702	2 082	29,8
Shares and listed derivative instruments	8	-	-
Gross gain on transactions in financial instruments	113 973	60 292	89,0
Bonuses and discounts paid to costumers	(932)	(797)	16,9
Commission paid to cooperating brokers	(490)	(1 845)	(73,4)
Net gain on transaction in financial instruments	112 551	57 650	95,2

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





Geographically, XTB revenues were well diversified. Their growth has occurred in both, Central and Eastern Europe and Western Europe. Countries from which the Group derives more than 15% of revenues are Poland with shares amounted to 26,7% (I quarter of 2017: 18,1%) and Spain shares amounted to 18,0% (I quarter of 2017: 22,3%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%. Latin America is also gaining on importance, which has already replaced the gap in Turkey.

(in PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
Central and Eastern Europe	53 792	22 893
- including Poland	*30 344*	*10 610*
Western Europe	54 138	30 926
- including Spain	*20 459*	*13 081*
Latin America and Turkey	5 807	4 899
- including Turkey	-	*4 360*
Total operating income	113 737	58 718

XTB places strong emphasis on diversification of segment revenues. To this end, from 2013, it develops institutional activities (X Open Hub), under which it provides liquidity and technology to other financial institutions, including brokerage houses. Revenues from this segment are subject to significant fluctuations from quarter to quarter, analogically to the retail segment, which is typical of the business model adopted by the Group.

(in PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
Retail segment	102 910	44 058
Institutional segment (X Open Hub)	10 827	14 660
Total operating income	113 737	58 718

Expenses

Operating expenses in I quarter of 2018 amounted to PLN 41,0 million (I quarter of 2017: PLN 36,6 million) and was higher by PLN 4,5 million ie. 12,2% y/y. This increase was higher by:

- PLN 2,5 million of other external services costs as a result of incurring more expenditure on:
  - IT support services (increased by PLN 787 thousand y/y);
  - legal and advisory services (increased by PLN 658 thousand y/y);
  - IT systems and licenses (increased by PLN 414 thousand y/y);
- PLN 1,0 million of salaries and employee benefits costs mainly due to the increase in variable remuneration components (bonuses);
- PLN 0,8 million of commission costs resulting from higher amounts paid to payment service providers through which clients deposit their funds in transaction accounts.

(in PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
Salaries and employee benefits	19 452	18 425
Marketing	7 799	7 175
Other external services	6 838	4 351
Costs of maintenance and lease of buildings	1 939	1 912
Amortization and depreciation	1 479	1 330
Taxes and fees	367	1 019
Commission expenses	2 335	1 499
Other expenses	834	854
Total operating expenses	41 043	36 565

In terms of q/q, operating expenses increased by PLN 2,8 million mainly due to higher marketing expenditures by PLN 2,2 million.

	PERIOD ENDED							
	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016
Total operating income including: (in PLN'000)	41 043	38 234	34 725	35 973	36 565	38 889	34 378	54 730
- marketing	7 799	5 558	5 563	6 545	7 175	8 997	8 041	24 310
New accounts	15 910	16 530	11 278	9 635	13 280	9 624	8 060	7 178

The Management Board expects that in 2018 operating expenses to be at a level comparable or slightly higher to that observed in the 2017. The final level will depend on the variable remuneration components paid to employees and the level of marketing expenditure. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditure will depend on the impact of the group on the results and profitability of the Group and on responsiveness of the customers to the actions taken.

2.3 Group's selected financial ratios

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

	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
EBITDA (in PLN'000)[1]	74 173	23 483
EBITDA margin (%)[2]	65,2	40,0
Net profit margin (%)[3]	52,3	18,1
Return on equity –ROE (%)[4]	55,4	11,9
Return on assets – ROA (%)[5]	26,2	5,2
Agregate capital adequacy ratio (%)[6]	14,7	10,1

[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; indicators for 3-month periods have been annualized).
[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; indicators for 3-month periods have been annualized).
[6]) Calculated as the quotient of equity and total risk exposure.

2.4 Selected operating data

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

	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
Retail operations segment	611 156	486 129
Central and Eastern Europe	339 252	261 128
Western Europe	242 525	156 670
Latin America and Turkey	29 379	68 331
Institutional operations segment	64 189	53 953
Total	675 344	540 082

The table below presents:

- 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 account;
- the transaction volume in lots;
- profitability per lot.

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

	THREE-MONTH PERIOD ENDED	
	31.03.2018	**31.03.2017**
New accounts[1]	15 910	13 280
Average number of active accounts[2]	25 279	20 408
Accounts in total	209 176	169 031
Net deposits (in PLN'0000)[3]	86 969	107 786
Average operating income per active account (in PLN'000)[4]	4,5	2,9
Transaction volume in CFD instruments in lots[5]	675 344	540 082
Profitability per lot (in PLN)[6]	168	109

[1]) The number of accounts opened by the Group's clients in the individual periods.
[2]) The average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[3]) Net deposits comprise deposits placed by clients less amounts withdrawn by the clients in a given period.
[4]) The Group's operating income in a given period divided by the average quarterly number of accounts via which at least one transaction has been concluded over the last three months.
[5]) 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.
[6]) Total operating income divided by the transaction volume in CFDs in lots.

Retail operations segment

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

	THREE-MONTH PERIOD ENDED	
	31.03.2018	**31.03.2017**
New accounts[1]	15 908	13 273
Average number of active accounts[2]	25 251	20 378
Accounts in total	209 102	168 949
Number of transactions[3]	9 387 317	7 113 524
Transaction volume in CFD instruments in lots[4]	611 156	486 129
Net deposits (in PLN'000)[5]	79 666	95 937
Average operating income per active account (in PLN'000)[6]	4,1	2,2
Average cost of obtaining an account (in PLN'000)[7]	0,5	0,5
Profitability per lot (in PLN)[8]	168	91

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

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

	THREE-MONTH PERIOD ENDED			
		31.03.2018		31.03.2017
Central and Eastern Europe	14 540	58%	11 936	59%
Western Europe	9 193	36%	6 289	31%
Latin America and Turkey	1 518	6%	2 153	10%
Total	25 251	100%	20 378	100%

Institutional operations segment

Since 2013, the Group has provided its services to institutional clients, including brokerage houses and other financial institutions.

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

	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
Average number of active accounts	28	30
Accounts in total	74	82

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

	THREE-MONTH PERIOD ENDED	
	31.03.2018	31.03.2017
Transaction volume in CFD instruments in lots	64 189	53 953

The Group plans further development by expanding the customer base and product offer, penetrating existing markets and expanding geographically to new markets in Africa and Asia, as well as Latin America, using its presence in Belize as a starting point for expansion and business development in other countries of the region.

The Management Board does not rule out acquisition, i.e. investments in companies with a similar profile, but focuses on organic growth.

2.5 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 2018 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 customers and higher profitability per 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 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 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. 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.

	PERIOD ENDED							
	31.03.2018	**31.12.2017**	**30.09.2017**	**30.06.2017**	**31.03.2017**	**31.12.2016**	**30.09.2016**	**30.06.2016**
Total operating income (in PLN'000)	113 737	75 460	73 063	66 526	58 718	93 959	42 802	31 050
Transaction volume in CFD instruments in lots[1]	675 344	618 893	523 769	513 814	540 082	488 660	468 686	525 108
Profitability per lot (in PLN)[2]	168	122	139	129	109	192	91	59

[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.

- Since 2013, the Group provides services for institutional clients, including brokerage houses, start-ups and other financial institutions within the institutional activity segment (X Open Hub). As at the date of this report, the Group is in the process of developing the business of this segment, which is still at an early stage of development. 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, just like in the retail segment, which is typical of the business model adopted by the Group. The table below illustrates the percentage share of the institutional business segment in total operating income.

	31.03.2018	**2017**	**2016**	**2015**	**2014**	**2013**
% share of operating income from institutional operations in total operating income	9,5%	15,2%	7,8%	4,7%	14,1%	4,6%

  The Management Board anticipates that the level of activity in financial and commodity markets in 2018, regulatory changes as well as other factors (if they occur) may affect the condition of XTB's institutional partners and thus to the volume of trading in lots in the coming period, as well as and XTB revenues from these customers. 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 2018 operating expenses should be at a comparable or slightly higher level to that observed in 2017. Their final level will depend on the amount of variable components of remuneration paid to employees and on the level of marketing expenses. The Group's results will affect the amount of variable remuneration components. The level of marketing expenditures will depend in turn on the assessment of their impact on the Group's results and profitability and the degree of customer responsiveness to the actions taken.

- On 18 May 2017, the Management Board of the Parent Company decided to withdraw the Group from its activities in Turkey by undertaking activities aimed at extinguishing its activities on this market and liquidating its subsidiary X Trade Brokers Menkul Değerler A.Ş. This decision is due in particular to restrictions imposed by the Turkish regulator, which has led to a significant decline in the number of customers and consequently to a significant reduction in the Group's activity in Turkey. As a result of the decision, the Group recognized impairment allowance for brokerage fees in the Turkish market of PLN 5 612 thousand.

  On 30 November of 2017 the Management Board of XTB took decision on withholding the actions designed to terminate the activities on Turkish market and liquidation of subsidiary X Trade Brokers Menkul Değerler A.Ş by the end of the first half of 2018. seeing indications of the possibility of mitigation by Turkish regulator i.e. Capital Markets of Turkey (CMB) changes in regulations. 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 analyzing 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)

  In case of termination of activity on the Turkish market, which from the point of view of accounting in accounting books should be understood by repaying share capital/liquidation of assets held (loss of license). The Group, in accordance with the applicable accounting principles, will be required to take actions in reclassification of exchange differences resulting from the conversion of the Turkish company's capital from the position Exchange differences from conversion included in equity to the income statement. This operation will not affect the total amount of the Group's equity as at the date of its execution. Nevertheless, the Company will be required to demonstrate the effects of the abovementioned conversion as part of the result on financial activities, however, in the case of negative exchange differences, the effects of these conversions will be the financial cost. The company explains that the amount of exchange differences related to investments in Turkey is derived from the rate of Turkish lira, which is subject to fluctuations, hence the Group is not able to precisely estimate the value of the financial cost incurred in this respect as it will be recognized in the future as at the date of this report.

- Current regulatory changes in the industry at the national and international level may change its face in the long term.

  On 27 March 2018, the European Securities and Markets Authority ('ESMA') agreed measures on the offering of contracts for differences ('CFDs') and binary options to retail investors in the European Union (EU).

  Agreed measures regarding CFDs include:

  – Leverage limits on the opening of a position by a retail client between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument:
  – a margin close out rule on a per account basis;
  – negative balance protection on a per account basis ;
  – restriction on the incentives offered to trade CFDs;
  – standarised risk warning.

  In the binary options:

  – prohibition on the marketing, distribution or sale of binary options to retail investors.

  ESMA intends to adopt these measures in the official languages of the EU in the coming weeks, following which ESMA will publish an official notice on its website. The measures will then be published in the Official Journal of the EU (OJ) and will start to apply one month, for binary options, and two months, for CFDs, after their publication in the OJ.

  On 28 March 2018, the President of the Republic of Poland signed the Act amending the Act on Trading in Financial Instruments and certain other acts. This Act is aimed at implementing into the national legal order EU regulations concerning markets for financial instruments, i.e. MiFID II Directive and MiFIR Regulation. The Act imposes additional obligations on financial market entities, implements new rules for communication with the client, extends information requirements, ensures greater transparency of costs and introduces new powers for supervisors. The act came into force on 21 April 2018.

  It can't be ruled out that regulatory changes at the national and international levels can have a significant impact on the way the Group offers and promotes financial products, clients' investment strategies, the volume of trading in lots, and profitability per lot, and what's next goes on the Group's financial results.

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

3. Company's authorities

3.1 Management Board

As at 31 March of 2018 the composition of the Management Board:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout*	Chairman of the Management Board	10.01.2017	29.06.2019
Paweł Frańczak	Board Member	31.08.2012	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019

* 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

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

- on 25 April of 2018 Mr. Paweł Frańczak previously holding the position of a Member of the Management Board of the Company resigned from his function;
- At the same time i.e. 25 April 2018, the Supervisory Board of XTB appointed Mr. Jakub Kubacki for the position of the Memebr of the Management Board of the Company. The resolution comes into force and the appointment becomes effective provided and when the Polish Financial Supervision Authority ("PFSA") grants consent in accordance with Art. 102a of the Act on Trading in Financial Instruments. As at the date of publication of this report, the PFSA has not yet approved it.

As at the date of publication of this interim report the composition of the Management Board:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Omar Arnaout	Chairman of the Management Board	10.01.2017*	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019
Filip Kaczmarzyk	Board Member	10.01.2017	29.06.2019

* 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

3.2 Supervisory Board

As at 31 March 2018 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 APPOINTMENT	EXPIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	Chairman of the Supervisory Board	30.05.2017	09.11.2018
Łukasz Baszczyński	Member of the Supervisory Board	09.11.2015	09.11.2018
Jarosław Jasik	Member of the Supervisory Board	09.11.2015	09.11.2018
Bartosz Zabłocki	Member of the Supervisory Board	09.11.2015	09.11.2018
Marek Strugała	Member of the Supervisory Board	07.03.2018	09.11.2018

In the reporting period, the following changes took place in the composition of the Supervisory Board:

- on 7 March 2018, Mr. Michał Kędzia, the previous Member of the Supervisory Board, resigned from his function in the Supervisory Board of the Company with effect on the 7 March 2018;
- at the same time, the Company's shareholder, i.e. Systexan S.a.r.l. with its registered office in Luxemburg acting pursuant to § 15 section 4(b) of the Articles of Association of XTB, filed a declaration on the appointment of Mr. Marek Strugała to the Supervisory Board of the Company to the Member of the Supervisory Board position on 7 March 2018.

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

4. Information about shares and shareholding

4.1 Equity

As at 31 March 2018 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.

4.2 Shares in the free float

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.

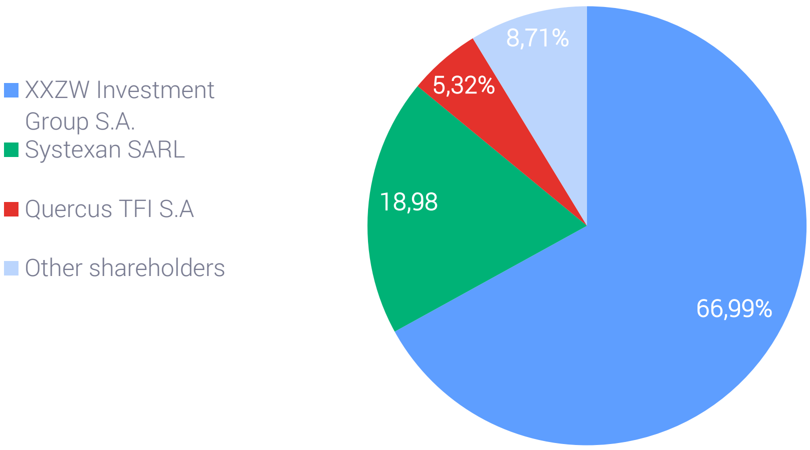
4.3 Shareholding structure

To the best knowledge of the Management Board of the Company as at 7 March 2018 i.e. as at the submission date of the previous periodic report (annual report for the 2017), 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	6 243 759	312	5,32%
Other shareholders	10 229 875	511	8,71%
Total	117 383 635	5 869	100%

[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 shareholding structure as at 7 March 2018 is presented on the graph below:

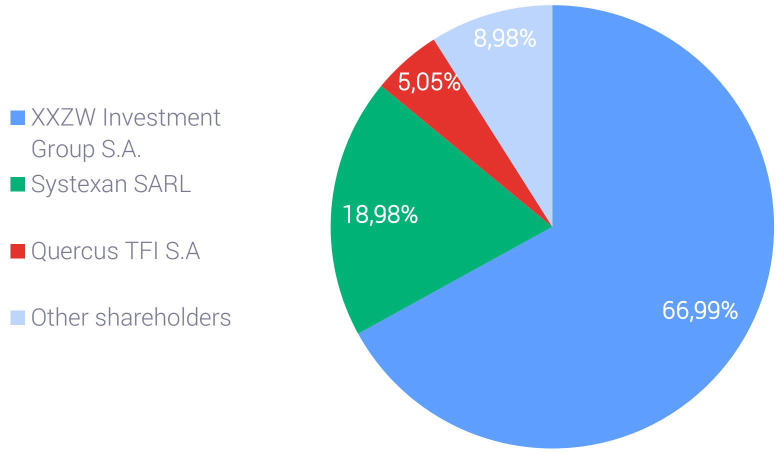


According to the best knowledge of the Management Board of the Company (according current report no. 10/2018 dated 10 April 2018) as at date of this report the shareholders holding directly or through subsidiaries of at least 5% of the total number of votes at the General Meeting of the Parent Company were 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%

[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 shareholding structure as at date of this report is presented below:



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

The below table presents shares held by Members of the Management and Supervisory Board as at the submission date of the previous and current report.

Name and Surname	Function	Number of shares at at date of previous period report	Number of shares held as at date of this report
Paweł Frańczak	Board Member*	37 328	37 328

* Paweł Frańczak at 25 April 2018 resigned from Member of Management Board position.

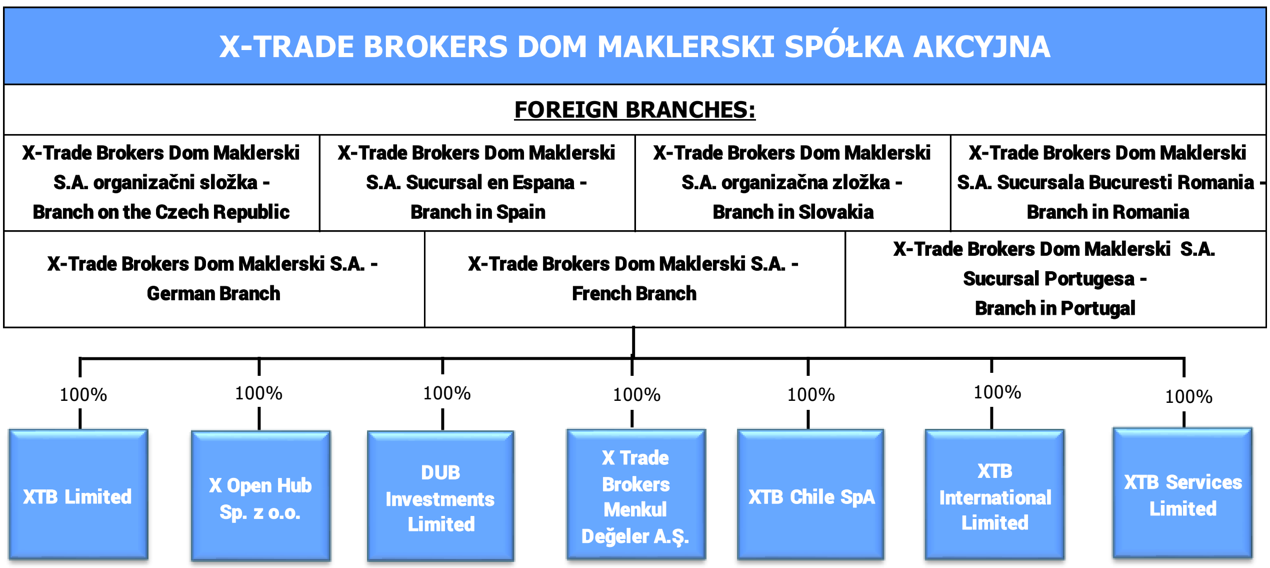
Other managing and supervising persons did not have, at the end of the reporting period and at the date of this report, share the Company's shares. Management and supervisory personnel did not hold, at the end of the reporting period and as of the date of this report, the entitlements to the Company's shares.

5. Other information

5.1 Description of the Group's organization

As at date of this report the Group comprised Parent Company and 8 subsidiaries. The Company has 7 foreign branches.

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



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

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

Subsidiaries

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

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

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

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

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

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

<u>DUB Investments Ltd, Cyprus</u>

DUB Investments 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 loan in 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.

<u>X rade Brokers Menkul Değerler A.Ş., Turkey</u>

X Trade Brokers Menkul Değerler A.Ş. business encompasses among other.:

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

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. 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 analyzing 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).

<u>XTB Chile SpA, Chile</u>

On 17 February of 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.

<u>TB International Limited, Belize</u>

On the 23 February 2017 the Parent Company acquire 100% of shares in CFDs Prime with its seat in Belize. On the 20 March 2017 the company changed its name from CFDs prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the 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.

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% share in its capital.

In the reporting period, i.e. from 1 January to 31 March of 2018 and as at the submission date of this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

5.2 Information on transactions with related parties

In 3 month period ended 31 Match 2018 and 31 March 2017 there were no related transactions concluded on other than arm's length basis.

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

(in PLN'000)	31.03.2018 REVENUES	31.03.2018 RECEIVABLES	31.03.2017 REVENUES	31.12.2017 RECEIVABLES	31.03.2017 RECEIVABLES
Shareholders Subsidiaries:					
XTB Limited	12 985	1 383	4 443	2 211	6 204
Dub Investments Limited	38	13	39	13	13
X Open Hub Sp. z o.o.	543	559	496	345	595
X-Trade Brokers Menkul Degerler A.S	-	-	4 361	-	4 564
XTB International Limited	6 050	1 521	-	157	186
XTB Services Limited			-	-	-

(in PLN'000)	31.03.2018 COSTS	31.03.2018 LIABILITIES	31.03.2017 COSTS	31.12.2017 LIABILITIES	31.03.2017 LIABILITIES
Shareholders Subsidiaries:					
XTB Limited	(3 128)	2 233	(3 644)	2 790	6 606
Dub Investments Limited	(534)	142	(323)	141	103
X Open Hub Sp. z o.o.	(132)	121	(81)	40	52
X-Trade Brokers Menkul Degerler A.S	-	-	(2 559)	-	2 801
XTB International Limited	(3 368)	1 519	(915)	2 398	2 690
XTB Services Limited	(1 356)	434	-	398	-

Jakub Zabłocki indirectly controlling the Company (through XXZW Investment Group S.A. based in Luxembourg) has a brokerage account in XTB. Transactions and balances of settlements from the above title are presented in the table below:

(in PLN'000)	31.03.2018 COSTS	31.03.2018 LIABILITIES	31.03.2017 COSTS	31.12.2017 LIABILITIES	31.03.2017 LIABILITIES
Jakub Zabłocki	-	38	-	-	-

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

As at 31 March 2018 and in the reporting period, i.e. from 1 January 2018 to 31 March 2018, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

5.4 The Management Board's position concerning the realization of previous published forecasts of the results for the current

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2018.

5.5 The information on the significant court proceedings, arbitration authority or public administration authority

As at 31 March 2018 and as at the submission date of this report the Parent company and its subsidiaries were not a party to the proceedings pending before court, arbitration authority or public administration authority, the value of which could constitute at least 10% of the Issuer's equity.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 7,29 million, of which suits brought by the employees pending before court three proceedings where the total value of claims was PLN 6,59 million and nine eight brought by clients with the total value of claims of PLN 0,65 million. Below the most significant, in the Company's view, were presented.

As at the submission date of this report, the Company is party to proceedings initiated by a former employee of the Company's branch in France. The matter was brought to court on 21 December 2012. Under the Court judgement of 4 November 2014 the sum adjudicated in favour of the former employee is the equivalent of PLN 100 000. On 14 December 2014, the plaintiff submitted an appeal. Although the judgement issued in the first instance was favourable to the Company, there is still a risk that the Company will lose the dispute.

In view of the complex nature of the dispute and the claim, as at the submission date of this report it is difficult to reliably assess the risks involved in the case. The original value of the claim was set at PLN 2,2 million. However, based on the representation of the law firm that is conducting the case, it should be theoretically assumed that the value of the claim may increase until it is finally settled by approximately EUR 20 000 per month. In view of the above, as at the submission date of this report, the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 5,93 million.

One of the Company's clients threatened in 2014 to file a suit regarding its alleged illegal actions. The client accuses 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 client has not referred the matter to court in the last 4 years and at the same time has repeatedly demanded payment of PLN 3,5 million, PLN 7 million and lately PLN 14 million, repeatedly blackmailing the company with damage of public image.

The company has taken decisive legal steps to defend its rights and interests. In October 2017, the Management Board of X-Trade Brokers Dom Maklerski S.A. submitted a notification to the Warsaw prosecutor's office regarding the threats of the client. In February this year The prosecutor's office in Warsaw has opened an investigation into the possibility of a crime being committed by a client, including the targeting of unlawful threats against the company's representatives and attempts to obtain cash. Despite the initiation of the investigation, the client continues to direct threats to the Company by blackmailing the Management Board. 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 analyzed 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.

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

The Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), requesting the discontinuation of a breach of a trademark registered by the Company. The Company requested the Regional Court in Warsaw to secure its claim against XFR by: (i) prohibiting XFR from using the verbal and figurative mark "XTRADE"; and (ii) prohibiting XFR from using the verbal mark "XTRADE" in internet domain names. XFR conducts competitive business with respect to the Company and abuses, in the opinion of the Company, the significant recognition of the Company's brand in European countries, thus misleading the Group's existing and potential clients. The Company was notified that the request for protection of his claim against the XFR was dismissed therefore the Company filed an appellation against this decision. The Warsaw Court of Appeal upheld the appeal and changed the challenged judgment by securing XTB's claim against XFR and has banned XFR from using (i) word marks and word-figurative marks "XTB", "X-Trade", "XTrade" , "X" and (ii) the word mark xtrade.eu, as an indications of its company or services. Proceedings before the Regional Court in Warsaw are currently pending based on the suit filed by the Company to prohibit XTRADE Europe Ltd. from violating the principles of fair competition, which involves unlawful use by the defendant of the verbal as well as verbal and graphical names "XTB", "X-Trade", "XTrade" and "X" to identify the enterprise or the financial, financial intermediation and advisory, brokerage and stockbroker activity. The following documents have been filed in the case: by XTRADE Europe Ltd. – reply to the suit, and by the Company – answer to the reply to the suit. As the legal representatives of XTRADE Europe Ltd. failed to prove being properly authorised to act in the case, the Court summoned them to furnish documents confirming that the persons granting the power of attorney to them were, on the date of granting thereof, authorised to act for and on behalf of XTRADE Europe Ltd. The reply of XTRADE Europe Ltd. has been filed. The Court obligated the Company to express its standpoint regarding the reply of XTRADE Europe Ltd. by 1 March 2018. Court scheduled the date of the first hearing for 12 July 2018.

Moreover, proceedings before the District Court for Warsaw-Śródmieście in Warsaw are pending based on the suit filed by the Company, with the participation of XTRADE Europe Ltd. In this case, a petition for commencement of enforcement proceedings has been filed as XTRADE Europe Ltd. has not ceased to use identifications being the Company's property to identify its business or services provided, despite a respective ruling of the Court of Appeal in Warsaw dated 15 March 2017. The petition for commencement of enforcement proceedings was filed on 19 June 2017. On 12 January 2018, the District Court for Warsaw-Śródmieście in Warsaw issued a ruling ordering XTRADE Europe Ltd. to pay the amount of PLN 5 000 to the Company. The defendant was also threatened to be ordered to make a payment to the Company in case of determination of any subsequent violation by the debtor of the obligation to exercise the ruling of the Court of Appeal in Warsaw dated 15 March 2017. District Court issued a motion for PLN 100 000 as a result of XTRADE Europe Ltd.'s failure to perform a collateral established by the Court of Appeal.

The Company has also launched a German court proceedings aimed at cessation of infringement of the Company trademark by XFR. According to the court judgment received by the Company, the court has prohibited XFR from using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" confirming that these marks are confusingly similar to the trademarks registered by the Company. In addition, XFR is also obliged to provide information indicating scope and number of use of those marks in the past and to pay damages, amount of which has not yet been specified. In its judgment the court pointed out that the company has the right to challenge XFR marks and to submit appropriate motion for cancellation of registration XFR marks. On 19 April 2018 the Court of Appeal rejected the appeal – the judgment which forbids usage of XTRADE symbol in Germany is final.

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.

As part of exercising supervisory powers over the Company, the Polish Financial Supervision Authority (PFSA) has performed, basically for the period from 1 January 2014 to 11 June 2016, checks on compliance with legal regulations and internal regulations, (i) the provision of certain brokerage services, (ii) the mode and conditions of dealing with clients, (iii) the organization and operation of the internal control system, the system of compliance with law and the internal audit system, and (iv) technical and organizational conditions for conducting brokerage activities. The audit ended on 16 September 2016.

On 14 October 2016, 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, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. The PFSA did not take into account the Company's objections and therefore issued post-control recommendations, which required the Company to implement appropriate measures to remove the detected irregularities.

The Company applied due care in order to implement all the recommendations of the KNF. As to the post-inspection objections, the Management Board submitted to the KNF extensive substantive and legal objections as well as detailed analyses, pointing that remarks included in the control protocol are groundless.

On 13 November 2017 an article was published, from which follows that there are pending prosecutorial proceedings by way of the KNF's notice after the control in the Company. The Management Board has also received information from the prosecutor's office regarding ongoing proceedings from the KNF's and one of the clients' notice. The Management Board finds no grounds for the objections regarding Company's business misconduct. The Company finds groundless the information presented in the article referring to deliberate actions performed by the Company aiming at unreliable execution of orders.

On 17 November 2017, the Company was served with the decision of the Polish Financial Supervision Authority dated 14 November 2017 on initiation ex officio of administrative proceedings regarding imposition of a monetary penalty upon the Company in connection with suspicion regarding significant violation of the law, in particular in the area of provision of brokerage services in favour of the Company's clients and organisation and operation of trading systems. The violations identified by the Polish Financial Supervision Authority are identical with the abnormalities and defaults identified in the inspection protocol dated 14 October 2016. In the Company's opinion, the allegations presented by the PFSA are unfounded and are not confirmed in the facts.

Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board is planning to take determined actions to defend against these objections.

If the Commission finds that the Company has incorrectly implemented recommendations or due to identified ones as part of the control of the violation or irregularities in the implementation and application of the applicable regulations and regulations by the Company, the PFSA – in accordance with the content of the abovementioned provisions of November 14, 2017 – may impose on the Company a fine of up to 10% of the income shown in the last audited financial statements.

As part of exercising supervisory powers over the Company, the PFSA has exercised its control over the Company's compliance with its obligations under the provisions of the Anti-Money Laundering Act and the Financing of Terrorism Act of 16 November 2000, among others, obligations relating to (i) keeping a register of transactions, (ii) monitoring of transactions, (iii) having appropriate procedural solutions and (iv) identifying clients. The audit took place from 20 March 2017 to 20 April 2017. Due to the identified weaknesses in the implementation and application of the applicable provisions of law and regulations, on 19 June 2017 the PFSA submitted post-inspection recommendations which required the Company to implement Appropriate measures to remove detected irregularities.

The Company has adjusted its activity to the PFSA's post-inspection recommendations with due diligence. Nevertheless, no assurance may be given that the Company's way of activity adjustment to the particular PFSA's recommendation will not be considered as unlawful or non-compliant with PFSA'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 PFSA or other authorities.

Romanian Financial Supervisory Authority („ASF"), within the scope of its supervisory powers, carried out on 8 June – 30 June 2017 the inspections of the Company's branch in Romania. The scope of the inspection included reviewing the compliance of the branch's activity with the local law and internal regulations, inter alia, the review of among others (i) the operational activity as well as documents and information forwarded to clients and potential clients, (ii) the organization and functioning of internal control system, (iii) transactions registers and the manner of their archiving and (iv) policy and internal mechanisms for money laundering prevention.

On 19 September 2017 the Company received a control report indicating that inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable laws and regulations by the Company and branches, in response to which the Company has lodged substantiated objection in accordance with the applicable regulations. The Company has implemented the ASF's post-inspection recommendations. However, one cannot exclude the possibility that the manner of adaptation followed by the branch and the Company to any given recommendation may be considered non-compliant with the law or the ASF's approach; abnormalities in the operation of the branch and the Company may give ground, inter alia, to initiation against the branch and the Company of administrative proceedings concerning imposition onto the branch and the Company of penalties or other sanctions pursuant to the supervisory rights of the ASF or other authorities.

On 20 November 2017 the inspection by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) has been opened in the German branch of the Company. This inspection concerns the affiliation programme. Until the date of delivery of this report, the Company has not obtained any feedback from the supervisory authority regarding the results of this inspection.

Moreover, on 26 January 2018 the Company was served with the letter from the National Bank of the Czech Republic, notifying commencement of inspection at the Company's Czech branch. The inspection covers evaluation with regard to compliance of the branch and the Company's operations with the Czech act on the capital market in the area of (i) provision of investment services with due professional diligence, (ii) operating principles of the investment company in its contacts with clients, as well as (iii) daily reporting of clients' transactions to the supervisory authority. Until the date of delivery of this report, the Company has not obtained any feedback from the National Bank of the Czech Republic regarding the results of this inspection.

As of the date of delivery of this report the Company is in the process of obtaining the PFSA's permission to use the delta coefficient calculated on the basis of own option pricing model. At the Company's request on 27 September 2017 the PFSA issued a decision on the suspension of the proceedings for obtaining a permission to use the delta coefficient calculated on the basis of option pricing model. The Company received an expert opinion in which it was stated that the CRR Regulation is not applicable to the specificity of the binary options in respect of use of delta. At the beginning of January 2018 the Company asked the European Banking Authority for an interpretation of the CRR Regulation regarding the application of the option pricing model to financial instruments, such as binary options.

At first the proceeding was initiated by the Company in March 2014, then suspended and resumed by the Company on 5 March 2015. The Company introduced Up&Down options in 2012 on the basis of exceptions stemming from the provisions of the Polish Capital Requirements Regulation Offering Up&Down was not required by the PFSA. Due to the entry into force on 1 January 2014, the CRR Regulation abrogating the Polish Capital Requirement Regulation risks to say that the Group offers Up&Down options without the PFSA's consent, and that the Company may be subject to penalties or other sanctions by the PFSA.

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) protection 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.

Changes to the requirements on the subject of providing the brokerage services by the investment firms – the MiFID II/MIFIR system

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January 2018. The principal assumptions of the MiFID II/MiFIR Package include, inter alia: (i) increasing the powers of supervision authorities; (ii) extending the information requirements of investment firms; (iii) the introduction of additional requirements in terms of managing conflicts of interest and stricter requirements in terms of incentives applied; (iv) the introduction of additional requirements within the scope of trading in derivative instruments in connection with the EMIR Regulations; (v) stricter risk management and internal audit requirements, including the greater role of the compliance department (compliance officer); (vi) the introduction of periodic verification of the appropriateness of a given product for a given client; (vii) the introduction of the obligation to register all client communications in terms of client transactions and providing access to the recordings of conversations and email correspondence (or confirmations) with clients in specific circumstances; and (viii) the introduction of additional reporting duties in the scope of executed orders.

Transposition of the MiFID II Directive into the national law by the particular Member States was about to proceed till 3 July 2017. On 28 March 2018 President of the Republic of Poland signed act amending the act on trading in financial instruments and some other acts. The purpose of this act is to implement EU regulations regarding financial instruments into the Polish legal order. This acts imposes additional obligations on financial market's subjects, implements new regulations regarding communication with client, extends information requirements, provides wider transparency of the costs and introduces new rights for the supervisors. The act came into force, apart from few provisions, on 21 April 2018.

The Company has made reasonable efforts to comply with the obligations arising from the MIFID II/MIFIR Package to the extent to which these provisions are directly applicable. However, it cannot be ruled out that a given rule or requirement resulting from the MIFID II/MIFIR Package, to the extent that these provisions are directly applicable, will be interpreted by the Group in a manner inconsistent with the Directive, the Regulation or their interpretation or supervisory approach, which may involve applying to the Company supervisory actions and sanctions provided for by applicable provisions, and may cause the Group to incur further significant financial effort and implement significant organizational changes.

Plans for further limitation of CFD's leverage in Poland – draft bill amending act on supervision over financial market and other acts

On 12 July 2017, the draft act of 10 July 2017 on amendment of the act on supervision over the financial market and certain other acts was published. On 13 December 2017, another draft act on amendment of the act on supervision over the financial market and certain other acts was presented. At present, opinions for the draft are being prepared. The main assumptions introduced by the draft include, among others: (i) increased requirements regarding security deposits for Polish residents with regard to transactions on the market of financial derivative instruments from 1% to 2% and, consequently, reduction of financial leverage to 1:50 for retail clients. As far a retail clients who, during 24 months preceding submission of the order, concluded at least 40 transactions and expressed this intention, the draft will allow application of financial leverage of up to 1:100, (ii) authorising the Polish Financial Supervision Authority to maintain a register of internet domains and block internet domains of investment companies, used for provision of financial services in a manner non-compliant with regulatory requirements, and (iii) introduction of stricter penal liability for unauthorised operation with regard to trading in financial instruments if the unlawful act results in unfavourable disposition of property by the harmed party.

As of the date of this report, the bill is at the stage of giving an opinion. It is not known yet how the final shape of the bill will look. The entry into force of the leverage restriction in the projected shape will most likely increase the transaction costs for the Company's clients from Poland, which may adversely affect their ability and interest in trading instruments offered by the Company, particularly when clients have access to foreign investment firms' Polish regulations, which in turn may have a negative impact on the volume of trading in instruments offered by the Company in Poland, and thus on the Company's business, financial situation and results.

Changes in the scope of protection of personal data – the so-called the GDPR

On 4 May 2016 in the Official Journal of the European Union a legislative package on a new EU legal framework for data protection has been published. The package consists of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation – the GDPR) and the Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA. Implementation of the Directive by the Member States, with some exceptions, shall take place by 6 May 2018. The GDPR does not require implementation and will be used directly by all of the countries of the Community as of 25 May 2018. It is important to note that the obligations arising from the GDPR will also affect those entities which are established outside the EU but offer their services to EU citizens.

The purpose of the aforementioned regulations is to ensure a high and uniform level of data protection throughout the European Union, as well as rise a sense of legal certainty in this area. The following main legal changes will be introduced by the GDPR: (i) an increase of administrative penalties, which depending on the violations, may amount to EUR 20 million, or 4% of the worldwide turnover for the previous year, depending on which amount will be higher, (ii) an obligation to notify a personal data protection authority (in Poland: GIODO) not later than 72 hours after having become aware of any breach of data security, (iii) the introduction of the requirement to ensure the security of personal data processing by entrepreneurs by keeping detailed documentation, including documents confirming the compliance of data processing with applicable laws and regulations, (iv) the introduction of the requirement to design the services or products in a way which enables the use of the minimum possible amount of personal data processed for their support, (v) regulation of the data subjects' rights and strengthening of existing rights by limiting the data processing, (vi) granting the GIODO broad powers e.g. the power to impose an obligation to temporarily or permanently reduce data processing by the entrepreneur, including the prohibition on personal data processing, (vii) regulation of the right to data portability, enabling the person to request for transfer its data between entrepreneurs, (viii) the new obligation to establish the Data Security Administrator in each enterprise if: a state authority is a personal data administrator, data processing is the core business of the enterprise or large amounts of sensitive data are processed, (ix) facilitation of processing of personal data within the capital group, which carry on the same activity, (x) the introduction of the "one stop shop" mechanism enabling to choose the supervisory authority for the whole capital group, e.g. the Polish GIODO.

Poland is currently working on the implementation of the above-mentioned regulations into the Polish legal order. On 5 April 2018 government's draft of the act on personal data protection has been addressed to Parliament. This draft includes: (i) constitution of a new body accurate for personal data protection – President of the Personal Data Protection Office; (ii) procedure of personal data protection inspector's notifications; (iii) principles of certification and manner of proceedings in such cases, (iv) manner of proceeding in cases related to violation of personal data protection provisions; and (v) issues related to civil responsibility for violation of the personal data protection provisions.

At the submission date of this report, the Company is not able to accurately estimate the impact of the above-mentioned regulations on the activity of the Group. It cannot be excluded, that the process of adaptation to the changes may result in the necessity of to incur a significant financial outlays by the Group, or implementation of significant organizational changes.

The exchange of tax information with other countries - implementation of Common Reporting Standard (CRS) and the so-called Euro-FATCA

Act on the exchange of tax information with other countries of 9 March 2017, entered into force on 3 April 2017. The purpose of the Act is the implementation into the Polish legal system the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation as well as regulations enabling the automatic exchange of tax information with other than EU countries on the basis on a Common Reporting Standard (CRS). The Republic of Poland declared in the multilateral agreement of the competent authorities concerning the automatic exchange of financial information for tax purposes, signed on 29 October 2014, that will implement above-mentioned acts. Poland did not implement the aforementioned directive at the given time. These regulations are aimed to create a system of exchange of tax information between countries, in order to effectively combat tax evasion made by tax residents from each jurisdiction, regarding to their taxable income earned abroad.

According to this Act, financial institutions are required to: (i) the application of due diligence procedures and reporting procedures involving identification and reporting of accounts belonging to tax residents form other countries (ii) registration of undertaken actions with due diligence (iii) collecting the documentation required in application of due diligence procedures, in particular statements about the tax residence of account holders or persons controlling this accounts and documentary evidences. In addition, institutions are obliged to store the reports, records of activities and documentation indicated above for a period of 5 years from the end of the year in which the obligation to provide information about the account arose. If a financial institution fails to meet these obligations dissuasive sanctions may be imposed.

The Company has exercised due diligence in order to comply with its obligations under the Act. 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 administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

Guidelines for the brokerage services on the OTC derivatives market

On 24 May 2016 Polish Financial Supervision Authority (the "PFSA") adopted and issued guidelines concerning the rendering of brokerage services on the OTC derivatives market" (the "PFSA Guidelines"). Contents of the PFSA Guidelines are available on the Company's website. The PFSA Guidelines apply to many aspects of offering services on the OTC market, including, inter alia, the role of supervisory boards and management boards in the process of offering services, the promotion of such services, soliciting clients, outsourcing client solicitation, providing clients with information on the characteristics of and the risks involved in investing on the OTC market, the method of testing if the services provided are adequate to individual client knowledge and experience, the nature of margin collateral, financial leverage and the stop-out mechanism, as well as their practical application, the time required to execute client instructions, information for clients about OTC market profitability statistics, the terminology applied in contracts with clients, transaction costs and the process of the annulment and correction of transactions.

The Company used the best efforts to implement the PFSA Guidelines. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the PFSA approach which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

The PFSA Guidelines on the management of information technology and ICT environment security for investment firms

The purpose of these guidelines is to present investment firms with supervisory expectations concerning prudent and stable management of the IT and ICT environment, including specifically the risk associated therewith. According to the position of the PFSA's the guidelines should be applied on a 'comply or explain' basis in terms of the manner of implementation of the specific guidelines, subject to prudential approach, acceptable risk levels and the need to comply with applicable law.

The Company has exercised due diligence in order to comply with the PFSA Guidelines. However, it cannot be excluded that a given rule or requirement will be interpreted by the Company in a manner inconsistent with the PFSA approach which may be connected with risk of supervisory activities and sanctions specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

Document including key information on Financial product („KID" – Key Information Document)

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) was supposed to enter in force on 31 December 2016, however it finally entered into force on 1 January 2018. The PRIIP Regulation imposes an obligation on specified financial institutions of preparing document which contains key information of given financial product and defines the manner of its presentation to individual investors. KID document needs to be prepared for each packaged retail and insurance-based investment product. These products also include derivatives, such as options and CFDs. PRIIP Regulation precisely defines the elements and the sequence in which they shall be included in KID, that is: (i) product name, (ii) data identifying product manufacturers, (iii) information concerning supervision authority of manufacturer, (iv) appropriate warning if product is difficult to understand, (v) main characteristics of product, (vi) description of risk and return, (vii) costs related with investment, (viii) determine the duration of the possession of the product, (ix) information on methods of claim submission, (x) and other relevant information. In cases of infringement of the obligations arising from PRIIP Regulation the supervisory authority may impose following administrative sanctions and measures: (i) prohibition of the product's being placed on the market, (ii) order to suspend placing the product's on the market, (iii) placing the person responsible for the infringement on the list of the public notices, indicating the nature of the breach, (iv) the prohibition of dissemination KID not satisfying the requirements available and publication of the new version, (v) in case of legal persons administrative sanctions up to EUR 5 000 000, or in member states, whose currency is not the euro the equivalent in national currency at 30 December 2014, or up to 3% the total annual turnover of this legal person in accordance with the most recent available financial statement or up to twice the amount of the profits gained or losses avoided because of the breach, in case where fair value can be determined, (vi) in case of natural persons administrative sanctions up to EUR 700 000, or in member states, whose currency is not the euro the equivalent in national currency at 30 December 2014, or up to twice the amount of the profits gained, or losses avoided because of the breach, in case where fair value can be determined. The Regulation becomes directly applicable in all member states.

At the submission date of this report it is not possible to assess the full impact of the obligations arising from the PRIIP Regulations on the Group's activities and there is no certainty if adjusting to the obligations and requirements provided at present in the Regulations will not have significant negative impact on the operations, financial position and results of the Group as well as the price of shares.

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 should enter into force on 13 July 2018.

At the submission date of this report the Company is not able to accurately estimate the full impact of the referred regulations on the activity of the Group. It cannot be excluded that the process of adaptation to the changes may result in the necessity to incur a significant financial outlays by the Group or implementation of significant organizational changes, which may affect financial position and results of the Group as well as the price of shares.

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 discusses obligations regarding compliance with the law and reporting, and it presents: (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 2017 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU. Agreed measures regarding CFDs include: (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 standarised risk warning. When it comes to binary options, the agreed measures include a prohibition on the marketing, distribution or sale of those instruments to retail clients.

The Company is not in a position to predict the final shape of planned changes related to the abovementioned restrictions. It cannot be ruled out that the restriction introduced by ESMA will have a significant impact on the way the Group offers and promotes financial products, and further on the financial results of the Group and will require the Group to incur further significant financial outlays and implement significant organizational changes.

France

In France the works on the introduction of restrictions on promoting the services in the scope of, inter alia, derivatives on the OTC market were completed. The act, passed by the French parliament on 8 November 2016 entered into force on 11 December 2016. As a consequence of the implementation of the act French supervisory authority – AMF adapted its own regulations applicable to investment firms providing services on French territory. The restrictions are one of the other underlying assumptions included in the French Monetary and Financial Code. The Act introduces, inter alia, ban on, indirect and direct transfer through electronic means of transmission promotional materials relating to financial services for non-professional clients and to prospective clients. The ban refers to the services for which a client is unable to estimate maximum exposure to risk at the time of the transaction, in respect of which the risk of financial losses may exceed the value of the initial margin or which the potential risk is not readily apparent due to the ability of the potential benefits.

The Company has exercised due diligence in order to comply with the amended regulations. However, it cannot be excluded that measures undertaken by the Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the Act 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.

Turkey

On 10 February 2017 the Communiqué on the changes in the III-37.1 Communiqué on principles regarding investment services, activities and ancillary services have been published in the Official Journal. Key assumptions include the reduction of used leverage to 1:10 and the introduction of minimum deposit of TRY 50 thousand (or the equivalent in foreign currency – approx. 12 thousand USD). The changes referred to above entered into force with immediate effect for all customers and open positions from 10 February 2017, and in relation to the positions opened before that date was a deadline 45 days to adjust the current state to the new regulations. Consequently, on 18 May 2017 the Company decided to withdraw from operations on the Turkish market. Yet, the decision was suspended on 30 November 2017 by the Board of the Company until the end of the first half of 2018, because of the possibility that the Turkish regulatory authority CMB may mitigate changes in the regulations governing operations in the area of investment services, investment activity and auxiliary services.

After analysis of the subsidiary's situation and as a result of lack of assumed alleviation of limitation introduced by the Capital Markets Board of Turkey, on 19 April 2018 the Management Board took a decision on renewal of actions leading to shut down of business at Turkish market and liquidation of subsidiary.

Germany

On 8 May 2017 German supervisory authority - BaFin published General Administrative Act limiting the promotion, distribution and sale of CFD financial instruments, of which transactions may result that on client's account will occur debt. Such debt is the result of transactions where the loss exceeds the value of client's deposits.

The Company has made every effort to comply with the above regulations. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the BaFin approach, which may involve application to the Company of the supervisory activities and sanctions provided for in the applicable legislation and may require the Company to incur further significant financial expenses and Implementation of significant organizational changes.

Great Britain

On 6 December 2016 British supervisory authority – FCA submitted for consultation the document called Enhancing conduct of business rules for firms providing contract for difference products to retail clients. The main assumptions of legal changes include among others reduction of leverage offered depending on the client's investment in derivatives experience. Under the proposed assumptions for experienced retail clients i.e. those who have done at least 40 transactions in a continuous period of 12 months over the last 3 years, or at least 10 transactions per quarter in the four quarters over the last three years the maximum leverage level will be 1:50. For other clients leverage was set at the maximum level 1:25. Further proposals indicated in the document assume preventing offering of bonuses or rebates, which depend on the opening of an account or payment of deposit by the client. The document also envisages the introduction of obligation to publish standardized information on the risks of investing in derivative instruments and information on the percentage of accounts, on which gain or loss was reported in the preceding quarter and the preceding 12 months.

According to the FCA information, the publication of final version of the document has been delayed, pending the outcome of discussions being conducted within the European Securities and Markets Authority ("ESMA") about the possible use of its product intervention powers under article 40 of MiFIR. At the date of this report, the Company cannot exclude the possibility that the provided restrictions will have a material adverse impact on the operations, financial position and results of the Group on the United Kingdom market, as well as the price of shares.

Spain

On 17 March 2017 Spanish supervisory authority (Comisión Nacional del Mercado de Valores – CNMV) has required financial institutions offering CFD financial instruments and binary options which use leverage higher than 1:10, to include relevant information and warnings and to apply mechanisms which enforce client to acquaint with them and to accept the risks related with these products, inter alia, during the process of brokerage services agreement conclusion, before usage of such services and, as well, during usage of such services by client. Required by the CNMV warnings enforce clients of financial institutions to become acquainted with the risks related with products, and in case of willingness to use these products, to express unequivocal acceptation of this risk. Regulations are designed to protect individual investors.

The Company has exercised due diligence in order to comply with the above regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the regulations 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.

Romania

Romania is working on amending the Capital Markets Act No. 24/2017. The Romanian Regulatory Authority – Autoritatea de Supraveghere Financiară ("ASF") has submitted to the Ministry of Finance a draft amendment, which maintains a prohibition on the distribution of binary options to retail clients in Romania and restrictions in respect of CFD distribution in Romania. The project is in the Romanian senate, currently work is underway to determine the final shape of the project. It is envisage that the amended law may entry into force in the middle of 2018.

Financial transaction tax

As at the submission date of this report the only jurisdictions where the Group conducts its business and where financial transactions tax was payable were Italy (the tax applies from 1 September 2013) and France (the tax applies from 1 August 2012).

Notwithstanding the above, the work on the pan-European legislation imposing a financial transaction tax a portion of the proceeds of which would be contributed directly to the EU budget is in progress. The original proposal regarding the introduction of such tax provided that the minimum tax rates will be 0,1% on any trading in shares and bonds and 0,01% on any trading in derivative instruments. On 8 December 2015, a working draft of a summary of the meeting of the Economic and Financial Affairs Council, which was held on the same day, was published. It presented the principal assumptions for the future tax on financial trades regarding: (i) shares; and (ii) derivatives. According to that document, the tax should apply to all transactions involving shares, although a more precise definition of its territorial scope was left to the legislative initiative of the European Commission. The document states that the tax will also apply to transactions in derivative instruments executed within the scope of market making activities. As at the submission date of this report there is no official information about the possible date of the imposition of such a tax.

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Result of operations on financial instruments	106 828	53 898
Income from fees and charges	1 076	1 037
Other income	11	16
Total operating income	107 915	54 951
Salaries and employee benefits	(16 305)	(15 257)
Marketing	(6 056)	(6 616)
Other external services	(7 619)	(3 666)
Costs of maintenance and lease of buildings	(1 473)	(1 351)
Amortisation and depreciation	(886)	(1 064)
Taxes and fees	(327)	(863)
Commission expenses	(1 979)	(1 319)
Other costs	(502)	(376)
Total operating expenses	(35 147)	(30 512)
Profit on operating activities	72 768	24 439
Impairment of investments in subsidiaries	(1 568)	–
Finance income	2 608	3 439
Finance costs	(2 337)	(12 793)
Profit before tax	71 471	15 085
Income tax	(13 754)	(2 993)
Net profit	57 717	12 092
Other comprehensive income	214	(1 436)
Items which will be reclassified to profit (loss) after meeting specific conditions	214	(1 436)
- foreign exchange differences on translation of foreign operations	*(67)*	*196*
- foreign exchange differences on valuation of separated equity	*347*	*(2 015)*
- deferred income tax	*(66)*	*383*
Total comprehensive income	57 931	10 656
Earnings per share:		
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	0,49	0,10
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	0,49	0,10
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	0,49	0,10
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	0,49	0,10

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	31.03.2018 (UNAUDITED)	31.12.2017 (AUDITED)	31.03.2017 (UNAUDITED)
ASSTES			
Own cash and cash equivalents	405 670	322 954	230 438
Customers' cash and cash equivalents	290 166	334 100	379 613
Financial assets held for trading	105 055	118 164	107 560
Investments in subsidiaries	56 001	57 160	66 932
Income tax receivables	196	115	3 128
Loans granted and other receivables	6 795	5 060	13 707
Prepayments and deferred costs	5 195	2 661	3 600
Intangible assets	1 521	2 111	3 935
Property, plant and equipment	2 519	2 764	2 887
Deferred income tax assets	8 269	8 302	8 567
Total assets	881 387	853 391	820 367
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to customers	360 347	374 930	380 927
Financial liabilities held for trading	15 183	34 834	25 990
Income tax liabilities	2 843	1 121	2 270
Other liabilities	21 689	20 724	20 384
Provisions for liabilities	927	911	843
Deferred income tax provision	9 618	8 022	15 022
Total liabilities	410 607	440 542	445 436
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	247 854	247 854	212 416
Foreign exchange differences on translation	826	612	437
Retained earnings	144 623	86 906	84 601
Total equity	470 780	412 849	374 931
Total equity and liabilities	881 387	853 391	820 367

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Interim condensed statement of changes in equity for the period from 1 January 2018 to 31 March 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
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	–	–	–	–	57 717	57 717
Other comprehensive income	–	–	–	214	–	214
Total comprehensive income for the financial year	–	–	–	826	57 717	57 931
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	–	–	–	–
- dividend payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2018 (unaudited)	5 869	71 608	247 854	826	144 623	470 780

Statement of changes in equity for the period from 1 January 2017 to 31 December 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 416	1 873	72 509	364 275
Total comprehensive income for the financial year						
Net profit	–	–	–	–	87 398	87 398
Other comprehensive income	–	–	–	(1 261)	–	(1 261)
Total comprehensive income for the financial year	–	–	–	(1 261)	87 398	86 137
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	35 438	–	(73 001)	(37 563)
- dividend payment	–	–	–	–	(37 563)	(37 563)
- transfer to other reserves	–	–	35 438	–	(35 438)	–
As at 31 December 2017 (audited)	5 869	71 608	247 854	612	86 906	412 849

Interim condensed statement of changes in equity for the period from 1 January 2017 to 31 March 2017

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2017	5 869	71 608	212 416	1 873	72 509	364 275
Total comprehensive income for the financial year						
Net profit	–	–	–	–	12 092	12 092
Other comprehensive income	–	–	–	(1 436)	–	(1 436)
Total comprehensive income for the financial year	–	–	–	(1 436)	12 092	10 656
Transactions with Parent Company's owners recognized directly in equity						
Appropriation of profit/offset of loss	–	–	–	–	–	–
- dividend payment	–	–	–	–	–	–
- transfer to other reserves	–	–	–	–	–	–
As at 31 March 2017 (unaudited)	5 869	71 608	212 416	437	84 601	374 931

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2018 (UNAUDITED)	31.03.2017 (UNAUDITED)
Cash flows from operating activities		
Profit before tax	71 471	15 085
Adjustments:		
(Gain) Loss on sale or disposal of items of property, plant and equipment	–	6
Amortization and depreciation	886	1 064
Foreign exchange (gains) losses from translation of own cash	2 416	3 696
(Gain) Loss on investment activity	1 568	(2 369)
Other adjustments	204	(1 393)
Changes		
Change in provisions	16	(40)
Change in balance of financial assets and liabilities held for trading	(6 542)	(12 993)
Change in balance of restricted cash	43 934	(26 783)
Change in balance of loans granted and other receivables	(1 735)	(32)
Change in balance of prepayments and accruals	(2 534)	(709)
Change in balance of amounts due to customers	(14 583)	30 106
Change in balance of other liabilities	992	(10)
Cash from operating activities	96 093	5 628
Income tax paid	(10 484)	(4 601)
Interests	–	2
Net cash from operating activities	85 609	1 029
Cash flow from investing activities		
Expenses relating to payments for property, plant and equipment	(41)	(228)
Expenses relating to payments for intangible assets	–	(456)
Proceeds from loans repayment	–	732
Net cash from investing activities	(41)	48
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(27)	(44)
Interest paid under lease	–	(2)
Expenses relating to the increase of subsidiaries' capital	(408)	(837)
Net cash from financing activities	(435)	(883)
Increase (Decrease) in net cash and cash equivalents	85 133	194
Cash and cash equivalents – opening balance	322 954	233 942
Effect of FX rates fluctuations on balance of cash in foreign currencies	(2 417)	(3 698)
Cash and cash equivalents – closing balance	405 670	230 438

Warsaw, 9 May 2018

Omar Arnaout	Paweł Szejko	Filip Kaczmarzyk
President of the Management Board	Member of the Management Board	Member of the Management Board

Ewa Stefaniak

The person responsible for bookkeeping

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