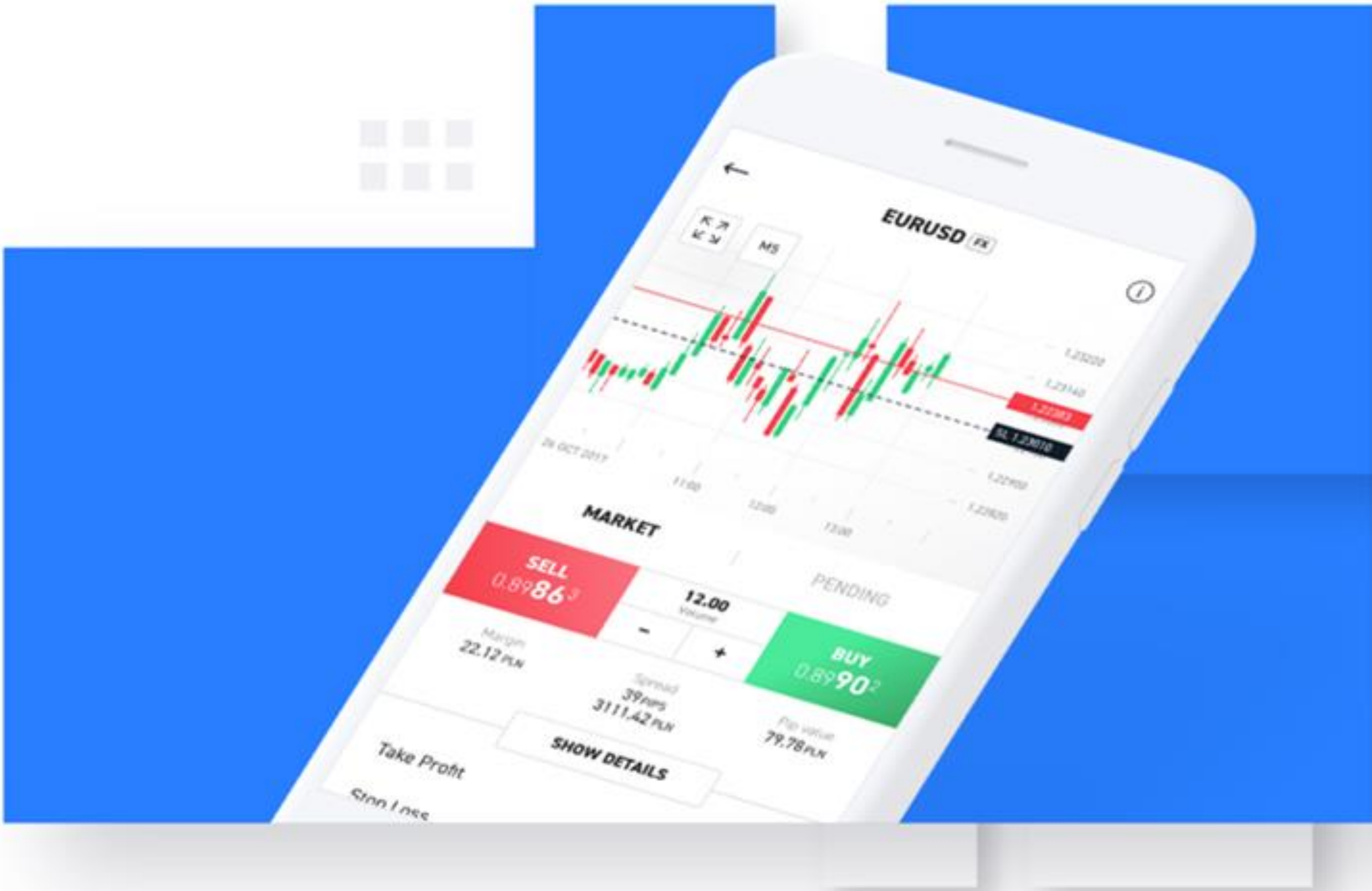

REPORT FOR THE 1[ST] HALF 2019

X-TRADE BROKERS DM S.A.

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FINANCIAL HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 SIX-MONTH ENDED		IN EUR'000 SIX-MONTH ENDED	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Consolidated comprehensive income statement:				
Total operating income	88 781	197 937	20 705	46 689
Profit on operating activities	5 193	115 144	1 211	27 160
Profit before tax	7 113	122 007	1 659	28 779
Net profit	5 156	100 402	1 202	23 683
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,04	0,86	0,01	0,20
Consolidated cash flow statement:				
Net cash from operating activities	(9 141)	129 647	(2 132)	30 581
Net cash from investing activities	(1 776)	(303)	(414)	(71)
Net cash from financing activities	(22 260)	(47)	(5 191)	(11)
Increase/(Decrease) in net cash and cash equivalents	(33 177)	129 297	(7 737)	30 498

	IN PLN'000		IN EUR'000	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Consolidated statement of financial position:				
Total assets	1 027 568	970 074	241 667	225 599
Total liabilities	589 716	514 918	138 691	119 748
Share capital	5 869	5 869	1 380	1 365
Equity	437 852	455 156	102 976	105 850
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)	3,73	3,88	0,88	0,90

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: 4,2880;
  - for the comparative period: 4,2395;
- 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: 4,2520;
  - for the comparative period: 4,3000.

FINANCIAL SEPARATE HIGHLIGHTS

	IN PLN'000 SIX-MONTH ENDED		IN EUR'000 SIX-MONTH ENDED	
	30.06.2019	**30.06.2018**	**30.06.2019**	**30.06.2018**
Comprehensive income statement:				
Total operating income	75 400	189 245	17 584	44 639
Profit on operating activities	5 655	117 528	1 319	27 722
Profit before tax	3 655	118 215	852	27 884
Net profit	2 234	94 567	521	22 306
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,02	0,81	0,00	0,19
Cash flow statement:				
Net cash from operating activities	1 459	127 496	340	30 073
Net cash from investing activities	(1 526)	(1 546)	(356)	(365)
Net cash from financing activities	(21 751)	(47)	(5 073)	(11)
Increase/(Decrease) in net cash and cash equivalents	(21 818)	125 903	(5 088)	29 698

	IN PLN'000		IN EUR'000	
	30.06.2019	**31.12.2018**	**30.06.2019**	**31.12.2018**
Statement of financial position:				
Total assets	977 311	927 960	229 847	215 805
Total liabilities	532 061	464 750	125 132	108 081
Share capital	5 869	5 869	1 380	1 365
Equity	445 250	463 210	104 715	107 723
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	3,79	3,95	0,89	0,92

The above data was translated into EUR as follows:

- items in the comprehensive income statement and cash flow statement – by the arithmetic average of exchange rates published by the National bank of Poland as of the last day of the month during the reporting period:
  - for the current period: 4,2880;
  - for the comparative period: 4,2395;
- items of statement of financial position – by the average exchange rate published by the National Bank of Poland as of the end of the reporting period:
  - for the current period: 4,2520;
  - for the comparative period: 4,3000.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)
Result of operations on financial instruments	6.1	46 184	81 765	85 437	194 316
Income from fees and charges	6.2	1 701	2 366	3 332	3 541
Other income		6	69	12	80
Total operating income	6	47 891	84 200	88 781	197 937
Salaries and employee benefits	7	(20 793)	(19 664)	(40 530)	(39 116)
Marketing	8	(9 581)	(8 976)	(18 759)	(16 775)
Other external services	9	(5 546)	(5 891)	(11 361)	(12 729)
Costs of maintenance and lease of buildings		(790)	(1 976)	(1 532)	(3 915)
Amortisation and depreciation	16,17	(1 450)	(775)	(3 238)	(2 254)
Taxes and fees		(822)	(556)	(1 530)	(923)
Commission expenses	10	(1 872)	(1 699)	(3 904)	(4 034)
Other costs		(1 636)	(2 213)	(2 734)	(3 047)
Total operating expenses		(42 490)	(41 750)	(83 588)	(82 793)
Profit on operating activities		5 401	42 450	5 193	115 144
Finance income	11	1 615	6 061	3 232	10 319
Finance costs	11	(974)	(247)	(1 312)	(3 456)
Profit before tax		6 042	48 264	7 113	122 007
Income tax	26	(1 649)	(7 349)	(1 957)	(21 605)
Net profit		4 393	40 915	5 156	100 402
Other comprehensive income		(2 086)	38	(2 505)	(1 454)
Items which will be reclassified to profit (loss) after meeting specific conditions		(2 086)	38	(2 505)	(1 454)
- foreign exchange differences on translation of foreign operations		*(1 743)*	*(1 106)*	*(2 077)*	*(2 879)*
- foreign exchange differences on valuation of separated equity		*(424)*	*1 412*	*(529)*	*1 759*
- deferred income tax		*81*	*(268)*	*101*	*(334)*
Total comprehensive income		2 307	40 953	2 651	98 948
Net profit attributable to shareholders of the Parent Company		4 393	40 915	5 156	100 402
Total comprehensive income attributable to shareholders of the Parent Company		*2 307*	*40 953*	*2 651*	*98 948*
Earnings per share:					
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,35	0,04	0,86
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,35	0,04	0,86
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,35	0,04	0,86
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,35	0,04	0,86

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

HALF-YEAR CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	433 861	467 987	499 189
Clients' cash and cash equivalents	13	443 576	363 908	336 753
Financial assets at fair value through P&L	14	109 146	114 279	116 562
Income tax receivables		5 419	3 068	285
Financial assets at amortized cost	15	7 047	5 005	6 619
Prepayments and deferred costs		4 215	3 049	5 085
Intangible assets	16	624	716	1 344
Property, plant and equipment	17	14 614	2 517	2 712
Deferred income tax assets	26.2	9 066	9 545	10 836
Total assets		1 027 568	970 074	979 385
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to clients	18	522 153	447 841	424 955
Financial liabilities held for trading	19	22 232	28 227	16 459
Income tax liabilities		285	232	523
Liabilities due to lease	20	11 749	37	81
Other liabilities	21	16 749	23 744	20 084
Provisions for liabilities	22	2 757	1 980	3 060
Deferred income tax provision	26.2	13 791	12 857	14 933
Total liabilities		589 716	514 918	480 095
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	364 757	334 898	334 898
Foreign exchange differences on translation	23	(23 987)	(21 479)	(17 360)
Retained earnings		19 602	64 260	104 275
Equity attributable to the owners of the Parent Company		437 852	455 156	499 290
Total equity		437 852	455 156	499 290
Total equity and liabilities		1 027 568	970 074	979 385

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

HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

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

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23,24	23	24	23,24	
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	–	–	–	–	101 471	101 471	101 471
Other comprehensive income	–	–	–	(5 573)	–	(5 573)	(5 573)
Total comprehensive income for the financial year	–	–	–	(5 573)	101 471	95 898	95 898
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	86 906	–	(127 990)	(41 084)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–	–
- covering losses from previous years	–	–	(490)	–	490	–	–
As at 31 December 2018 (audited)	5 869	71 608	334 898	(21 479)	64 260	455 156	455 156

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

Half-year condensed consolidated statement of changes in equity for the period from 1 January 2018 to 30 June 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
NOTE	23	23	23	23	23	23	
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	–	–	–	–	100 402	100 402	100 402
Other comprehensive income	–	–	–	(1 454)	–	(1 454)	(1 454)
Total comprehensive income for the financial year	–	–	–	(1 454)	100 402	98 948	98 948
Transactions with Parent Company's owners recognized directly in equity							
Appropriation of profit/offset of loss	–	–	86 906	–	(86 906)	–	–
- dividend advance payment	–	–	–	–	–	–	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–	–
As at 30 June 2018 (unaudited)	5 869	71 608	334 898	(17 360)	104 275	499 290	499 290

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

HALF-YEAR CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		7 113	122 007
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		–	(43)
Amortization and depreciation	16,17	3 238	2 254
Foreign exchange (gains) losses from translation of own cash		949	(2 796)
Other adjustments	28.2	(2 509)	(1 469)
Changes			
Change in provisions		777	1 394
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(862)	(12 917)
Change in balance of restricted cash		(79 668)	41 718
Change in financial assets at amortised cost		(2 042)	(2 610)
Change in balance of prepayments and accruals		(1 166)	(1 869)
Change in balance of amounts due to customers		74 312	3 555
Change in balance of other liabilities	28.1	(6 647)	(1 701)
Cash from operating activities		(6 505)	147 523
Income tax paid		(2 842)	(17 876)
Interests		206	–
Net cash from operating activities		(9 141)	129 647
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		–	43
Expenses relating to payments for property, plant and equipment	17	(1 738)	(346)
Expenses relating to payments for intangible assets	16	(38)	–
Net cash from investing activities		(1 776)	(303)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(2 099)	(47)
Interest paid under lease		(206)	–
Dividend paid to owners		(19 955)	–
Net cash from financing activities		(22 260)	(47)
Increase (Decrease) in net cash and cash equivalents		(33 177)	129 297
Cash and cash equivalents – opening balance		467 987	367 096
Effect of FX rates fluctuations on balance of cash in foreign currencies		(949)	2 796
Cash and cash equivalents – closing balance	13	433 861	499 189

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

ADDITIONAL NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

1.2 Composition of the Group

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

NAME OF SUBSIDIARY	CONSOLIDATION METHOD	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
			30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
XTB Limited (UK)	Full	Great Britain	100%	100%	100%
X Open Hub Sp. z o.o.	Full	Poland	100%	100%	100%
XTB Limited (CY)	Full	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Full	Turkey	100%	100%	100%
XTB International Limited	Full	Belize	100%	100%	100%
XTB Chile SpA	Full	Chile	100%	100%	100%
XTB Services Limited	Full	Cyprus	100%	100%	100%
XTB Technologies Sp. z o.o. in liquidation	Full	Poland	100%	100%	100%
XTB Africa (PTY) Ltd.	Full	South Africa	100%	100%	–

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

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

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

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

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

On 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.

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

In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take action, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates, therefore as at the date of these consolidated financial statements the Group is not able to precisely estimate the amount of financial exchange which will be recognized in the future. As at 30 June 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN 23 703 thousand (ref note 23).

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

On the 23 February 2017 the Parent Company acquired 100% of shares in CFDs Prime with its seat in Belize. On the 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. The company provides brokerage services based on the obtained permission issued by the Financial Service Commission. As a result of the acquisition of 100% of shares the Parent Company took up control over the subsidiary. The fair value of the consideration paid was PLN 837 thousand and this 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 this accounting treatment an intangible asset was isolated in the form of a licence for brokerage activities on the Belize market with a value of PLN 261 thousand. The estimated amortization period for this isolated intangible asset was established for 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 purchased net assets, which in full constituted cash, amounted to EUR 1 000. The company's results are consolidated under the acquisition method as of the date of its acquisition. On 8 August 2017 the Parent Company took up 29 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 5 September 2017 the subsidiary changed its name to XTB Services Limited. On 15 January 2018 the Parent Company took up 50 000 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary.

In January 2018 the Parent Company established X Trading Technologies Sp. z o.o. with its seat in Poland. The Parent Company owns 100% of shares in subsidiary. X Trading Technologies Sp. z o.o. provides activity concerning software. The company's results are consolidated under the full method from the date of its establishment. On 30 January 2018 the Parent Company took up 3 900 shares in increased capital of the subsidiary keeping up its 100% share in the capital of the subsidiary. On 14 May 2018 an extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. The liquidation of this subsidiary will make no material impact to the Group's consolidated financial statements.

On 10 July 2018 the Parent Company established XTB Africa (PTY) Ltd. with its seat in South Africa. The Parent Company owns 100% of shares in subsidiary.

1.3 Composition of the Management Board

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March 2017 appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Paweł Frańczak	Board Member	31.08.2012	resigned from office on 25 April 2018
Paweł Szejko	Board Member	28.01.2015	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Filip Kaczmarzyk	Board Member	10.01.2017	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Jakub Kubacki	Board Member	10.07.2018	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Andrzej Przybylski	Board Member	01.05.2019	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022

2. Basis for drafting the financial statements

2.1 Compliance statement

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

The 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 half-year condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2019 to 30 June 2019 with comparative data for the period from 1 January 2018 to 30 June 2018 and as at 31 December 2018 cover the Parent Company’s financial data and financial data of the subsidiaries comprising the “Group”.

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

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

The half-year 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 2018.

The half-year condensed consolidated financial statements were approved by the Management Board of the Parent Company on 21 August 2019. Drafting these half-year condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

2.2 Functional currency and reporting currency

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

2.3 Going concern

The half-year condensed consolidated financial statements were prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. At the date of preparation of these condensed consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies' continued operations with the exception of subsidiaries X Trade Brokers Menkul Değerler A.Ş in Turkey and X Trading Technologies Sp. z o.o. in liquidation in Poland described in note 1.2.

2.4 Comparability of data and consistency of the policies applied

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

2.5 Changes in the accounting policies

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

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

Other new or amended standards and interpretations that apply for the first time in 2019 have no material impact on Group's half-year condensed consolidated financial statements.

- IFRS 16 Leases

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

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

As of the effective date of the new standard, i.e. on 1 January 2019, the Group recognized the right to use underlying assets and liabilities due to lease in the amount of PLN 13 811 thousand.

Identifying a lease

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

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

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

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

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

Initial recognition and measurement

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

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

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

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

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

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

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

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;

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

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

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

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

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

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

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

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

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

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

Subsequent measurement

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

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

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

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

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

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

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

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

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

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

Depreciation

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

Impairment

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

Simplifications and practical solutions in the application of IFRS 16

Short-term lease

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

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

- on a straight-line basis, for the duration of the lease agreement, or
- another systematic method, if it better reflects the way of spreading the benefits gained by the user in time.

Leases of low-value assets

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

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

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

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

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

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

- IFRIC 23 Uncertainty over Income Tax Treatments

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

- Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

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

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

- Annual Improvements to IFRS Standards 2015-2017 Cycle

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

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

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

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

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

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

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

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- 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 half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2020;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements - effective for financial years beginning on or after 1 January 2022.

3. Professional judgement

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

Disposal of subsidiaries or termination of their activities

The Group makes significant judgements in the scope of classification of investment in X Trade Brokers Menkul Degerler A.Ş. as capable of conducting operations or immediate reviving its operations. The assessment is based on the maintained operational and IT infrastructure as at 30 June 2019 as well as the identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator described in note 1.2.

Revenue recognition

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

4. Adopted Accounting principles

The accounting policies applied in the preparation of the half-year condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2018, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2019.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	 30.06.2018 (UNAUDITED)
Financial instruments (CFD)		
Index CFDs	72 595	100 228
Commodity CFDs	5 950	32 318
Stock CFDs	5 336	57 621
Currency CFDs	1 162	2 268
Bond CFDs	663	322
Total CFDs	85 706	192 757
Options		
Currency options	–	3 010
Index options	–	832
Commodity options	–	104
Bond options	–	1
Total options	–	3 947
Stocks	400	(34)
Gross gain on transactions in financial instruments	86 106	196 670
Bonuses and discounts paid to customers	(89)	(1 582)
Commission paid to cooperating brokers	(580)	(772)
Net gain on transactions in financial instruments	85 437	194 316

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

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

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Fees and charges from institutional clients	2 510	1 972
Fees and charges from retail clients	822	1 569
Total income from fees and charges	3 332	3 541

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Central and Eastern Europe	44 703	104 718
- including Poland	*36 212*	*63 999*
Western Europe	36 936	83 133
- including Spain	*21 187*	*29 725*
Latin America	7 142	10 086
Total operating income	88 781	197 937

The countries from which the Group consistently derives 15% or more of its revenues 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)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Salaries	(32 775)	(31 959)
Social insurance and other benefits	(5 882)	(5 452)
Employee benefits	(1 873)	(1 705)
Total salaries and employee benefits	(40 530)	(39 116)

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Marketing online	(17 086)	(13 310)
Marketing offline	(1 662)	(3 345)
Advertising campaigns	–	(99)
Competitions for clients	(11)	(21)
Total marketing expense	(18 759)	(16 775)

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

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Support database systems	(3 569)	(2 965)
Market data delivery	(2 738)	(2 255)
Legal and advisory services	(1 747)	(2 313)
Internet and telecommunications	(1 240)	(1 345)
Accounting and audit services	(1 009)	(908)
IT support services	(441)	(743)
Recruitment	(141)	(385)
Postal and courier services	(87)	(53)
Other external services	(389)	(1 762)
Total other external services	(11 361)	(12 729)

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Bank commissions	(2 417)	(2 290)
Stock exchange fees and charges	(1 328)	(1 538)
Commissions of foreign brokers	(159)	(206)
Total commission expenses	(3 904)	(4 034)

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Interest income		
Interest on own cash	2 825	3 071
Interest on clients' cash	350	261
Total interest income	3 175	3 332
Foreign exchange gains	–	6 981
Other finance income	57	6
Total finance income	3 232	10 319

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Interest expense		
Interest paid to clients	(44)	(102)
Interest paid under lease agreements	(206)	–
Other interest	(30)	(19)
Total interest expense	(280)	(121)
Foreign exchange losses	(1 030)	(3 324)
Other finance costs	(2)	(11)
Total finance costs	(1 312)	(3 456)

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

12. Segment information

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

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

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

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

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

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

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

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	185 294	9 022	194 316	194 316
CFDs				
Index CFDs	95 986	4 242	100 228	100 228
Currency CFDs	56 005	1 616	57 621	57 621
Commodity CFDs	28 720	3 598	32 318	32 318
Stock CFDs	1 841	427	2 268	2 268
Bond CFDs	365	(43)	322	322
Options				
Currency options	3 010	–	3 010	3 010
Index options	832	–	832	832
Commodity options	104	–	104	104
Bond options	1	–	1	1
Shares and listed derivative instruments	(34)	–	(34)	(34)
Bonuses and discounts paid to clients	(764)	(818)	(1 582)	(1 582)
Commissions paid to cooperating brokers	(772)	–	(772)	(772)
Fee and commission income	1 569	1 972	3 541	3 541
Other income	80	–	80	80
Total operating income	186 943	10 994	197 937	197 937
Salaries and employee benefits	(37 801)	(1 315)	(39 116)	(39 116)
Marketing expense	(16 071)	(704)	(16 775)	(16 775)
Other external services	(12 350)	(379)	(12 729)	(12 729)
Cost of maintenance and lease of buildings	(3 834)	(81)	(3 915)	(3 915)
Amortization and depreciation	(2 240)	(14)	(2 254)	(2 254)
Taxes and fees	(916)	(7)	(923)	(923)
Commission expense	(3 995)	(39)	(4 034)	(4 034)
Other expenses	(2 546)	(501)	(3 047)	(3 047)
Total operating expenses	(79 753)	(3 040)	(82 793)	(82 793)
Operating profit (loss)	107 190	7 954	115 114	115 114
Finance income	–	–	–	10 319
Finance costs	–	–	–	(3 456)
Profit before tax	–	–	–	122 007
Income tax	–	–	–	(21 605)
Net profit	–	–	–	100 402

ASSETS AND LIABILITIES AS AT 31.12.2018 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	321 955	41 953	363 908	363 908
Financial assets at fair value through P&L	107 817	6 462	114 279	114 279
Other assets	491 507	380	491 887	491 887
Total assets	921 279	48 795	970 074	970 074
Amounts due to clients	401 811	46 030	447 841	447 841
Financial liabilities held for trading	25 657	2 570	28 227	28 227
Other liabilities	38 850	–	38 850	38 850
Total liabilities	466 318	48 600	514 918	514 918

ASSETS AND LIABILITIES AS AT 30.06.2018 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Clients' cash and cash equivalents	293 861	42 892	336 753	336 753
Financial assets at fair value through P&L	109 322	7 240	116 562	116 562
Other assets	525 698	372	526 070	526 070
Total assets	928 881	50 504	979 385	979 385
Amounts due to clients	377 203	47 752	424 955	424 955
Financial liabilities held for trading	14 117	2 342	16 459	16 459
Other liabilities	38 650	31	38 681	38 681
Total liabilities	429 970	50 125	480 095	480 095

13. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (UNAUDITED)	30.06.2018 (UNAUDITED)
In hand	1	1	1
In current bank accounts	877 436	831 508	835 447
Short-term bank deposits	–	386	494
Cash and cash equivalents in total	877 437	831 895	835 942

Own cash and restricted cash – clients' cash:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (UNAUDITED)	30.06.2018 (UNAUDITED)
Clients' cash and cash equivalents	443 576	363 908	336 753
Own cash and cash equivalents	433 861	467 987	499 189
Cash and cash equivalents in total	877 437	831 895	835 942

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

14. Financial assets at fair value through P&L

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Index CFDs	57 620	62 461	51 902
Commodity CFDs	14 670	16 916	24 044
Currency CFDs	22 221	20 598	20 474
Stock CFDs	9 973	8 599	7 403
Bond CFDs	334	298	335
Stocks	4 328	5 407	12 404
Total financial assets at fair value through P&L	109 146	114 279	116 562

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

15. Financial assets at amortised cost

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Gross amounts due from clients	3 351	3 045	2 912
Impairment write-downs of receivables	(3 155)	(2 844)	(2 613)
Total amounts due from clients	196	201	299
Gross trade receivables	5 002	3 034	2 933
Deposits	1 862	1 739	1 941
Statutory receivables	921	811	2 092
Impairment write-downs of receivables	(934)	(780)	(646)
Total financial assets at amortised cost	7 047	5 005	6 619

Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(3 624)	(3 022)	(3 022)
Write-downs recorded	(690)	(738)	(358)
Write-downs reversed	163	101	88
Write-downs utilized	62	35	33
Impairment write-downs of receivables – at the end of the reporting period	(4 089)	(3 624)	(3 259)

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

16. Intangible assets

Intangible assets in the period from 1 January 2019 to 30 June 2019 (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 2019	5 568	10 792	4 814	–	21 174
Additions	38	–	–	–	38
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	(13)	–	–	–	(13)
Gross value as at 30 June 2019	5 593	10 792	4 814	–	21 199
Accumulated amortization as at 1 January 2019	(5 061)	(10 792)	(4 605)	–	(20 458)
Amortization for the current period	(116)	–	(13)	–	(129)
Sale and scrapping	–	–	–	–	–
Net foreign exchange differences	12	–	–	–	12
Accumulated amortization as at 30 June 2019	(5 165)	(10 792)	(4 618)	–	(20 575)
Net book value as at 1 January 2019	507	–	209	–	716
Net book value as at 30 June 2019	428	–	196	–	624

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

Intangible assets in the period from 1 January 2018 to 31 December 2018 (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 2018	5 541	10 792	4 814	–	21 147
Additions	41	–	–	–	41
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	(12)	–	–	–	(12)
Gross value as at 31 December 2018	5 568	10 792	4 814	–	21 174
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(374)	(1 297)	(563)	–	(2 234)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	6	–	–	–	6
Accumulated amortization as at 31 December 2018	(5 061)	(10 792)	(4 605)	–	(20 458)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 31 December 2018	507	–	209	–	716

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 2018 to 30 June 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	(2)	–	–	–	(2)
Net foreign exchange differences	12	–	–	–	12
Gross value as at 30 June 2018	5 551	10 792	4 814	–	21 157
Accumulated amortization as at 1 January 2018	(4 695)	(9 495)	(4 042)	–	(18 232)
Amortization for the current period	(213)	(807)	(550)	–	(1 570)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(13)	–	–	–	(13)
Accumulated amortization as at 30 June 2018	(4 919)	(10 302)	(4 592)	–	(19 813)
Net book value as at 1 January 2018	846	1 297	772	–	2 915
Net book value as at 30 June 2018	632	490	222	–	1 344

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

17. Property, plant and equipment

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

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

Property, plant and equipment in the period from 1 January 2018 to 31 December 2018 (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 2018	9 131	6 100	100	–	15 331
Additions	1 109	203	(81)	–	1 231
Sale and scrapping	(53)	(172)	–	–	(225)
Net foreign exchange differences	(47)	69	–	–	22
Gross value as at 31 December 2018	10 140	6 200	19	–	16 359
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(1 326)	(371)	–	–	(1 697)
Sale and scrapping	37	146	–	–	183
Net foreign exchange differences	28	(59)	–	–	(31)
Accumulated amortization as at 31 December 2018	(8 738)	(5 104)	–	–	(13 842)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 31 December 2018	1 402	1 096	19	–	2 517

Property, plant and equipment in the period from 1 January 2018 to 30 June 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	330	106	(90)	–	346
Sale and scrapping	(26)	(5)	–	–	(31)
Net foreign exchange differences	19	123	–	–	142
Gross value as at 30 June 2018	9 454	6 324	10	–	15 788
Accumulated amortization as at 1 January 2018	(7 477)	(4 820)	–	–	(12 297)
Amortization for the current period	(483)	(201)	–	–	(684)
Sale and scrapping	26	5	–	–	31
Net foreign exchange differences	(25)	(101)	–	–	(126)
Accumulated amortization as at 30 June 2018	(7 959)	(5 117)	–	–	(13 076)
Net book value as at 1 January 2018	1 654	1 280	100	–	3 034
Net book value as at 30 June 2018	1 495	1 207	10	–	2 712

Non-current assets by geographical area

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	8 607	2 271	3 064
- including Poland	*7 230*	*1 980*	*2 773*
Western Europe	5 782	612	569
- including Spain	*586*	*139*	*129*
Latin America and Turkey	849	350	423
Total non-current assets	15 238	3 233	4 056

18. Amounts due to clients

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Amounts due to retail clients	467 681	401 811	377 203
Amounts due to institutional clients	54 472	46 030	47 752
Total amounts due to clients	522 153	447 841	424 955

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

19. Financial liabilities held for trading

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Index CFDs	8 162	17 800	6 863
Currency CFDs	5 104	4 148	3 130
Stock CFDs	2 808	2 475	3 243
Commodity CFDs	6 139	3 779	3 201
Bond CFDs	19	25	22
Total financial liabilities held for trading	22 232	28 227	16 459

20. Liabilities due to lease

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Short-term	4 349	37	81
Long-term	7 400	–	–
Total liabilities due to lease	11 749	37	81

Liabilities due to lease do not include short-term leasing contracts and lease of low-value assets. In the period from 1 January to 30 June 2019 the cost related to short-term leasing included in the half-year condensed consolidated statement of comprehensive income amounted to PLN 168 thousand, the cost related to lease of low-value assets included in the half-year condensed consolidated statement of comprehensive income amounted to PLN 54 thousand.

21. Other liabilities

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Provisions for other employee benefits	6 409	12 157	8 246
Trade liabilities	6 062	7 675	7 604
Statutory liabilities	3 546	3 247	3 646
Liabilities due to brokers	241	118	145
Liabilities due to employees	368	441	352
Amounts due to the Central Securities Depository of Poland	123	106	91
Total other liabilities	16 749	23 744	20 084

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

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

Program of variable remuneration elements

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

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

As at 30 June 2019, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 730 thousand (31 December 2018: PLN 1 805 thousand, 30 June 2018: PLN 1 116 thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Provisions for retirement benefits	1 175	1 055	1 009
Provisions for legal risk	1 582	925	2 051
Total provisions	2 757	1 980	3 060

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.

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

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

Movements in provisions in the period from 1 January 2018 to 31 December 2018 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES		VALUE AS AT 31.12.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	209	–	–	1 055
Provisions for legal risk	820	792	250	437	925
Total provisions	1 666	1 001	250	437	1 980

Movements in provisions in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES		VALUE AS AT 30.06.2018
			USE	REVERSAL	
Provisions for retirement benefits	846	163	–	–	1 009
Provisions for legal risk	820	1 231	–	–	2 051
Total provisions	1 666	1 394	–	–	3 060

22.2 Contingent liabilities

The Group is party to court proceedings associated with the Group's operations. The proceedings in which the Group acts as defendant relate mainly to employees' and clients' claims. As at 30 June 2019 the total value of claims brought against the Group amounted to approx. PLN 344 thousand (as at 31 December 2018: PLN 954 thousand, as at 30 June 2018: PLN 1,66 million). Group has not created provisions for the above proceedings. In the assessment of the Group the probability of loss in these proceedings is less than 50%.

On May 9, 2014, the Parent Company issued a guarantee in the amount of PLN 56 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 593 thousand.

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

23. Equity

Share capital structure as at 30 June 2019, 31 December 2018 and 30 June 2018

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

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

Shareholding structure of the Parent Company

To the best Parent Company's knowledge, the shareholding structure of the Parent Company as at 30 June 2019, 31 December 2018 and 30 June 2018 was as follows:

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

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 364 757 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN (23 983) thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	416	419	451
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	319	379	455
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	282	280	268
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	12	67	132
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	6	21	40
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	4	13	23
XTB Services Limited	1	9	16
XTB Africa (PTY) Ltd.	(13)	(21)	–
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(42)	(3)	62
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(54)	(12)	26
XTB Chile SpA	(72)	(82)	(6)
XTB Limited CY	(102)	(24)	74
XTB International	(127)	(88)	(107)
XTB Limited UK	(911)	(785)	(493)
X Trade Brokers Menkul Değerler A.Ş.	(23 703)	(21 652)	(18 301)
Total foreign exchange differences on translation	(23 984)	(21 479)	(17 360)

24. Profit distribution and dividend

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

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

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2017 in the amount of PLN 87 396 thousand was transferred to reserve capital in full and the loss from previous years in the amount of PLN 490 thousand was covered with reserve capital.

25. Earnings per share

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Parent Company	5 156	100 402
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,04	0,86
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,04	0,86

26. Current income tax and deferred income tax

26.1 Current income tax

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(444)	(17 555)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(1 513)	(4 050)
Income tax disclosed in profit and loss	(1 957)	(21 605)

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Profit before tax	7 113	122 007
Income tax based in the applicable tax rate of 19%	(1 351)	(23 181)
Difference resulting from application of tax rates applicable in other countries	52	(26)
Non-taxable revenue	12	7
Non-deductible expenses	(69)	(265)
Tax loss for the reporting period not disclosed in the deferred tax	(168)	–
Realisation of tax losses for the preceding periods	20	17
Writing off tax losses activated in previous years	(103)	–
Other items affecting the tax burden amount	(350)	1 843
Income tax disclosed in profit or loss	(1 957)	(21 605)

26.2 Deferred income tax

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

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

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

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

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

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	(8)	83
Financial assets at amortised cost	45	(45)	–
Financial liabilities held for trading	6 670	(1 669)	5 001
Provisions for liabilities	245	261	506
Prepayments and deferred costs	1 436	(24)	1 412
Other liabilities	19	1	20
Tax losses of previous periods to be settled in future periods	10 145	(874)	9 271
Total deferred income tax assets	18 652	(2 359)	16 293

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

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 31.12.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	1 127	19 235
Other liabilities	8	(8)	–
Financial assets at amortised cost	–	142	142
Prepayments and deferred costs	16	–	16
Property, plant and equipment	247	(247)	–
Total deferred income tax provision	18 379	1 014	19 393
Deferred tax disclosed in profit or (loss)	–	(3 373)	–

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

Change in the balance of deferred tax for the period from 1 January to 30 June 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.06.2018
Deferred income tax assets:			
Cash and cash equivalents	1	(1)	–
Property, plant and equipment	91	10	101
Financial assets at amortised cost	45	(45)	–
Financial liabilities held for trading	6 670	(3 821)	2 849
Provisions for liabilities	245	87	332
Prepayments and deferred costs	1 436	(334)	1 102
Other liabilities	19	(17)	2
Tax losses of previous periods to be settled in future periods	10 145	282	10 427
Total deferred income tax assets	18 652	(3 839)	14 813

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2018
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 30.06.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	389	18 497
Other liabilities	8	(8)	–
Prepayments and deferred costs	16	(16)	–
Property, plant and equipment	247	(154)	93
Total deferred income tax provision	18 379	211	18 590
Deferred tax disclosed in profit or (loss)	–	(4 050)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	320	320
Total deferred income tax provision included directly in the equity	–	320	320

Geographical division of deferred income tax assets

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Central and Eastern Europe	81	98	97
- including Poland	–	–	–
Western Europe	8 939	9 289	10 450
- including Spain	–	–	–
Latin America and Turkey	46	158	289
Total deferred income tax assets	9 066	9 545	10 836

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

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

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2018 (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	6 607	19 464	–	12 857
Czech Republic	52	–	52	–
Slovakia	46	–	46	–
Germany	2 808	–	2 808	–
France	4 591	–	4 591	–
Great Britain	1 890	–	1 890	–
Turkey	39	–	39	–
Chile	260	141	119	–
Total	16 293	19 605	9 545	12 857

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 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	3 977	18 910	–	14 933
Czech Republic	43	–	43	–
Slovakia	53	–	53	–
Germany	2 879	–	2 879	–
France	5 569	–	5 569	–
Great Britain	2 003	–	2 003	–
Turkey	31	–	31	–
Chile	258	–	258	–
Total	14 813	18 910	10 836	14 933

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 30 June 2019it holds 66,99% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

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

27.2 Figures concerning related party transactions

As at 30 June2019 the Parent Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1 thousand due to his investment account (as at 31 December 2018 the Company had liabilities in the amount of PLN 0,4 thousand, as at 30 June 2018 the Parent Company had liabilities in the amount of PLN 0,2 thousand). In the period from 1 January to 30 June 2019 the Parent Company has not noted profit or loss from the transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 30 June 2019 the paid gross salary and bonuses amounted to PLN 1 155 thousand and in the analogical period of 2018 amounted to PLN 1 132 thousand.

27.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Benefits to Management Board members	(1 762)	(1 762)
Benefits to Supervisory Board members	(127)	(50)
Total benefits to the Management Board and Supervisory Board	(1 889)	(1 812)

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 21 of the half-year condensed consolidated financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 730 thousand.

27.4 Loans granted to the Management and Supervisory Board Members

As at 30 June 2019, 31 December 2018 and 30 June 2018 there are no loans granted to the Management and Supervisory Board Members.

28. Supplementary information and explanations to the cash flow statement

28.1 Change in balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Change in other liabilities	(6 995)	(1 748)
Rent free period settlement	348	–
Change in the balance of other liabilities	(6 647)	(1 748)

28.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(2 505)	(1 454)
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(4)	(15)
Change in other adjustments	(2 509)	(1 469)

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

29. Post balance sheet events

On 17 July 2019 the Parent Company received from the Department of Investment Companies and Capital Market Infrastructure of the Polish Financial Supervision Authority („KNF", "Commission") a supervisory assessment (BION) of 2 [2,56]. The supervisory rating was assigned to 31 December 2018.

On 19 August 2019 the Parent Company established a subsidiary XTB Services Asia Pte. Ltd. with its seat in Singapore. The company's scope of activities will be performing marketing services.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Currency CFDs	1 787 128	1 132 137	1 276 791
Index CFDs	1 556 887	1 190 515	1 744 111
Commodity CFDs	370 792	276 772	517 488
Stock CFDs	128 791	65 232	104 588
Bond CFDs	16 290	15 814	23 929
Stock	4 225	5 292	12 263
Total financial instruments	3 864 113	2 685 762	3 679 170

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2019 transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2018: 2% of the total nominal value of instruments, as at 30 June 2018: 2% of the total nominal value of instruments).

30.2 Customers' financial instruments

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	83 238	36 872	16 088
Other securities registered in customers' securities accounts	207	207	311
Total customers' financial instruments	83 445	37 079	16 399

30.3 Transaction limits

Unused transaction limits granted:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Institutional clients	6 050	6 665	2 991
Other	–	2	3
Total unused transaction limits granted	6 050	6 667	2 994

31. Items regarding the compensation scheme

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 987	3 285	3 285
- increases	*343*	*702*	*354*
b) closing balance	4 330	3 987	3 639
2. XTB's share in the profits from the compensation scheme	285	260	229

32. Capital management

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

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

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

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

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

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

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

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

Prudential consolidation according to the CRR applies to subsidiaries in excess of the threshold referred to in Article 19 of the CRR. As regards the Group, the Parent Company includes its subsidiary X-Trade Brokers Menkul Değerler A.Ş. in prudential consolidation, from 31 October 2015 includes its subsidiary XTB Limited in Great Britain, from 30 April 2017 includes its subsidiary XTB International and from 31 July 2018 includes its subsidiary XTB Limited in Cyprus.

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

Key values in capital management:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
The Group's own funds	406 468	378 393	380 150
Tier I Capital	406 468	378 393	380 150
Common Equity Tier I capital	406 468	378 393	380 150
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total Group's risk exposure	2 447 163	1 800 363	2 460 606
Capital conservation buffer	61 179	33 757	46 137
Countercyclical capital buffer	4 001	1 180	832
Combined buffer requirement	65 180	34 937	46 969
Total capital ratio	16,6%	21,0%	15,5%
Total capital ratio including buffers	14,0%	19,1%	13,5%

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

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

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

(IN PLN'000)	AS AT 30.06.2019 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2018 (AUDITED)	AS AT 30.06.2018 (UNAUDITED)
1. Capital/Own funds	406 468	388 626	378 393	380 150
1.1. Base capital/Common Equity Tier I without deductions	441 633	400 964	411 774	411 774
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(35 165)	(12 338)	(33 381)	(31 624)
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	406 468	388 626	378 393	380 150
1. Market risk	127 973	104 897	78 012	124 772
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	4 268	4 090	3 828	8 505
3. Credit risk	23 603	23 358	22 260	23 399
4. Operating risk	39 929	39 949	39 929	40 172
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	195 773	172 294	144 029	196 848
IIb. Total risk exposure	2 447 163	2 153 662	1 800 363	2 460 606
Capital conservation buffer	61 179	53 842	33 757	46 137
Countercyclical capital buffer	4 001	4 065	1 180	832
Combined buffer requirement	65 180	57 907	34 937	46 969

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

33. Risk management

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

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

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

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

The Parent Company's Supervisory Board approves risk management system

33.1 Fair value

33.1.1 Carrying amount and fair value

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

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

(IN PLN'000)	30.06.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.06.2018 (UNAUDITED)	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	877 437	877 437	831 895	831 895	835 942	835 942
Financial assets at fair value through P&L	109 146	109 146	114 279	114 279	116 562	116 562
Amounts due to customers	522 153	522 153	447 841	447 841	424 955	424 955
Financial liabilities held for trading	22 232	22 232	28 227	28 227	16 459	16 459
Other liabilities	16 749	16 749	23 744	23 744	20 084	20 084

33.1.2 Fair value hierarchy

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

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

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

(IN PLN'000)	31.12.2018 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	5 293	108 986	–	114 279
Total financial assets	5 293	108 986	–	114 279
Financial liabilities				
Financial liabilities held for trading	–	28 227	–	28 227
Total financial liabilities	–	28 227	–	28 227

(IN PLN'000)	30.06.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	12 273	104 289	–	116 562
Total financial assets	12 273	104 289	–	116 562
Financial liabilities				
Financial liabilities held for trading	–	16 459	–	16 459
Total financial liabilities	–	16 459	–	16 459

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

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

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

33.2 Market risk

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

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

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

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

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

33.2.1 Currency risk

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

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

Assets and liabilities denominated in foreign currencies as at 30 June 2019 (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	23 977	91 077	5 362	10 904	3 225	2 895	25 000	162 440	433 861
Clients' cash and cash equivalents	37 235	214 278	6 559	43 903	4 032	7 056	10 357	323 420	443 576
Financial assets at fair value through P&L	14 313	43 462	1 043	8 476	878	2 931	3 190	74 293	109 146
Income tax receivables	–	11	–	106	–	–	334	451	5 419
Financial assets at amortised cost	534	4 760	62	79	4	174	196	5 809	7 047
Prepayments and deferred costs	141	695	420	207	–	55	96	1 614	4 215
Intangible assets	–	12	–	14	–	–	9	35	624
Property, plant and equipment	–	5 554	413	1 153	–	13	643	7 776	14 614
Deferred income tax assets	–	7 247	1 728	45	–	–	46	9 066	9 066
Total assets	76 200	367 096	15 587	64 887	8 139	13 124	39 871	584 905	1 027 568
Liabilities									
Amounts due to Clients	41 446	247 522	7 207	51 371	4 802	9 343	12 665	374 356	522 153
Financial liabilities held for trading	6 327	5 703	451	1 180	260	172	619	14 712	22 232
Income tax liabilities	–	254	–	–	–	–	30	284	285
Liabilities due to lease	–	10 820	422	114	–	–	359	11 715	11 749
Other liabilities	460	5 348	1 352	590	–	276	1 162	9 188	16 749
Provisions for liabilities	–	–	–	–	–	–	2 223	2 223	2 757
Deferred income tax provision	–	–	–	–	–	–	20	20	13 791
Total liabilities	48 233	269 647	9 432	53 255	5 062	9 791	17 078	412 498	589 716

Assets and liabilities denominated in foreign currencies as at 31 December 2018 (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	33 182	97 246	6 464	18 860	3 320	3 099	25 696	187 867	467 987
Clients' cash and cash equivalents	27 339	191 230	5 873	33 242	3 245	5 195	5 947	272 071	363 908
Financial assets at fair value through P&L	11 840	55 252	1 531	10 295	1 018	2 541	2 608	85 085	114 279
Income tax receivables	–	–	–	60	–	–	213	273	3 068
Financial assets at amortised cost	525	2 846	31	128	7	191	256	3 984	5 005
Prepayments and deferred costs	295	212	363	133	–	73	20	1 096	3 049
Intangible assets	–	11	–	26	–	–	11	48	716
Property, plant and equipment	–	581	63	202	–	20	129	995	2 517
Deferred income tax assets	–	7 445	1 890	52	–	–	158	9 545	9 545
Total assets	73 181	354 823	16 215	62 998	7 590	11 119	35 038	560 964	970 074
Liabilities									
Amounts due to Clients	34 143	229 258	6 925	42 293	3 996	7 732	7 766	332 113	447 841
Financial liabilities held for trading	4 769	14 904	445	1 566	198	80	708	22 670	28 227
Income tax liabilities	59	138	–	–	–	–	34	231	232
Liabilities due to lease	–	–	–	37	–	–	–	37	37
Other liabilities	1 246	6 499	2 811	1 305	–	398	1 586	13 845	23 744
Provisions for liabilities	–	–	–	–	–	–	931	931	1 980
Deferred income tax provision	–	–	–	–	–	–	–	–	12 857
Total liabilities	40 217	250 799	10 181	45 201	4 194	8 210	11 025	369 827	514 918

Assets and liabilities denominated in foreign currencies as at 30 June 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	39 628	97 036	6 826	19 903	3 396	3 145	29 778	199 712	499 189
Clients' cash and cash equivalents	26 366	183 668	5 169	34 444	2 776	5 913	5 911	264 247	336 753
Financial assets at fair value through P&L	12 978	56 466	1 292	11 737	2 500	1 229	1 947	88 149	116 562
Income tax receivables	–	3	–	104	–	–	–	107	285
Financial assets at amortised cost	478	3 301	180	271	31	105	970	5 336	6 619
Prepayments and deferred costs	84	489	347	189	–	39	87	1 235	5 085
Intangible assets	–	10	–	8	–	–	20	38	1 344
Property, plant and equipment	–	559	24	222	–	27	179	1 011	2 712
Deferred income tax assets	–	8 500	2 003	44	–	–	290	10 837	10 836
Total assets	79 534	350 032	15 841	66 922	8 703	10 458	39 182	570 672	979 385
Liabilities									
Amounts due to Clients	33 067	225 127	5 866	44 902	5 047	6 842	7 334	328 185	424 955
Financial liabilities held for trading	3 416	6 795	446	1 300	248	120	547	12 872	16 459
Income tax liabilities	–	202	–	–	–	–	321	523	523
Liabilities due to lease	–	–	–	81	–	–	–	81	81
Other liabilities	1 032	6 784	1 725	1 162	13	158	1 064	11 938	20 084
Provisions for liabilities	–	–	–	–	–	444	1 473	1 917	3 060
Deferred income tax provision	–	–	–	–	–	–	–	–	14 933
Total liabilities	37 515	238 908	8 037	47 445	5 308	7 564	10 739	355 516	480 095

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

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)		30.06.2018 (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	5 195	(5 195)	20 187	(20 187)
Equity, of which:	3 303	(3 303)	3 366	(3 366)
Foreign exchange differences on translation	3 303	(3 303)	3 366	(3 366)

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

33.2.2 Interest rate risk

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

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

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

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

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

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

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Financial assets			
Cash and cash equivalents	877 437	831 895	835 942
Total financial assets	877 437	831 895	835 942
Financial liabilities			
Amounts due to clients	27 333	36 430	65 369
Other liabilities	11 749	37	128
Total financial liabilities	39 082	36 467	65 497

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 30 June 2019 and from 1 January to 30 June 2018, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2019 (UNAUDITED)		30.06.2018 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	4 308	(4 308)	3 924	(3 924)

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

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

33.2.3 Other price risk

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

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	4 650	3 758	4 804
Base metals	193	371	128
Other	9 344	12 562	18 580
Total commodity	14 187	16 691	23 512
Equity instruments			
Stocks	13 745	13 461	19 139
Indicies	57 382	62 244	51 615
Total equity instruments	71 127	75 705	70 754
Debt instruments	325	295	328
Total financial assets at fair value through P&L	85 639	92 691	94 594
Financial liabilities held for trading			
Commodity			
Precious metals	2 126	1 737	184
Base metals	24	67	350
Other	3 506	1 750	2 132
Total commodity	5 656	3 554	2 666
Equity instruments			
Stocks	2 356	2 044	2 707
Indicies	7 912	17 582	6 573
Total equity instruments	10 268	19 626	9 280
Debt instruments	10	22	14
Total financial liabilities held for trading	15 934	23 202	11 960

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2019 (UNAUDITED)		30.06.2018 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(696)	696	(6 220)	6 220
Base metals	(152)	152	190	(190)
Other	(4 144)	4 144	(5 248)	5 248
Total commodity	(4 992)	4 992	(11 278)	11 278
Equity instruments				
Stocks	(7)	7	27	(27)
Indicies	30 741	(30 741)	(10 579)	10 579
Total equity instruments	30 734	(30 734)	(10 552)	10 552
Debt instruments	734	(734)	661	(661)
Total income/(expenses) for the period	26 476	(26 476)	(21 169)	21 169

33.3 Liquidity risk

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

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

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

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

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

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

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

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

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

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

Contractual payment periods of financial assets and liabilities as at 31 December 2018 (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	831 895	831 895	831 895	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	5 293	5 293	5 293	–	–	–	–
CFDs	108 986	108 986	108 986	–	–	–	–
Total financial assets at fair value through P&L	114 279	114 279	114 279	–	–	–	–
Financial assets at amortised cost	5 005	5 005	3 266	–	1 739	–	–
Total financial assets	951 179	951 179	949 440	–	1 739	–	–
Financial liabilities							
Amounts due to clients	447 841	447 841	447 841	–	–	–	–
Financial liabilities held for trading							
CFDs	28 227	28 227	28 227	–	–	–	–
Total financial liabilities held for trading	28 227	28 227	28 227	–	–	–	–
Liabilities due to lease	37	37	22	15			
Other liabilities	23 744	23 744	11 484	10 303	–	–	1 957
Total financial liabilities	499 849	499 849	487 574	10 318	–	–	1 957
Contractual liquidity gap in maturities (payment dates)			461 866	(10 318)	1 739	–	(1 957)
Contractual cumulative liquidity gap			461 866	451 548	453 287	453 287	451 330

Contractual payment periods of financial assets and liabilities as at 30 June 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	835 942	835 942	835 942	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	12 404	12 404	12 273	–	–	–	131
CFDs	104 158	104 158	104 158	–	–	–	–
Total financial assets at fair value through P&L	116 562	116 562	116 431	–	–	–	131
Financial assets at amortised cost	6 619	6 619	4 678	–	1 941	–	–
Total financial assets	959 123	959 123	957 051	–	1 941	–	131
Financial liabilities							
Amounts due to clients	424 955	424 955	424 955	–	–	–	–
Financial liabilities held for trading							
CFDs	16 459	16 459	16 459	–	–	–	–
Total financial liabilities held for trading	16 459	16 459	16 459	–	–	–	–
Liabilities due to lease	81	81	21	60	–	–	–
Other liabilities	20 084	20 084	11 748	6 493	–	–	1 843
Total financial liabilities	461 579	461 579	453 183	6 553	–	–	1 843
Contractual liquidity gap in maturities (payment dates)			503 868	(6 553)	1 941	–	(1 712)
Contractual cumulative liquidity gap			503 868	497 315	499 256	499 256	497 544

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

33.4 Credit risk

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

(IN PLN'000)	30.06.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.06.2018 (UNAUDITED)	
	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK	CARRYING AMOUNT	MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	877 437	877 437	831 895	831 895	835 942	835 942
Financial assets at fair value through P&L *	109 146	6 037	114 279	10 652	116 562	4 952
Financial assets at amortised cost	7 047	7 047	5 005	5 005	6 619	6 619
Total financial assets	993 630	890 521	951 179	847 552	959 123	847 513

** As at 30 June 2019 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 104 921 thousand (31 December 2018: PLN 108 875 thousand, 30 June 2018: PLN 104 158 thousand). This exposure was collateralised with clients' cash, which, as at 30 June 2019, covered the amount of PLN 95 480 thousand (31 December 2018: PLN 87 087 thousand, 30 June 2018: PLN 97 504 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

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

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

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

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 30 June 2019, the Group had deposit accounts in 43 banks and institutions (31 December 2018: in 43 banks and institutions, 30 June 2018: in 42 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.06.2019 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2018 (AUDITED) (IN PLN'000)	ENTITY	30.06.2018 (UNAUDITED) (IN PLN'000)
Bank 1	237 041	Bank 1	229 570	Bank 1	246 922
Bank 2	159 136	Bank 2	153 960	Bank 2	143 774
Bank 3	108 053	Bank 3	104 553	Bank 3	98 152
Bank 4	73 931	Bank 4	65 552	Bank 4	75 604
Bank 5	42 780	Bank 5	41 704	Bank 5	41 396
Bank 6	41 345	Bank 6	33 141	Bank 6	35 898
Bank 7	33 886	Bank 7	29 944	Bank 7	23 673
Bank 8	27 484	Bank 8	27 615	Bank 8	21 953
Bank 9	21 492	Bank 9	21 661	Bank 9	17 804
Bank 10	19 291	Bank 10	17 029	Bank 10	15 925
Other	112 998	Other	107 166	Other	114 841
Total	877 437	Total	831 895	Total	835 942

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)		
	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Cash and cash equivalent			
Step 1	790 508	743 485	740 576
Step 2	3 322	2 603	2 306
Step 3	59 035	60 530	66 727
Step 4	22 688	23 380	24 444
Step 5	1 884	1 897	1 889
Total	877 437	831 895	835 942

Financial assets at fair value through P&L

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

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

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

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

30.06.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.06.2018 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	2 411	Entity 1	2 595	Entity 1	1 333
Entity 2	1 295	Entity 2	654	Entity 2	350
Entity 3	1 243	Entity 3	595	Entity 3	176
Entity 4	207	Entity 4	537	Entity 4	168
Entity 5	131	Entity 5	504	Entity 5	128
Entity 6	77	Entity 6	444	Entity 6	116
Entity 7	72	Entity 7	356	Entity 7	109
Entity 8	33	Entity 8	320	Entity 8	97
Entity 9	33	Entity 9	281	Entity 9	79
Entity 10	25	Entity 10	212	Entity 10	76
Total	5 527	Total	6 498	Total	2 632

Other receivables

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

Warsaw, 21 August 2019

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

HALF-YEAR CONDENSED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	THREE-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2018 (UNAUDITED)
Result of operations on financial instruments	6.1	40 671	79 114	72 265	185 942
Income from fees and charges	6.2	1 583	2 147	3 123	3 223
Other income		6	69	12	80
Total operating income	6	42 260	81 330	75 400	189 245
Salaries and employee benefits	7	(16 912)	(16 742)	(32 951)	(33 047)
Marketing	8	(4 748)	(7 255)	(10 130)	(13 311)
Other external services	9	(9 114)	(7 144)	(17 373)	(14 763)
Costs of maintenance and lease of buildings		(546)	(1 547)	(1 069)	(3 020)
Amortisation and depreciation	16,17	(1 178)	(722)	(2 724)	(1 608)
Taxes and fees		(773)	(439)	(1 311)	(766)
Commission expenses	10	(1 488)	(1 426)	(3 118)	(3 405)
Other costs		(513)	(1 295)	(1 069)	(1 797)
Total operating expenses		(35 272)	(36 570)	(69 745)	(71 717)
Profit on operating activities		6 988	44 760	5 655	117 528
Impairment of investments in subsidiaries		(1 912)	(2 829)	(2 250)	(4 397)
Finance income	11	56	4 926	847	7 534
Finance costs	11	(438)	(113)	(597)	(2 450)
Profit before tax		4 694	46 744	3 655	118 215
Income tax	26	(1 496)	(9 894)	(1 421)	(23 648)
Net profit		3 198	36 850	2 234	94 567
Other comprehensive income		(215)	679	(239)	893
Items which will be reclassified to profit (loss) after meeting specific conditions		(215)	679	(239)	893
- foreign exchange differences on translation of foreign operations		*128*	*(465)*	*189*	*(532)*
- foreign exchange differences on valuation of separated equity		*(424)*	*1 412*	*(529)*	*1 759*
- deferred income tax		*81*	*(268)*	*101*	*(334)*
Total comprehensive income		2 983	37 529	1 995	95 460
Earnings per share:					
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,32	0,02	0,81
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,32	0,02	0,81
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,32	0,02	0,81
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,03	0,32	0,02	0,81

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

HALF-YEAR CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	12	390 183	412 950	451 653
Customers' cash and cash equivalents	12	393 224	326 649	298 819
Financial assets at fair value through P&L	13	100 447	106 531	109 606
Investments in subsidiaries	14	52 614	54 864	56 164
Income tax receivables		5 070	2 841	238
Financial assets at amortised cost	15	11 261	11 532	7 974
Prepayments and deferred costs		3 463	2 351	4 553
Intangible assets	16	418	495	1 100
Property, plant and equipment	17	13 339	2 250	2 436
Deferred income tax assets	26.2	7 292	7 497	8 544
Total assets		977 311	927 960	941 087
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	472 211	405 200	383 243
Financial liabilities held for trading	19	18 349	24 794	14 376
Income tax liabilities		199	139	202
Liabilities due to lease	20	10 822	37	81
Other liabilities	21	16 176	20 674	18 172
Provisions for liabilities	22	534	1 049	1 587
Deferred income tax provision	26.2	13 770	12 857	15 117
Total liabilities		532 061	464 750	432 778
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	364 619	334 760	334 760
Foreign exchange differences on translation	23	920	1 159	1 505
Retained earnings		2 234	49 814	94 567
Total equity		445 250	463 210	508 309
Total equity and liabilities		977 311	927 960	941 087

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

HALF-YEAR CONDENSED STATEMENT OF CHANGES IN EQUITY

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

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

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

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

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	23,24	
As at 1 January 2018	5 869	71 608	247 854	612	86 906	412 849
Total comprehensive income for the financial year						
Net profit	–	–	–	–	90 898	90 898
Other comprehensive income	–	–	–	547	–	547
Total comprehensive income for the financial year	–	–	–	547	90 898	91 445
Transactions with owners recognized directly in equity						
Appropriation of profit	–	–	86 906	–	(127 990)	(41 084)
- dividend advance payment	–	–	–	–	(41 084)	(41 084)
- transfer to other reserves	–	–	87 396	–	(87 396)	–
- covering losses from previous years	–	–	(490)	–	490	–
As at 31 December 2018 (audited)	5 869	71 608	334 760	1 159	49 814	463 210

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

Half-year condensed statement of changes in equity for the period from 1 January 2018 to 30 June 2018

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS AND SEPARATE FUNDS	RETAINED EARNINGS	TOTAL EQUITY
NOTE	23	23	23,24	23	23,24	
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	–	–	–	–	94 567	94 567
Other comprehensive income	–	–	–	893	–	893
Total comprehensive income for the financial year	–	–	–	893	94 567	95 460
Transactions with owners recognized directly in equity						
Appropriation of profit	–	–	86 906	–	(86 906)	–
- dividend payment	–	–	–	–	–	–
- transfer to other reserves	–	–	86 906	–	(86 906)	–
As at 30 June 2018 (unaudited)	5 869	71 608	334 760	1 505	94 567	508 309

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

HALF-YEAR CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		3 655	118 215
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		–	(43)
Amortization and depreciation	16,17	2 724	1 608
Foreign exchange (gains) losses from translation of own cash		949	(2 797)
(Gain) Loss on investment activity		697	2 346
Other adjustments	28.3	(239)	864
Changes			
Change in provisions		(515)	676
Change in balance of financial assets at fair value through P&L and financial liabilities held for trading		(361)	(11 900)
Change in balance of restricted cash		(66 575)	35 281
Change in financial assets at amortised cost	28.1	1 806	(2 914)
Change in balance of prepayments and accruals		(1 112)	(1 892)
Change in balance of amounts due to customers		67 011	8 313
Change in balance of other liabilities	28.2	(4 293)	(2 424)
Cash from operating activities		3 747	145 333
Income tax paid		(2 472)	(17 837)
Interests		184	–
Net cash from operating activities		1 459	127 496
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		–	43
Expenses relating to payments for property, plant and equipment	17	(1 509)	(240)
Expenses relating to payments for intangible assets	16	(36)	–
Expenses relating to payments for investments in subsidiaries		–	(3 400)
Dividends received from subsidiaries		19	2 051
Net cash from investing activities		(1 526)	(1 546)
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(1 612)	(47)
Interest paid under lease		(184)	–
Dividend paid to owners		(19 955)	–
Net cash from financing activities		(21 751)	(47)
Increase (Decrease) in net cash and cash equivalents		(21 818)	125 903
Cash and cash equivalents – opening balance		412 950	322 954
Effect of FX rates fluctuations on balance of cash in foreign currencies		(949)	2 796
Cash and cash equivalents – closing balance	12	390 183	451 653

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

ADDITIONAL NOTES TO THE HALF-YEAR CONDENSED FINANCIAL STATEMENTS

1. General information

1.1 Name and registered seat of the Company

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

1.2 Company business

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

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

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

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

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

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

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

1.4 Composition of the Company's Management Board

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Omar Arnaout	Chairman of the Management Board	23.03.2017	from the 23 March 2017 appointed for the position of the Chairman of the Management Board; term of office ends on 29 June 2019
Paweł Frańczak	Board Member	31.08.2012	resigned from office on 25 April 2018
Paweł Szejko	Board Member	28.01.2015	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Filip Kaczmarzyk	Board Member	10.01.2017	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Jakub Kubacki	Board Member	10.07.2018	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022
Andrzej Przybylski	Board Member	01.05.2019	from the 30 June 2019 appointed for the 3-years term of office ending 30 June 2022

2. Basis for drafting the financial statements

2.1 Compliance statement

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

The 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 half-year condensed financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2019 to 30 June 2019 with comparative data for the period from 1 January 2018 to 30 June 2018, as at 31 December 2018 and as at 30 June 2018 cover the Company's financial data and financial data of the branch offices.

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

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

The half-year condensed financial statements do not cover all information and disclosures required to be presented in annual financial statements and they should be read jointly with the financial statements of the X-Trade Brokers Dom Maklerski S.A. for the year 2018.

The half-year condensed financial statements were approved by the Management Board of the Company on 21 August 2019. Drafting these half-year condensed financial statements, the Company decided that none of the standards would be applied retrospectively.

2.2 Functional currency and reporting currency

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

2.3 Going concern

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

2.4 Comparability of data and consistency of the policies applied

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

2.5 Changes in the accounting policies

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

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

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

- IFRS 16 Leases

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

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

  As of the effective date of the new standard, i.e. on 1 January 2019, the Company recognized the right to use underlying assets and liabilities due to lease in the amount of PLN 12 396 thousand.

  <u>Identifying a lease</u>

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

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

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

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

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

Initial recognition and measurement

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

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

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

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

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

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

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

Lease payments included in the evaluation of lease liability include:

- fixed lease payments;

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

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

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

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

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

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

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

Determining the lessee's marginal interest rate

Marginal interest rates were specified as the sum of:

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

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

Subsequent measurement

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

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

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

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

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

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

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

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

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

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

Depreciation

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

Impairment

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

Simplifications and practical solutions in the application of IFRS 16

Short-term lease

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

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

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

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

Leases of low-value assets

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

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

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

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

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

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

- IFRIC 23 Uncertainty over Income Tax Treatments

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

- Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

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

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

- Annual Improvements to IFRS Standards 2015-2017 Cycle

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

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

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

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

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

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

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

  IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2020;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these half-year condensed financial statements - effective for financial years beginning on or after 1 January 2022.

3. Professional judgement

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

Disposal of subsidiaries or termination of their activities

The Company makes significant judgements in the scope of classification of investment in X Trade Brokers Menkul Degerler A.Ş. as capable of conducting operations or immediate reviving its operations. The assessment is based on the maintained operational and IT infrastructure as at 30 June 2019 as well as the identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator described in note 15.

Revenue recognition

Transaction price is determined at fair value. Variable remuneration, liabilities due to reimbursements and other in the case of the Company do not occur.

4. Adopted accounting principles

The accounting policies applied in the preparation of the half-year condensed financial statements are consistent with the accounting policies applied in the preparation of the annual financial statements for the financial year ended 31 December 2018, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2019.

5. Seasonality of operations

The Company's operations are not seasonal.

6. Operating income

6.1 Result of operations in financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Financial instruments (CFD)		
Index CFDs	72 595	100 228
Commodity CFDs	5 950	32 318
Currency CFDs	5 336	57 621
Stock CFDs	1 162	2 268
Bond CFDs	663	322
Total CFDs	85 706	192 757
Options		
Currency options	–	3 010
Index options	–	832
Commodity options	–	104
Bond options	–	1
Total options	–	3 947
Stocks	400	(34)
Dividends from subsidiaries	1 554	2 051
Gross gain on transactions in financial instruments	87 660	198 721
Bonuses and discounts paid to customers	–	(700)
Intermediary services	(15 185)	(11 796)
Commission paid to cooperating brokers	(210)	(283)
Net gain on transactions in financial instruments	72 265	185 942

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

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

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

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Fees and charges from institutional clients	2 320	1 797
Fees and charges from retail clients	803	1 426
Total income from fees and charges	3 123	3 223

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Central and Eastern Europe	44 581	104 765
- including Poland	*36 090*	*63 999*
Western Europe	30 222	77 781
- including Spain	*21 187*	*29 725*
Latin America and Turkey	597	6 699
Total operating income	75 400	189 245

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

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

7. Salaries and employee benefits

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Salaries	(26 243)	(26 735)
Social insurance and other benefits	(5 334)	(5 029)
Employee benefits	(1 374)	(1 283)
Total salaries and employee benefits	(32 951)	(33 047)

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Marketing online	(8 825)	(10 694)
Marketing offline	(1 304)	(2 509)
Competitions for clients	(1)	(9)
Advertising campaigns	–	(99)
Total marketing	(10 130)	(13 311)

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

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Intermediary services	(7 453)	(4 677)
Support database systems	(3 494)	(2 910)
Market data delivery	(2 732)	(2 255)
Legal and advisory services	(1 166)	(1 701)
Internet and telecommunications	(1 009)	(1 148)
Accounting and audit services	(714)	(591)
IT support services	(233)	(404)
Recruitment	(118)	(142)
Postal and courier services	(82)	(51)
Other external services	(372)	(884)
Total other external services	(17 373)	(14 763)

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Bank commissions	(1 631)	(1 784)
Stock exchange fees and charges	(1 328)	(1 415)
Commissions of foreign brokers	(159)	(206)
Total commission expenses	(3 118)	(3 405)

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Interest income		
Interest on own cash	490	1 196
Interest on customers' cash	350	261
Total interest income	840	1 457
Foreign exchange gains	–	6 071
Other finance income	7	6
Total finance income	847	7 534

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Interest expense		
Interest paid to customers	(41)	(99)
Interest paid under lease agreements	(184)	–
Other interest	(30)	(16)
Total interest expense	(255)	(115)
Foreign exchange losses	(340)	(2 332)
Other finance costs	(2)	(3)
Total finance costs	(597)	(2 450)

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

12. Cash and cash equivalents

Broken down by type:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (UNAUDITED)	30.06.2018 (UNAUDITED)
In current bank accounts	783 407	739 599	750 472
Cash and cash equivalents in total	783 407	739 599	750 472

Own cash and restricted cash – customers' cash:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (UNAUDITED)	30.06.2018 (UNAUDITED)
Customers' cash and cash equivalents	393 224	326 649	298 819
Own cash and cash equivalents	390 183	412 950	451 653
Cash and cash equivalents in total	783 407	739 599	750 472

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

13. Financial assets at fair value through P&L

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Index CFDs	55 321	60 094	49 741
Currency CFDs	18 517	17 025	18 523
Commodity CFDs	12 752	15 915	22 024
Stock CFDs	9 308	7 911	6 718
Bond CFDs	324	293	327
Stocks	4 225	5 293	12 273
Total financial assets at fair value through P&L	100 447	106 531	109 606

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

14. Investment in subsidiaries

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
At the beginning of the reporting period	54 864	57 160	57 160
Increase	–	4 347	3 401
Decrease	–	–	–
Impairment of investments in subsidiaries	(2 250)	(6 643)	(4 397)
At the end of the reporting period	52 614	54 864	56 164

Impairment of investments in subsidiaries

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Impairment write-downs of investments in subsidiaries – at the beginning of the reporting period	(18 520)	(11 877)	(11 877)
Write-downs recorded	(2 250)	(6 643)	(4 397)
Impairment write-downs of investments in subsidiaries – at the end of the reporting period	(20 770)	(18 520)	(16 274)

Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	30.06.2019 (UNAUDITED) CARRYING AMOUNT OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	31.12.2018 (AUDITED) CARRYING AMOUNT OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	30.06.2018 (UNAUDITED) CARRYING AMOUNT OF SHARES (IN PLN'000)	SHARE IN CAPITAL %
XTB Limited	Great Britain	20 139	100%	20 139	100%	20 139	100%
X Open Hub Sp. z o.o.	Poland	5	100%	5	100%	5	100%
XTB Limited	Cyprus	7 560	100%	7 560	100%	7 560	100%
X-Trade Brokers Menkul Degerler A.Ş.	Turkey	20 596	100%	22 846	100%	25 093	100%
XTB International Limited	Belize	2 427	100%	2 427	100%	2 427	100%
XTB Chile SpA	Chile	403	100%	403	100%	403	100%
XTB Services Limited	Cyprus	337	100%	337	100%	337	100%
X Trading Technology Sp. z o.o. w likwidacji	Poland	200	100%	200	100%	200	100%
XTB Africa (PTY) Ltd.	South Africa	947	100%	947	100%	–	-
Total		52 614		54 864		56 164	

On 14 May 2018 Extraordinary General Meeting of Shareholders of X Trading Technologies Sp. z o.o. decided to liquidate the company. As a result the company changed its name to X Trading Technologies Sp. z o.o. in liquidation.

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

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

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

The scope of activities of subsidiaries:

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

Impairment of investments in subsidiaries

As at 30 June 2019, due to the circumstances indicating value impairment as decrease of value of net assets value below purchase price, the Company recognized a write-off due to impairment of its investment in a subsidiary in Turkey in the amount of PLN 202 770 thousand. The impairment was recognized due to the decision made by the Company's Management Board on the 18 May 2017 to withdraw from activity in Turkey through taking actions intended to phase out XTB's activity on this market and liquidation of the subsidiary in Turkey. The impairment write-off was created up to the amount of net assets for which almost entirely cash is held in the bank. As at 30 June 2019 the write-off due to impairment of Turkish subsidiary amounted to PLN 20 770 thousand, as at 31 December 2018 the write-off due to impairment of Turkish subsidiary amounted to PLN 18 520 thousand, as at 30 June 2018 the write-off due to impairment of Turkish subsidiary amounted to PLN 16 274 thousand.

On 30 November 2017 the Management Board of X-Trade Brokers Dom Maklerski S.A. took a decision on withholding the actions designed to terminate the activities on Turkish market and liquidation of subsidiary X Trade Brokers Menkul Degerler A.S. by the end of the first half of 2018 due to identified indications of providing favourable reduced regulations for the investment companies by the Turkish regulator.

On 19 April 2018 the Management Board of Company decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). The impairment write-off was presented as impairment of investments in subsidiaries in comprehensive income statement. As at the balance sheet date the process of withdrawing the activity was not finalized.

15. Financial assets at amortized cost

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Gross amounts due from customers	6 795	10 208	6 084
Impairment write-downs of receivables	(2 536)	(2 583)	(2 548)
Total amounts due from customers	4 259	7 625	3 536
Trade receivables	3 457	1 615	1 891
Trade receivables due from related parties	1 837	666	906
Deposits	1 407	1 278	1 324
Statutory receivables	301	348	317
Total financial assets at amortised cost	11 261	11 532	7 974

Movements in impairment write-downs of receivables

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	(2 583)	(2 480)	(2 480)
Write-downs recorded	(2)	(156)	(102)
Write-downs reversed	49	50	34
Write-downs utilized	–	3	–
Impairment write-downs of receivables – at the end of the reporting period	(2 536)	(2 583)	(2 548)

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

16. Intangible assets

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

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

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

Intangible assets in the period from 1 January 2018 to 31 December 2018 (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 2018	5 403	10 792	–	–	16 195
Additions	41	–	–	–	41
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	19	–	–	–	19
Gross value as at 31 December 2018	5 461	10 792	–	–	16 253
Accumulated amortization as at 1 January 2018	(4 589)	(9 495)	–	–	(14 084)
Amortization for the current period	(361)	(1 297)	–	–	(1 658)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(18)	–	–	–	(18)
Accumulated amortization as at 31 December 2018	(4 966)	(10 792)	–	–	(15 758)
Net book value as at 1 January 2018	814	1 297	–	–	2 111
Net book value as at 31 December 2018	495	–	–	–	495

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

Intangible assets in the period from 1 January 2018 to 30 June 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	5 403	10 792	–	–	16 195
Additions	–	–	–	–	–
Sale and scrapping	(2)	–	–	–	(2)
Net foreign exchange differences	28	–	–	–	28
Gross value as at 30 June 2018	5 429	10 792	–	–	16 221
Accumulated amortization as at 1 January 2018	(4 589)	(9 495)	–	–	(14 084)
Amortization for the current period	(205)	(807)	–	–	(1 012)
Sale and scrapping	2	–	–	–	2
Net foreign exchange differences	(27)	–	–	–	(27)
Accumulated amortization as at 30 June 2018	(4 819)	(10 302)	–	–	(15 121)
Net book value as at 1 January 2018	814	1 297	–	–	2 111
Net book value as at 30 June 2018	610	490	–	–	1 100

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

17. Property, plant and equipment

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

(IN PLN'000)	COMPUTER SYSTEMS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT TO USE		PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT	TOTAL
			OFFICES	VEHICLES			
Gross value as at 1 January 2019	9 422	5 709	–	–	19	–	15 150
Leasing (application of IFRS 16)	–	–	11 938	253	–	–	12 191
Gross value as at 1 January 2019 with the impact of new standards	9 422	5 709	11 938	253	19	–	27 341
Additions	1 054	31	–	–	424	–	1 509
Sale and scrapping	(263)	(140)	–	–	–	–	(403)
Net foreign exchange differences	(15)	(26)	–	–	–	–	(41)
Gross value as at 30 June 2019	10 198	5 574	11 938	253	443	–	28 406
Accumulated amortization as at 1 January 2019	(8 226)	(4 674)	–	–	–	–	(12 900)
Amortization for the current period	(769)	(124)	(1 690)	(28)	–	–	(2 611)
Sale and scrapping	263	140	–	–	–	–	403
Net foreign exchange differences	14	22	5	–	–	–	41
Accumulated amortization as at 30 June 2019	(8 718)	(4 636)	(1 685)	(28)	–	–	(15 067)
Net book value as at 1 January 2019	1 196	1 035	–	–	19	–	2 250
Net book value as at 30 June 2019	1 480	938	10 253	225	443	–	13 339

Property, plant and equipment in the period from 1 January 2018 to 31 December 2018 (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 2018	8 509	5 618	89	–	14 216
Additions	930	186	(70)	–	1 046
Sale and scrapping	(53)	(172)	–	–	(225)
Net foreign exchange differences	36	77	–	–	113
Gross value as at 31 December 2018	9 422	5 709	19	–	15 150
Accumulated amortization as at 1 January 2018	(6 995)	(4 457)	–	–	(11 452)
Amortization for the current period	(1 237)	(302)	–	–	(1 539)
Sale and scrapping	38	146	–	–	184
Net foreign exchange differences	(32)	(61)	–	–	(93)
Accumulated amortization as at 31 December 2018	(8 226)	(4 674)	–	–	(12 900)
Net book value as at 1 January 2018	1 514	1 161	89	–	2 764
Net book value as at 31 December 2018	1 196	1 035	19	–	2 250

Property, plant and equipment in the period from 1 January 2018 to 30 June 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	8 509	5 618	89	–	14 216
Additions	259	59	(78)	–	240
Sale and scrapping	(23)	(5)	–	–	(28)
Net foreign exchange differences	51	109	–	–	160
Gross value as at 30 June 2018	8 796	5 781	11	–	14 588
Accumulated amortization as at 1 January 2018	(6 995)	(4 457)	–	–	(11 452)
Amortization for the current period	(444)	(152)	–	–	(596)
Sale and scrapping	23	5	–	–	28
Net foreign exchange differences	(45)	(87)	–	–	(132)
Accumulated amortization as at 30 June 2018	(7 461)	(4 691)	–	–	(12 152)
Net book value as at 1 January 2018	1 514	1 161	89	–	2 764
Net book value as at 30 June 2018	1 335	1 090	11	–	2 436

Non-current assets by geographical area

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	8 598	2 260	3 053
- including Poland	*7 221*	*1 970*	*2 773*
Western Europe	5 159	485	483
- including Spain	*586*	*139*	*128*
Total non-current assets	13 757	2 745	3 536

18. Amounts due to clients

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Amounts due to retail clients	430 272	372 092	349 607
Amounts due to institutional clients	41 939	33 108	33 636
Total amounts due to clients	472 211	405 200	383 243

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

19. Financial liabilities held for trading

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Index CFDs	7 787	17 030	6 489
Commodity CFDs	5 485	3 513	2 571
Currency CFDs	2 725	2 219	2 650
Stock CFDs	2 346	2 010	2 652
Bond CFDs	6	22	14
Total financial liabilities held for trading	18 349	24 794	14 376

20. Liabilities due to lease

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Short-term	3 450	37	81
Long-term	7 372	–	–
Total liabilities due to lease	10 822	37	81

Liabilities due to lease do not include short-term leasing contracts and lease of low-value assets. In the period from 1 January to 30 June 2019 the cost related to short-term leasing included in the half-year condensed statement of comprehensive income amounted to PLN 118 thousand, the cost related to lease of low-value assets included in the half-year condensed statement of comprehensive income amounted to PLN 54 thousand.

21. Other liabilities

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Trade liabilities	7 658	7 743	7 339
Provisions for other employee benefits	4 898	9 616	7 050
Statutory liabilities	2 947	2 674	3 204
Liabilities due to brokers	241	118	145
Liabilities due to employees	309	417	343
Amounts due to the Central Securities Depository of Poland	123	106	91
Total other liabilities	16 176	20 674	18 172

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 Company, the employees of the Company in the top management positions receive variable remuneration paid in cash and in financial instruments.

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

As at 30 June March 2019, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 730 thousand (31 December 2018: PLN 1 805 thousand, 30 June 2018: PLN 1 116 thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Provisions for retirement benefits	144	125	110
Provisions for legal risk	390	924	1 477
Total provisions	534	1 049	1 587

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

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

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

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

Movements in provisions in the period from 1 January 2018 to 31 December 2018 (audited)

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

Movements in provisions in the period from 1 January 2018 to 30 June 2018 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2018	INCREASES	DECREASES		VALUE AS AT 30.06.2018
			USE	REVERSAL	
Provisions for retirement benefits	91	19	–	–	110
Provisions for legal risk	820	657	–	–	1 477
Total provisions	911	676	–	–	1 587

22.2 Contingent liabilities

The Company is party to court proceedings associated with the Company's operations. The proceedings in which the Company acts as defendant relate mainly to employees' and clients' claims. As at 30 June 2019 the total value of claims brought against the Company amounted to approx. PLN 344 thousand (as at 31 December 2018: PLN 638 thousand, as at 30 June 2018: PLN 1,31 million). Company has not created provisions for the above proceedings. In the assessment of the Company the probability of loss in these proceedings is less than 50%.

On May 9, 2014, Company issued a guarantee in the amount of PLN 56 thousand to secure an agreement concluded by a subsidiary XTB Limited, based in the UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 593 thousand.

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

23. Equity

Share capital structure as at 30 June 2019, 31 December 2018 and 30 June 2018

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

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

Shareholding structure of the Company

To the best Company's knowledge, the shareholding structure of the Company as at 30 June 2019, 31 December 2018 and 30 June 2018 was as follows:

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

Other capitals

Other capitals consist of:

- supplementary capital in the total amount of PLN 71 608 thousand, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital in the amount of PLN 364 619 thousand, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend,

- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN 920 thousand. The detailed specification of foreign exchange differences on translation was presented in the table below.

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Czech Republic	416	419	451
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Germany	319	379	455
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Romania	282	280	268
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Spain	12	67	132
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Slovakia	6	21	40
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in Portugal	4	13	23
X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France	(42)	(3)	62
X-Trade Brokers Dom Maklerski Spółka Akcyjna	(77)	(17)	74
Total foreign exchange differences on translation	920	1 159	1 505

24. Profit distribution and dividend

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

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

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2017 in the amount of PLN 87 396 thousand was transferred to reserve capital in full and the loss from previous years in the amount of PLN 490 thousand was covered with reserve capital.

25. Earnings per share

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Company	2 234	94 567
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	–
Weighted average number of shares including dilution effect	117 383 635	117 383 635
Basic net profit per share from continuing operations for the year attributable to shareholders of the Company	0,02	0,81
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Company	0,02	0,81

26. Current income tax and deferred tax

26.1 Income tax

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(203)	(17 129)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(1 218)	(6 519)
Income tax disclosed in profit and loss	(1 421)	(23 648)

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Profit before tax	3 655	118 215
Income tax based in the applicable tax rate of 19%	(694)	(22 461)
Difference resulting from application of tax rates applicable in other countries	(54)	(80)
Non-taxable revenue	2	2
Non-deductible expenses	(41)	(248)
Tax loss for the reporting period not disclosed in the deferred tax	(168)	–
Realisation of tax losses for the preceding periods	13	12
Other items affecting the tax burden amount	(479)	(873)
Income tax disclosed in profit or loss	(1 421)	(23 648)

26.2 Deferred income tax

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

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

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

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

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

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

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

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

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

Change in the balance of deferred tax for the period from 1 January to 30 June 2018 (unaudited)

(IN PLN'000)	AS AT 01.01.2018	PROFIT OR (LOSS)	AS AT 30.06.2018
Deferred income tax assets:			
Property, plant and equipment	99	8	107
Financial liabilities held for trading	6 670	(3 821)	2 849
Investments in subsidiaries	2 257	(2 257)	–
Provisions for liabilities	46	29	75
Prepayments and deferred costs	1 379	(315)	1 064
Other liabilities	19	(17)	2
Tax losses of previous periods to be settled in future periods	8 174	250	8 424
Total deferred income tax assets	18 644	(6 123)	12 521

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2018
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 30.06.2018
Deferred income tax provision:			
Financial assets at fair value through P&L	18 108	389	18 497
Other liabilities	8	177	185
Prepayments and deferred costs	16	(16)	–
Property, plant and equipment	246	(154)	92
Total deferred income tax provision	18 378	396	18 774
Deferred tax disclosed in profit or (loss)	–	(6 519)	–

(IN PLN'000)	AS AT 01.01.2018	INCLUDED IN EQUITY	AS AT 30.06.2018
Deferred income tax provision included directly in the equity:			
Separate equity of branches	–	320	320
Total deferred income tax provision included directly in the equity	–	320	320

Geographical division of deferred income tax assets

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Central and Eastern Europe	81	98	97
Western Europe	7 217	7 399	8 447
Total deferred income tax assets	7 298	7 497	8 544

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

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

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2018 (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	6 607	19 464	–	12 857
Czech Republic	52	–	52	–
Slovakia	46	–	46	–
Germany	2 808	–	2 808	–
France	4 591	–	4 591	–
Total	14 104	19 464	7 497	12 857

Data concerning the presentation of deferred income tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 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	3 977	19 094	–	15 117
Czech Republic	43	–	43	–
Slovakia	53	–	53	–
Germany	2 879	–	2 879	–
France	5 569	–	5 569	–
Total	12 521	19 094	8 544	15 117

27. Related party transactions

27.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Company. As at 30 June 2019 it holds 66,99% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

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

27.2 Figures concerning related party transactions

As at 30 June 2019 the Company has liabilities to Mr Jakub Zabłocki in the amount of PLN 1 thousand due to his investment account (as at 31 December 2018 the Company had liabilities in the amount of PLN 0,4 thousand, as at 30 June 2018 the Company had liabilities in the amount of PLN 0,2 thousand). In the period from 1 January to 30 June 2019 the Company has not noted profit or loss from the transactions with Mr Jakub Zabłocki. Moreover Mr Jakub Zabłocki is employed on the basis of work contract in subsidiary in Great Britain. In the period from 1 January to 30 June 2019 the paid gross salary and bonuses amounted to PLN 1 155 thousand and in the analogical period of 2018 amounted to PLN 1 132 thousand.

27.3 Incomes and costs

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

(IN PLN'000)	1.01.2019 – 30.06.2019		1.01.2018 – 30.06.2018	
	INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	686	(4 764)	15 375	(5 998)
XTB Limited (CY)	897	(1 453)	–	–
XTB International	7 590	(8 529)	10 383	(5 737)

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

(IN PLN'000)	1.01.2019 – 30.06.2019		1.01.2018 – 30.06.2018	
	INCOMES	COSTS	INCOMES	COSTS
XTB Limited (UK)	125	(439)	290	(61)
XTB Limited (CY)	–	–	76	(1 469)
X Open Hub Sp. z o.o.	2 050	(382)	1 426	(240)
XTB Services Limited	–	(7 071)	–	(2 967)

27.4 Receivables

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
XTB Limited (UK)	1 104	2 490	2 120
XTB Limited (CY)	89	468	–
XTB International	2 870	4 464	1 199

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
XTB Limited (UK)	30	24	22
XTB Limited (CY)	–	–	13
X Open Hub Sp. z o.o.	425	642	871

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

27.5 Liabilities

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
XTB Limited (UK)	5 437	2 005	2 861
XTB Limited (CY)	251	359	–
XTB International	4 007	1 199	675

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
XTB Limited (UK)	85	70	64
XTB Limited (CY)	–	–	220
X Open Hub Sp. z o.o.	14	158	55
XTB Services Limited	914	387	628

27.6 Benefits to Management Board and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Benefits to the Management Board members	(1 762)	(1 762)
Benefits to the Supervisory Board members	(127)	(50)
Total benefits to the Management Board and Supervisory Board	(1 889)	(1 812)

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

Members of the Management Board of the Company are included in the scheme of variable remuneration elements specified in note 21 of the half-year condensed financial statements. The value of the element settled in financial instruments acquired by the members of the Management Board amounts to PLN 730 thousand.

27.7 Loans granted to the Management and Supervisory Board Members

As at 30 June 2019, 31 December 2018 and 30 June 2018 there are no loans granted to the Management and Supervisory Board Members.

28. Supplementary information and explanations to the cash flow statement

28.1 Change in the balance of financial assets at amortized cost

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Change in financial assets at amortised cost	271	(2 914)
Receivables due to dividend from the subsidiary	1 535	–
Change in the balance of financial assets at amortised cost	1 806	(2 914)

28.2 Change in balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Change in other liabilities	(4 498)	(2 424)
Rent free period settlement	205	–
Change in the balance of other liabilities	(4 293)	(2 424)

28.3 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2019 (UNAUDITED)	30.06.2018 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(239)	893
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	–	(29)
Change in other adjustments	(239)	864

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

29. Post balance sheet events

On 17 July 2019 the Company received from the Department of Investment Companies and Capital Market Infrastructure of the Polish Financial Supervision Authority („KNF", "Commission") a supervisory assessment (BION) of 2 [2,56]. The supervisory rating was assigned to 31 December 2018.

On 19 August 2019 the Company established a subsidiary XTB Services Asia Pte. Ltd. with its seat in Singapore. The company's scope of activities will be performing marketing services.

30. Off-balance sheet items

30.1 Nominal value of financial instruments

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Currency CFDs	1 727 088	1 101 925	1 224 537
Index CFDs	1 512 249	1 163 878	1 690 106
Commodity CFDs	345 552	268 521	493 626
Stock CFDs	128 561	65 088	104 478
Bond CFDs	16 239	15 814	23 839
Stock	4 225	5 292	12 263
Total financial instruments	3 733 914	2 620 518	3 548 849

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2019 transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2018: 2% of the total nominal value of instruments, as at 30 June 2018: 2% of the total nominal value of instruments).

30.2 Customers' financial instruments

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	83 238	36 872	16 088
Other securities registered in customers' securities accounts	207	207	311
Total customers' financial instruments	83 445	37 079	16 399

30.3 Transaction limits

The amount of unused transaction limits granted to related entities was as at 30 June 2018 PLN 45 366 thousand, as at 31 December 2018 PLN 35 358 thousand and as at 30 June 2018 was PLN 36 099 thousand.

31. Items regarding the compensation scheme

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	3 987	3 285	3 285
- increases	*343*	*702*	*354*
b) closing balance	4 330	3 987	3 639
2. XTB's share in the profits from the compensation scheme	285	260	229

32. Capital management

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

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

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

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

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

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

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

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

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

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

Key values in capital management:

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
The Company's own funds	424 912	389 453	386 216
Tier I Capital	424 912	389 453	386 216
Common Equity Tier I capital	424 912	389 453	386 216
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total Company's risk exposure	2 429 450	1 765 555	2 417 689
Capital conservation buffer	60 736	33 105	45 331
Countercyclical capital buffer	6 068	2 634	1 687
Combined buffer requirement	66 804	35 739	47 018
Total capital ratio	17,5%	22,1%	16,0%
Total capital ratio including buffers	14,7%	20,0%	14,0%

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

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

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

(IN PLN'000)	AS AT 30.06.2019 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2018 (AUDITED)	AS AT 30.06.2018 (UNAUDITED)
1. Capital/Own funds	424 912	400 788	389 453	386 216
1.1. Base capital/Common Equity Tier I without deductions	441 633	423 824	411 774	411 774
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(16 721)	(23 036)	(22 321)	(25 558)
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	424 912	400 788	389 453	386 216
1. Market risk	126 869	102 931	75 707	124 036
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	4 266	4 133	3 917	8 353
3. Credit risk	27 261	26 720	25 660	25 763
4. Operating risk	35 960	35 907	35 960	35 263
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	194 356	169 691	141 244	193 415
IIb. Total risk exposure	2 429 450	2 121 122	1 765 555	2 417 689
Capital conservation buffer	60 736	53 028	33 105	45 331
Countercyclical capital buffer	6 068	5 683	2 634	1 687
Combined buffer requirement	66 804	58 711	35 739	47 018

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

33. Risk management

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

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

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

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

The Company's Supervisory Board approves risk management system.

33.1 Fair value

33.1.1 Carrying amount and fair value

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

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

(IN PLN'000)	30.06.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.06.2018 (UNAUDITED)	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	783 407	783 407	739 599	739 599	750 472	750 472
Financial assets at fair value through P&L	100 447	100 447	106 531	106 531	109 606	109 606
Amounts due to customers	472 211	472 211	405 200	405 200	383 243	383 243
Financial liabilities held for trading	18 349	18 349	24 794	24 794	14 376	14 376
Other liabilities	16 176	16 176	20 674	20 674	18 172	18 172

33.1.2 Fair value hierarchy

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

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

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

(IN PLN'000)	31.12.2018 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	5 293	101 238	–	106 531
Total financial assets	5 293	101 238	–	106 531
Financial liabilities				
Financial liabilities held for trading	–	24 794	–	24 794
Total financial liabilities	–	24 794	–	24 794

(IN PLN'000)	30.06.2018 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets at fair value through P&L	12 273	97 333	–	109 606
Total financial assets	12 273	97 333	–	109 606
Financial liabilities				
Financial liabilities held for trading	–	14 376	–	14 376
Total financial liabilities	–	14 376	–	14 376

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

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

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

33.2 Market risk

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

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

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

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

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

33.2.1 Currency risk

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

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

Assets and liabilities denominated in foreign currencies as at 30 June 2019 (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	20 997	80 412	2 396	10 904	1 164	2 894	238	119 005	390 183
Customers' cash and cash equivalents	17 054	202 999	4	43 903	1 267	7 056	786	273 069	393 224
Financial assets at fair value through P&L	10 743	42 459	230	8 476	410	2 931	343	65 592	100 447
Investments in subsidiaries	–	–	–	–	–	–	–	–	52 614
Income tax receivables	–	11	–	106	–	–	–	117	5 070
Financial assets at amortised cost	2 880	4 205	276	79	829	174	1 892	10 335	11 261
Prepayments and deferred costs	–	624	–	207	–	55	–	886	3 463
Intangible assets	–	12	–	14	–	–	–	26	418
Property, plant and equipment	–	5 344	–	1 153	–	13	–	6 510	13 339
Deferred income tax assets	–	7 248	–	45	–	–	–	7 293	7 292
Total assets	**51 674**	**343 314**	**2 906**	**64 887**	**3 670**	**13 123**	**3 259**	**482 833**	**977 311**
Liabilities									
Amounts due to customers	23 669	237 588	118	51 371	1 506	9 343	818	324 413	472 211
Financial liabilities held for trading	3 819	5 304	117	1 180	87	172	150	10 829	18 349
Income tax liabilities	–	199	–	–	–	–	–	199	199
Liabilities due to lease	–	10 676	–	114	–	–	–	10 790	10 822
Other liabilities	1 703	5 350	995	590	15	276	–	8 929	16 176
Provisions for liabilities	–	–	–	–	–	–	–	–	534
Deferred income tax provision	–	–	–	–	–	–	–	–	13 770
Total liabilities	**29 191**	**259 117**	**1 230**	**53 255**	**1 608**	**9 791**	**968**	**355 160**	**532 061**

Assets and liabilities denominated in foreign currencies as at 31 December 2018 (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	23 156	84 720	1 913	18 860	1 014	3 099	396	133 158	412 950
Customers' cash and cash equivalents	12 476	182 273	2	33 242	1 380	5 195	245	234 813	326 649
Financial assets at fair value through P&L	9 128	54 245	316	10 295	398	2 541	412	77 335	106 531
Investments in subsidiaries	–	–	–	–	–	–	–	–	54 864
Income tax receivables	–	–	–	60	–	–	–	60	2 841
Financial assets at amortised cost	3 984	3 172	1 006	128	1 023	191	1 199	10 703	11 532
Prepayments and deferred costs	–	204	–	133	–	73	–	410	2 351
Intangible assets	–	11	–	26	–	–	–	37	495
Property, plant and equipment	–	517	–	202	–	20	–	739	2 250
Deferred income tax assets	–	7 445	–	52	–	–	–	7 497	7 497
Total assets	48 744	332 587	3 237	62 998	3 815	11 119	2 252	464 752	927 960
Liabilities									
Amounts due to customers	17 188	220 335	2	42 293	1 676	7 732	245	289 471	405 200
Financial liabilities held for trading	2 998	14 423	63	1 566	44	80	61	19 235	24 794
Income tax liabilities	–	139	–	–	–	–	–	139	139
Liabilities due to lease	–	–	–	37	–	–	–	37	37
Other liabilities	1 240	6 865	1 141	1 305	–	398	4	10 953	20 674
Provisions for liabilities	–	–	–	–	–	–	–	–	1 049
Deferred income tax provision	–	–	–	–	–	–	–	–	12 857
Total liabilities	21 426	241 762	1 206	45 201	1 720	8 210	310	319 835	464 750

Assets and liabilities denominated in foreign currencies as at 30 June 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	34 164	88 376	1 947	19 903	1 281	3 145	3 750	152 566	451 653
Customers' cash and cash equivalents	10 268	174 030	2	34 444	1 544	5 913	112	226 313	298 819
Financial assets at fair value through P&L	10 250	55 467	316	11 737	1 875	1 229	321	81 195	109 606
Investments in subsidiaries	–	–	–	–	–	–	–	–	56 164
Income tax receivables	–	3	–	104	–	–	–	107	238
Financial assets at amortised cost	1 883	2 482	1 250	271	670	105	506	7 167	7 974
Prepayments and deferred costs	–	481	–	189	–	39	–	709	4 553
Intangible assets	–	10	–	8	–	–	–	18	1 100
Property, plant and equipment	–	497	–	222	–	27	–	746	2 436
Deferred income tax assets	–	8 500	–	44	–	–	–	8 544	8 544
Total assets	56 565	329 846	3 515	66 922	5 370	10 458	4 689	477 365	941 087
Liabilities									
Amounts due to customers	15 723	215 666	2	44 902	3 227	6 842	112	286 474	383 243
Financial liabilities held for trading	2 663	6 403	142	1 300	79	120	81	10 788	14 376
Income tax liabilities	–	202	–	–	–	–	–	202	202
Liabilities due to lease	–	–	–	81	–	–	–	81	81
Other liabilities	651	7 332	984	1 162	–	158	133	10 420	18 172
Provisions for liabilities	–	–	–	–	–	444	–	444	1 587
Deferred income tax provision	–	–	–	–	–	–	–	–	15 117
Total liabilities	19 037	229 603	1 128	47 445	3 306	7 564	326	308 409	432 778

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

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2019 (UNAUDITED)		30.06.2018 (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	4 960	(4 960)	19 950	(19 950)
Equity, of which:	1 075	(1 075)	1 046	(1 046)
Foreign exchange differences on translation	1 075	(1 075)	1 046	(1 046)

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

33.2.2 Interest rate risk

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

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

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

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

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

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Financial assets			
Cash and cash equivalents	783 407	739 599	750 472
Total financial assets	783 407	739 599	750 472
Financial liabilities			
Amounts due to customers	22 339	36 029	64 118
Other liabilities	10 822	37	128
Total financial liabilities	33 161	36 066	64 246

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 30 June 2019 and from 1 January to 30 June 2018, using the average 1M interest rate in a given market.

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2019 (UNAUDITED)		30.06.2018 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit/(loss) before tax	3 896	(3 896)	3 516	(3 516)

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

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

33.2.3 Other price risk

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

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

(IN PLN'000)	30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Financial assets at fair value through P&L			
Commodity			
Precious metals	4 227	3 359	4 448
Base metals	186	365	118
Other	8 339	12 191	17 458
Total commodity	12 752	15 915	22 024
Equity instruments			
Stocks	13 533	13 205	18 991
Indicies	55 341	60 093	49 741
Total equity instruments	68 874	73 298	68 732
Debt instruments	324	293	327
Total financial assets at fair value through P&L	81 950	89 506	91 083
Financial liabilities held for trading			
Commodity			
Precious metals	2 088	1 694	166
Base metals	24	67	350
Other	3 374	1 753	2 055
Total commodity	5 486	3 514	2 571
Equity instruments			
Stocks	2 346	2 010	2 654
Indicies	7 796	17 030	6 487
Total equity instruments	10 142	19 040	9 141
Debt instruments	6	22	14
Total financial liabilities held for trading	15 634	22 576	11 726

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED			
	30.06.2019 (UNAUDITED)		30.06.2018 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income/(expenses) for the period				
Commodity				
Precious metals	(691)	691	(6 220)	6 220
Base metals	(152)	152	190	(190)
Other	(4 145)	4 145	(5 248)	5 248
Total commodity	(4 988)	4 988	(11 278)	11 278
Equity instruments				
Stocks	(7)	7	27	(27)
Indicies	30 743	(30 743)	(10 612)	10 612
Total equity instruments	30 736	(30 736)	(10 585)	10 585
Debt instruments	734	(734)	661	(661)
Total income/(expenses) for the period	26 482	(26 482)	(21 202)	21 202

33.3 Liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

Contractual payment periods of financial assets and liabilities as at 31 December 2018 (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	739 599	739 599	739 599	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	5 293	5 293	5 293	–	–	–	–
CFDs	101 238	101 238	101 238	–	–	–	–
Total financial assets at fair value through P&L	106 531	106 531	106 531	–	–	–	–
Investments in subsidiaries	54 864	54 864	–	–	–	–	54 864
Financial assets at amortised cost	11 532	11 532	10 254	–	1 278	–	–
Total financial assets	912 526	912 526	856 384	–	1 278	–	54 864
Financial liabilities							
Amounts due to customers	405 200	405 200	405 200	–	–	–	–
Financial liabilities held for trading							
CFDs	24 794	24 794	24 794	–	–	–	–
Total financial liabilities held for trading	24 794	24 794	24 794	–	–	–	–
Other liabilities	37	37	22	15	–	–	–
Total financial liabilities	20 674	20 674	10 954	8 052	–	–	1 668
Financial liabilities	450 705	450 705	440 970	8 067	–	–	1 668
Contractual liquidity gap in maturities (payment dates)			415 414	(8 067)	1 278	–	53 196
Contractual cumulative liquidity gap			415 414	407 347	408 625	408 625	461 821

Contractual payment periods of financial assets and liabilities as at 30 June 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	750 472	750 472	750 472	–	–	–	–
Financial assets at fair value through P&L							
Listed stocks	12 273	12 273	12 273	–	–	–	–
CFDs	97 333	97 333	97 333	–	–	–	–
Total financial assets at fair value through P&L	109 606	109 606	109 606	–	–	–	–
Investments in subsidiaries	56 164	56 164	–	–	–	–	56 164
Financial assets at amortised cost	7 974	7 974	6 650	–	1 324	–	–
Total financial assets	924 216	924 216	866 728	–	1 324	–	56 164
Financial liabilities							
Amounts due to customers	383 243	383 243	383 243	–	–	–	–
Financial liabilities held for trading							
CFDs	14 376	14 376	14 376	–	–	–	–
Total financial liabilities held for trading	14 376	14 376	14 376	–	–	–	–
Other liabilities	81	81	21	60	–	–	–
Total financial liabilities	18 172	18 172	11 106	5 479	–	–	1 587
Financial liabilities	415 872	415 872	408 746	5 539	–	–	1 587
Contractual liquidity gap in maturities (payment dates)			457 982	(5 539)	1 324	–	54 577
Contractual cumulative liquidity gap			457 982	452 443	453 767	453 767	508 344

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

33.4 Credit risk

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

(IN PLN'000)	30.06.2019 (UNAUDITED) CARRYING AMOUNT	30.06.2019 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	31.12.2018 (AUDITED) CARRYING AMOUNT	31.12.2018 (AUDITED) MAXIMUM EXPOSURE TO CREDIT RISK	30.06.2018 (UNAUDITED) CARRYING AMOUNT	30.06.2018 (UNAUDITED) MAXIMUM EXPOSURE TO CREDIT RISK
Financial assets						
Cash and cash equivalents	783 407	783 407	739 599	739 599	750 472	750 472
Financial assets at fair value through P&L *	100 447	6 524	106 531	12 072	109 606	5 718
Investments in subsidiaries	52 614	52 614	54 864	54 864	56 164	56 164
Financial assets at amortised cost	11 261	11 261	11 532	11 532	7 974	7 974
Total financial assets	947 729	853 806	912 526	818 067	924 216	820 328

** As at 30 June 2019 the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 96 222 thousand (31 December 2018: PLN 101 238 thousand, 30 June 2018: PLN 97 333 thousand). This exposure was collateralised with clients' cash, which, as at 30 June 2019, covered the amount of PLN 89 698 thousand (31 December 2018: PLN 78 937 thousand, 30 June 2018: PLN 91 615 thousand). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.*

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

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

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

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and customers' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened. As at 30 June 2019, the Company had deposit accounts in 22 banks and institutions (31 December 2018: in 22 banks and institutions, 30 June 2018: in 22 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

ENTITY	30.06.2019 (UNAUDITED) (IN PLN'000)	ENTITY	31.12.2018 (AUDITED) (IN PLN'000)	ENTITY	30.06.2018 (UNAUDITED) (IN PLN'000)
Bank 1	221 211	Bank 1	215 526	Bank 1	235 204
Bank 2	159 136	Bank 2	153 960	Bank 2	143 774
Bank 3	108 053	Bank 3	104 553	Bank 3	98 152
Bank 4	73 931	Bank 4	65 552	Bank 4	75 604
Bank 5	41 867	Bank 5	41 637	Bank 5	41 396
Bank 6	41 345	Bank 6	29 944	Bank 6	35 898
Bank 7	33 886	Bank 7	27 615	Bank 7	23 673
Bank 8	21 492	Bank 8	21 661	Bank 8	17 804
Bank 9	19 291	Bank 9	17 029	Bank 9	15 925
Bank 10	13 571	Bank 10	14 380	Bank 10	14 514
Other	49 624	Other	47 742	Other	48 528
Total	783 407	Total	739 599	Total	750 472

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

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000) 30.06.2019 (UNAUDITED)	31.12.2018 (AUDITED)	30.06.2018 (UNAUDITED)
Cash and cash equivalent			
Step 1	752 886	702 230	703 147
Step 2	1 193	760	783
Step 3	29 328	36 609	46 542
Total	783 407	739 599	750 472

Financial assets at fair value through P&L

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

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

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

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

30.06.2019 (UNAUDITED)		31.12.2018 (AUDITED)		30.06.2018 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	2 411	Entity 1	2 595	Entity 1	1 333
Entity 2	1 295	Entity 2	1 458	Entity 2	620
Entity 3	1 243	Entity 3	654	Entity 3	435
Entity 4	428	Entity 4	595	Entity 4	350
Entity 5	207	Entity 5	555	Entity 5	176
Entity 6	207	Entity 6	537	Entity 6	168
Entity 7	131	Entity 7	504	Entity 7	128
Entity 8	77	Entity 8	444	Entity 8	115
Entity 9	74	Entity 9	356	Entity 9	109
Entity 10	72	Entity 10	320	Entity 10	97
Total	6 145	Total	8 018	Total	3 531

Other receivables

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

Warsaw, 21 August 2019

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

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP AND COMPANY

1. Basic information

1.1 General information

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

The Group operates on the basis of licences granted by regulators in Poland, the UK, Cyprus, 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 analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate. In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 30 June 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (23 703) thousand (see note 23. Equity of the interim condensed consolidated financial statements for the first half of 2019).

During the six months of 2019, the Group continued the process of expanding the product offer mainly in terms of stock products and ETFs. This activity is aimed at satisfying the needs of clients who expect the widest possible product coverage of the market and instruments giving them exposure to various investment sectors. In the second quarter of 2019, over 300 cash market instruments (shares and ETFs) were introduced. In addition, it was decided to introduce 6 CFD instruments based on sector indices. Management believes that xStation is currently one of the most developed trading platforms on the CFD and stock market. The company is constantly trying to develop the platform with elements supporting the conclusion of transactions on OTC markets. The Management Board believes that the Group has built solid foundations ensuring its good position to generate growth in the future.

In the I half of 2019 operating income, EBIT and net profit of the Group was respectively PLN 88.8 million, PLN 5.2 million and PLN 5.2 million. In comparable period in 2018 operating income; EBIT and net profit of the Group was respectively PLN 197.9 million, PLN 115.1 million and PLN 100.4 million. Significant factors which determined the level of revenues in this period were: the product intervention of the European Securities and Markets Authority (ESMA), which in case of the retail clients limited maximum permitted level of leverage.

These semi-annual condensed financial statements for the first half of 2019 (separate and consolidated) have been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" as endorsed by the European Union. Other standards, amendments to existing standards and interpretations of the International Financial Reporting Interpretations Committee recently adopted or awaiting adoption have no bearing on the Group's business or its impact would not be material. Detailed description of the rules for preparing the abovementioned of financial statements has been included in item 2 of the Semi-Annual Condensed Consolidated Financial Statements as well as in the separate financial statements.

Products and services

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

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

- xStation and
- MetaTrader 4 (MT4)

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

The Group also offers its clients various trading alternatives based on the level of client sophistication (from beginner to expert) and on the mode of access (from smartphones to web-based interfaces to desktop applications). These applications provide retail clients investing in CFDs based on various financial instruments with tools, including charts, analytics, research and online trading.

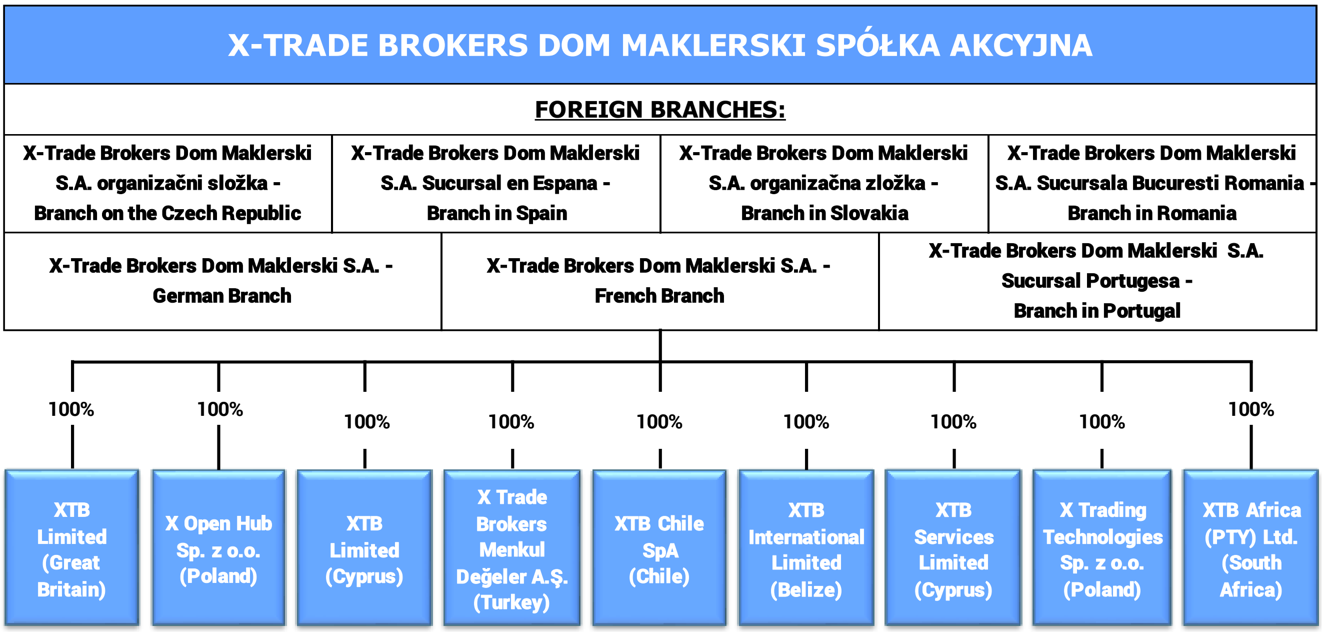
The functionality of the Group’s offer enables clients to open and deposit funds in accounts, place and move orders and request statements via the Internet. The Group’s core technology uses software products designed for their functionality and scalability.

The Group is actively introducing new improvements to the transaction platform that make it more intuitive and easy to use. As at the end of I half of 2019, the Group offered more than 1 800 CFDs with leverage, including approximately 50 instruments based on currency pairs, approximately 20 based on commodities, approximately 30 based on indices, approximately 1 700 based on shares of companies listed on stock exchanges in 12 countries and approximately 100 based on American and European ETFs. Currently, the joint stock offer includes about 2 300 instruments, including over 2 100 shares and over 150 ETFs. Currently, the group offers its clients over 4 000 instruments. Institutional clients may also use the xRisk platform, which provides a complete risk management system. In 2019, the Group expanded its offer by CFD based on cryptocurrencies and on cash indexes, and in the second quarter of 2019 on sector indices. In addition, a new range of equity instruments with a lever based on Scandinavian shares was also made available. In order to better protect retail clients, the Group decided to introduce a protection service against the negative balance of the client's account. In 2017, the method of collecting a security deposit was changed completely by introducing a mechanism based on the nominal exposure of the client's account.

1.2 Description of the Group's organization

As at 30 June 2019 the Group comprised Parent Company and 9 subsidiaries. The Company has 7 foreign branches.

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



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

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

Subsidiaries

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

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

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

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

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

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

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

XTB Limited business comprises:

- accepting and forwarding orders relating to one or more financial instruments,
- managing share packages.

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

- execution of orders on behalf of clients,
- dealing on own account and following ancillary services:
  - safekeeping and administration of financial instruments on behalf of clients; including custodianship and related services such as cash/additional insurance,

– granting investors credits or loans to one or more financial instruments, where the firm granting the credit or loans is involved in the transaction,
– foreign exchange services where these are connected to the provision of investment services.

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

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

X Trade Brokers Menkul Değerler A.Ş., Turkey

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 2017, the Turkish regulator, the Capital Market Board of Turkey (CMB), amended the regulations governing the activities of investment services, investment activities and additional services. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after analysing the situation of the subsidiary and in the absence of the expected relaxation of the restrictions introduced by the Capital Markets Board of Turkey (CMB). As at the date of this report X Trade Brokers Menkul Değerler A.S. had an active licence to operate. In reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 30 June 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (23 703) thousand (see note 23. Equity of the interim condensed consolidated financial statements for the first half of 2019).

XTB Chile SpA, Chile

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

XTB International Limited, Belize

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

XTB Services Limited, Cypr

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. currently in liquidation, Poland

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

XTB Africa (PTY) Ltd., South Africa

On 10 July of 2018 the Parent Company established a subsidiary XTB Africa (PTY) Ltd. with its seat in RPA. The company hold 100% shares in a subsidiary. As at the date of publication of this report, the Company did not conduct any operating activities.

After the balance sheet date, i.e. 19 September of 2019, the Parent Company established a subsidiary XTB Services Asia Pte. Ltd. with its seat in Singapore. The company's scope will be performing marketing services.

In the reporting period, i.e. from 1 January to 30 June 2019 and until the date of submitting this report, there were no changes in the structure of the X-Trade Brokers Dom Maklerski S.A. Group other than those described above.

2. Summary and analysis of the results of the Group

In the first half of 2019, XTB reported a consolidated net profit of PLN 5.2 million compared to PLN 1.1 million in the second half of 2018. Consolidated revenues amounted to PLN 88.8 million (H2 2018: PLN 90.4 million), and operating costs PLN 83.6 million (H2 2018: PLN 89.7 million). In this period XTB noted a record number of new clients, i.e. 16 089, which means an increase by 51.4% compared to the second half of 2018 (h/h).

2.1 Factors affecting operating and financial results

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

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

The key factors influencing the Group's financial and operating results for the 6 months ended 30 June of 2019 are discussed below. According to the Management Board, these factors have and may have an impact on the Group's operations, operational and financial results, financial situation and prospects in the future.

2.2 Discussion of the Group's result for the I half of 2019

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

(in PLN'000)	SIX-MONTH PERIOD ENDED				
	30.06.2019	31.12.2018	CHANGE IN VALUE	CHANGE %	30.06.2018
Result of operations on financial instruments	85 437	87 157	(1 720)	(2,0)	194 316
Income from fees and charges	3 332	3 110	222	7,1	3 541
Other income	12	97	(85)	(87,6)	80
Total operating income	**88 781**	**90 364**	**(1 583)**	**(1,8)**	**197 937**
Salaries and employee benefits	(40 530)	(39 362)	1 168	3,0	(39 116)
Marketing	(18 759)	(16 547)	2 212	13,4	(16 775)
Other external services	(11 361)	(12 180)	(819)	(6,7)	(12 729)
Costs of maintenance and lease of buildings	(1 532)	(3 900)	(2 368)	(60,7)	(3 915)
Amortisation and depreciation	(3 238)	(1 677)	1 561	93,1	(2 254)
Taxes and fees	(1 530)	(1 417)	113	8,0	(923)
Commission expenses	(3 904)	(3 593)	311	8,7	(4 034)
Other expenses	(2 734)	(11 023)	(8 289)	(75,2)	(3 047)
Total operating expenses	**(83 588)**	**(89 699)**	**(6 111)**	**(6,8)**	**(82 793)**
Operating profit (EBIT)	**5 193**	**665**	**4 528**	**680,9**	**115 144**
Finance income	3 232	(1 236)	4 468	(361,5)	10 319
Finance costs	(1 312)	3 235	(4 547)	(140,1)	(3 456)
Profit before tax	**7 113**	**2 664**	**4 449**	**167,0**	**122 007**
Income tax	(1 957)	(1 595)	362	22,7	(21 605)
Net profit	**5 156**	**1 069**	**4 087**	**382,3**	**100 402**

Revenues

The revenues in the first half of 2019 decreased by 1.8% h/h, i.e. PLN 1.6 million from PLN 90.4 to PLN 88.8 million. Significant factors which determined the level of revenues in this period were: the product intervention of the European Securities and Markets Authority (ESMA) coming into force in August 2018, which in case of the retail clients limited maximum permitted level of leverage. This had a direct impact on lower volume of transaction carried out by XTB clients. As a consequence the transaction volume in CFD instruments amounted to 779.7 thousand lots (H1 2018: 1 291.4 thousand lots H2 2018: 804.0 thousand lots) and profitability per lot reached PLN 114 (H1 2018: PLN 153, H2 2018: PLN 112).

	THREE-MONTH PERIOD ENDED							
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Total operating income (in PLN'000)	47 891	40 890	42 786	47 578	84 200	113 737	76 145	73 115
Transaction volume in CFD instruments in lots[1]	385 317	394 421	458 869	345 118	616 082	675 344	618 893	523 769
Profitability per lot (in PLN)[2]	124	104	93	138	137	168	123	140

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

XTB has a solid foundation in the form of constantly growing client base and number of active clients. The intention of the Management Board in 2019 is to further increase the client base. The Group reported a record number of new clients amounting to 16 089 compared to 10 626 in the second half of 2018 (H1 2018: 10 046). In the second quarter of 2019 number of new clients increase by 2 403 q/q, i.e. 35.1% q/q. This is the effect of continuing the optimized sales and marketing strategy and the successive introduction of new products to the offer, such as shares, ETFs, indexes of technology companies FANG + and other sector indexes. The average number of active clients was higher by 3 265 h/h, i.e. 16.0% h/h.

	PERIOD ENDED							
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
New clients[1]	9 246	6 843	5 742	4 884	4 734	5 312	6 582	4 201
Average number of clients[2]	23 688	22 245	21 279	21 515	22 135	22 317	18 667	17 920
New accounts[3]	22 215	16 243	13 930	11 758	11 321	12 731	16 530	11 278
Average number of active accounts[4]	25 932	24 386	23 656	24 032	24 918	25 279	21 088	20 194

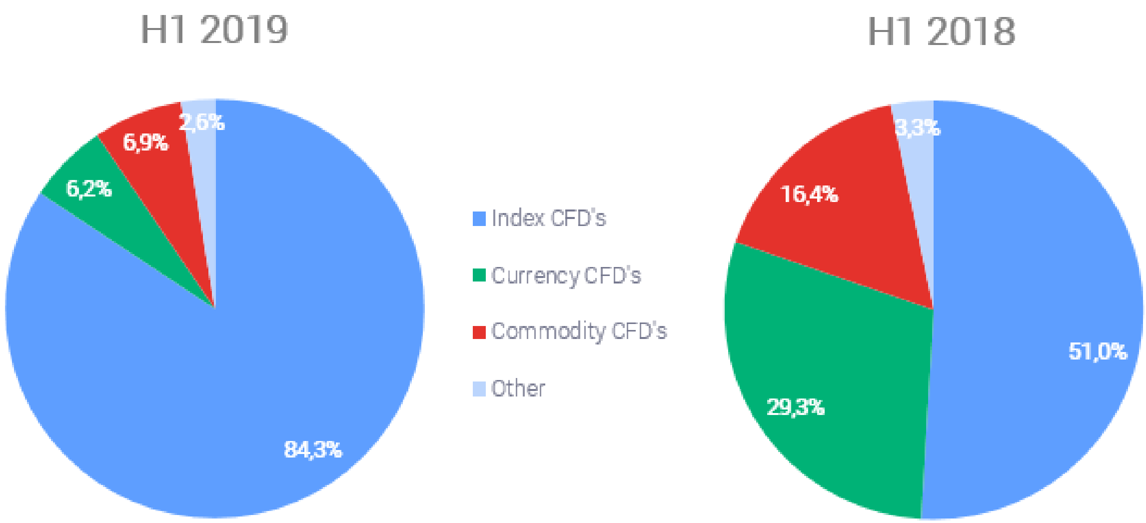
[1]) The number of new clients of the Group in individual quarters.
[2]) Average number of active clients respectively 6 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018 and 12 and 9 months of 2017.
[3]) The number of new accounts of the Group in individual quarters.
[4]) Average number of active accounts respectively 6 and 3 months of 2019 and 12, 9, 6 and 3 months of 2018 and 12 and 9 months of 2017.

XTB's aim is to provide a diversified investment offer simultaneously with comfort of managing the differentiated portfolio on one trading platform. The company analyses other possibilities of expanding the product offer, which could cause the introduction of new products in 2019 and subsequent years.

Looking at revenues in terms of the classes of instruments responsible for their creation, it can be seen that similar as in H1 of 2018, CFDs based on stock indices dominated. Their share in the structure of revenues on financial instruments in the first half of 2019 reached 84.3% against 51.0% year earlier. This is a consequence of the high interest of XTB clients in CFD instruments based on the German DAX stock index (DE30) and the US indices US500, US100, US30. The second most-profitable class of assets were CFD commodities. Their share in the structure of revenues on financial instruments in the first half of 2019 reached 6.9% (H1 2018: 16.4%). The most profitable instrument in this class was CFD based on natural gas and gold. Revenues on CFD instruments based on currency pairs amounted to 6.2% of total revenues against 29.3% a year earlier. Among this class of instruments, where the EURUSD currency pair was the most popular between XTB clients, there were more predictable trends in which the market moved within a limited price range. This led to the emergence of market trends, which can be predicted with a higher probability than in the case of larger directions of movements on the markets, which created favourable conditions for transactions concluded in a narrow range of the market (range trading). In this case, XTB has observed a higher number of profitable transactions for clients.

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

The structure of revenue by asset class (in %)



(IN PLN'000)			SIX-MONTH PERIOD ENDED	
	30.06.2019	31.12.2018	CHANGE %	30.06.2018
Index CFDs	72 595	41 696	74,1	100 228
Currency CFDs	5 950	37 181	(84,0)	32 318
Commodity CFDs	5 336	9 571	(44,2)	57 621
Equity CFDs	1 162	610	90,5	2 268
Bond CFDs	663	267	148,3	322
Total CFDs	85 706	89 325	(4,1)	192 757
Total options	-	-	-	3 947
Stocks	400	133	200,8	(34)
Gross gain on transactions in financial instruments	86 106	89 458	(3,7)	196 670
Bonuses and discounts paid to customers	(89)	(1 781)	(95,0)	(1 582)
Commission paid to cooperating brokers	(580)	(520)	11,5	(772)
Net gain on transactions in financial instruments	85 437	87 157	(2,0)	194 316

XTB places great importance on the geographical diversification of revenues. The countries from which the Group derives more than 15% of revenues are Poland and Spain with the share of 40.8% (H1 2018: 32.3%) and 23.9% (H1 2018: 15.0%). The share of other countries in the geographical structure of revenues does not exceed in any case 15%.

(in PLN'000)			SIX-MONTH PERIOD ENDED	
	30.06.2019	31.12.2018	CHANGE %	30.06.2018
Central and Eastern Europe	44 703	35 776	25,0	104 718
- including Poland	*36 212*	*8 526*	*324,7*	*63 999*
Western Europe	36 936	41 355	(10,7)	83 133
- including Spain	*21 187*	*12 635*	*67,7*	*29 725*
Latin America	7 142	13 233	(46,0)	10 086
Total operating income	88 781	90 364	(1,8)	197 937

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

(in PLN'000)				SIX-MONTH PERIOD ENDED
	30.06.2019	31.12.2018	CHANGE %	30.06.2018
Retail segment	78 151	82 543	(5,3)	186 943
Institutional segment (X Open Hub)	10 630	7 821	35,9	10 994
Total operating income	88 781	90 364	(1,8)	197 937

It should be noted that, similar as a retail segment, product intervention introduced by relevant regulators on local markets of European Union countries could affect the condition of the European institutional partners of XTB and thus the transaction volume in lots as well as the revenues of XTB from these clients. However, the Management Board cannot exclude that there will be increase in volatility of institutional clients in the further.

Expenses

Operating costs in the first half of 2019 amounted to PLN 83.6 million and were higher by PLN 0,8 million compared to the same period a year earlier. The most significant changes y/y occurred in:

- marketing costs, an increase of PLN 2.0 million due to higher expenditures on marketing online campaigns;
- costs of salaries and employee benefits, an increase of PLN 1.4 million related to new employment and employee severance payments;
- costs of maintaining and lease of buildings, a decrease by PLN 2.4 million and thus an increase in depreciation costs by PLN 1.0 million, mainly due to a change in the approach to the cost of renting office space from 2019, in connection with the entry into force of IFRS 16 Leasing;
- other external services, a decrease by PLN 1.4 million as a result of lower expenditure on other external services (decrease by PLN 1.4 million y/y).

(in PLN'000)				SIX-MONTH PERIOD ENDED
	30.06.2019	30.06.2018	CHANGE %	31.12.2018
Salaries and employee benefits	40 530	39 116	3,6	39 362
Marketing	18 759	16 775	11,8	16 547
Other external services	11 361	12 729	(10,7)	12 180
Cost of maintenance and lease of buildings	1 532	3 915	(60,9)	3 900
Amortization and depreciation	3 238	2 254	43,7	1 677
Taxes and fees	1 530	923	65,8	1 417
Commission expenses	3 904	4 034	(3,2)	3 593
Other expenses	2 734	3 047	(10,3)	11 023*
Total operating expenses	83 588	82 793	1,0	89 699

* administrative fine imposed by PFSA (one-off event)

In the first half of 2019 operating expenses increased by PLN 1.4 million q/q, mainly due to higher by PLN 1.1 million salaries and employee benefits costs and other expenses by PLN 0.5 million.

								THREE-MONTH PERIOD ENDED
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Total operating expenses (in PLN'000)	42 490	41 098	40 218	48 837	41 750	41 043	38 919	34 777
- marketing	*9 581*	*9 178*	*7 878*	*8 669*	*8 976*	*7 799*	*6 243*	*5 615*
New clients	9 246	6 843	5 742	4 884	4 734	5 312	6 582	4 201
Average number of active clients	25 131	22 245	20 568	20 277	21 952	22 317	20 909	18 263

The Management Board expects in the second half of 2019 operating expenses to be at a level comparable to that observed in the first half of 2019. The final level will depend on the variable remuneration elements paid to employees, the level of marketing expenditures and the impact of ESMA's product intervention on the level of revenues generated by the Group. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures will depend on the impact of the results and profitability of the Group and on responsiveness of the clients to the actions taken. The impact of product intervention introduced by relevant regulators on local markets of European Union countries on the Group's revenues will determine, if necessary, a revision of the cost assumptions for further months of 2019.

2.3 Group's selected financial ratios

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

		SIX-MONTH PERIOD ENDED	
	30.06.2019	**31.12.2018**	**30.06.2018**
EBITDA (in PLN'000)[1]	8 431	2 342	117 398
EBITDA margin (%)[2]	9,5	2,6	59,3
Net profit margin (%)[3]	5,8	1,2	50,7
Return on equity –ROE (%)[4]	2,3	0,4	44,6
Return on assets – ROA (%)[5]	1,0	0,2	21,4
Aggregate capital adequacy ratio of the Company, including buffers (%)[6]	14,7	20,0	14,0
Aggregate capital adequacy ratio of the Group, including buffers (%)[7]	14,0	19,1	13,5

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

2.4 Selected operating data

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

		SIX-MONTH PERIOD ENDED	
	30.06.2019	**31.12.2018**	**30.06.2018**
Retail operations segment	691 381	690 032	1 171 279
Central and Eastern Europe	365 913	357 110	667 811
Western Europe	268 418	268 754	445 281
Latin America	57 050	64 168	58 187
Institutional operations segment	88 357	113 954	120 147
Total	779 738	803 987	1 291 426

The table below presents:

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

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

	SIX-MONTH PERIOD ENDED		
	30.06.2019	**31.12.2018**	**30.06.2018**
New clients[1]	16 089	10 626	10 046
Average number of active clients[2]	23 688	20 423	22 135
Clients in total	128 266	116 517	107 214
New accounts[3]	38 458	25 688	24 052
Average number of active accounts[4]	25 932	22 394	24 918
Accounts in total	274 867	238 980	215 237
Net deposits (in PLN'000)[5]	194 884	154 321	178 586
Average operating income per active client (in PLN'000)[6]	3.7	4.4	8.9
Average operating income per active account (in PLN'000)[7]	3.4	4.0	7.9
Transaction volume in CFD instruments in lots[8]	779 738	803 986	1 291 426
Profitability per lot (in PLN)[9]	114	112	153
Transactions volume in CFD at nominal value (in USD million)	268 965,6	291 768,4	482 130,6
Profitability per 1 million turnover in CFD derivatives (in PLN)	88.4	82.4	109.7
Share transaction volume at nominal value (in USD million)	74.7	36.5	13.2

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

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

(in PLN'000)	SIX-MONTH PERIOD ENDED		
	30.06.2019	**31.12.2018**	**30.06.2018**
Result from operations on financial instrument:	85 437	87 157	194 316
Central and Eastern Europe	41 557	32 986	101 832
Western Europe	36 745	40 977	82 478
Latin America	7 135	13 194	10 006
Income from fees and charges:	3 332	3 110	3 541
Central and Eastern Europe	3 134	2 693	2 805
Western Europe	191	378	655
Latin America	7	39	81
Other income:	12	97	80
Central and Eastern Europe	12	97	80
Total operating income[1]	88 781	90 364	197 937
Central and Eastern Europe	**44 703**	**35 776**	**104 718**
- including Poland [2]	*36 212*	*8 526*	*63 999*
Western Europe	**36 936**	**41 355**	**83 133**
- including Spain[2]	*21 187*	*12 635*	*29 725*
Latin America	**7 142**	**13 233**	**10 086**

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

Retail operations segment

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

	SIX-MONTH PERIOD ENDED		
	30.06.2019	**31.12.2018**	**30.06.2018**
New clients[1]	16 085	10 620	10 042
Average number of active clients[2]	23 660	20 401	22 117
Clients in total	128 218	116 470	107 173
New accounts[3]	38 453	25 672	24 042
Average number of active accounts[4]	25 899	22 363	24 892
Accounts in total	274 760	238 890	215 155
Number of transactions[5]	11 886 726	11 990 431	17 918 284
Transaction volume in CFD instruments in lots[6]	691 381	690 033	1 171 279
Net deposits (in PLN'000)[7]	187 930	149 282	170 719
Average operating income per active client (in PLN'000)[8]	3.3	4.0	8.5
Average operating income per active account (in PLN'000)[9]	3.0	3.7	7.5
Average cost of obtaining an client (in PLN'000)[10]	1.2	1.6	1,7
Average cost of obtaining an account (in PLN'000)[11]	0.5	0.6	0.7
Profitability per lot (in PLN)[12]	113	120	160
Transactions volume in CFD at nominal value (in USD million)	240 147,3	250 993,2	438 383,8
Profitability per 1 million turnover in CFD derivatives (in PLN)[13]	87,2	87,5	113,9
Share transaction volume at nominal value (in USD million)	74,7	36,5	13,2

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

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

	SIX-MONTH PERIOD ENDED					
	30.06.2019		**31.12.2018**		**30.06.2018**	
Central and Eastern Europe	12 096	51%	10 729	53%	12 521	57%
Western Europe	9 630	41%	8 137	40%	8 234	37%
Latin America	1 934	8%	1 535	7%	1 362	6%
Average number of active clients	23 660	100%	20 401	100%	22 117	100%

Institutional operations segment

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

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

	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Average number of active clients	28	22	18
Clients in total	48	47	41
Average number of active accounts	33	31	26
Accounts in total	107	90	82

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

	SIX-MONTH PERIOD ENDED		
	30.06.2019	31.12.2018	30.06.2018
Transaction volume in CFD instruments in lots	88 357	113 953	120 147

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

XTB has a stable market position and dynamically growing client base. The Group plans further development by expanding the customer base and product offer, penetrating existing markets and expanding geographically to new markets in order to build a global brand.

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 2019 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.

								THREE-MONTH PERIOD ENDED
	30.06.2019	**31.03.2019**	**31.12.2018**	**30.09.2018**	**30.06.2018**	**31.03.2018**	**31.12.2017**	**30.09.2017**
Total operating income (in PLN'000)	47 891	40 890	42 786	47 578	84 200	113 737	76 145	73 115
Transaction volume in CFD instruments in lots[1]	385 317	394 421	458 869	345 118	616 082	675 344	618 893	523 769
Profitability[2]	124	104	93	138	137	168	123	140

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

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

	30.06.2019	**2018**	**2017**	**2016**	**2015**	**2014**
% share of operating income from institutional operations in total operating income	12.0%	6.5%	15.2%	7.8%	4.7%	14.1%

The Management Board predicts that any low activity on financial and commodity markets in 2019, regulatory changes as well as other factors (if they occur) may adversely affect the condition of XTB's institutional partners and thus lead to a decrease in the volume of trading in lots as well as revenues of XTB of these clients. On the other hand, the Management Board of XTB cannot rule out a higher customer turnover in the institutional segment.

– The Management Board expects that in the second half of 2019 operating costs may be at a level comparable to that observed in the first half of the year. Their final level will depend on the variable remuneration components paid to employees the level of marketing expenses and the impact of product intervention introduced by regulators on local markets of European Union countries on the level of revenues generated by the Group. The value of variable remuneration components will be influenced by the results of the Group. The level of marketing 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. In turn, if the need arises, the impact of product intervention introduced by regulators on local markets of European Union countries on the Group's revenues will revise the cost assumptions for subsequent periods of 2019.

– On 10 February 2017, the Turkish regulatory body, the Capital Markets Board of Turkey (CMB), introduced changes to the regulations regarding the operation of investment services, investment activities and additional services. This contributed to a significant decrease in the number of clients and, consequently, to a significant reduction in the Group's operations in Turkey. On 19 April 2018 The Management Board decided to resume an action to terminate the activities on Turkish market and liquidation of the subsidiary X Trade Brokers Menkul Değerler A.S. The decision of the Company was made after 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 reference to closing down the activity on the Turkish market, which from the accounting point of view means the repayment of capital/liquidation of assets the Group will be obliged to take actions, according to the applicable accounting rules, in the scope of reclassification of foreign exchange differences arising from the translation of the subsidiary's equity from the position Foreign exchange differences on translation in equity to income statement. This operation will not influence the level of Group's total equity as at the date it is being carried. However the Group will be required to present the effect of the above mentioned translation as a result of financial activity, whereas in case of negative foreign exchange rate differences the effects of such translation will be recognized as financial expenses. The Group would like to make it clear that the amount of exchange rate differences concerning the investment in Turkey is derived among other variables from the exchange rate of Turkish Lira which fluctuates. As at 30 June 2019 the amount of negative exchange rate differences form translation of subsidiary in Turkey amounted to PLN (23 703) thousand (see note 23. Equity of the interim condensed consolidated financial statements for the first half of 2019).

– 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 included:

– 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, including:
  - 30:1 for major currency pairs;
  - 20:1 for non-major currency pairs, gold and major indices;
  - 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;
– 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;
– Standardised risk warning.

In the binary options:

– Prohibition on the marketing; distribution or sale of binary options to retail investors.

After 1 August 2019, i.e. after the end of the last ESMA decision, product intervention measures identical to the existing rules set out in previous decisions were introduced by the relevant regulators in Spain, Portugal, Germany, the Czech Republic and France. Different intervention measures have been implemented in Cyprus and Poland.

The Cyprus supervisory authority CySec has determined that for customers belonging to the target market, the restrictions will be smaller than for ESMA product interventions, while for the gray market there are plans to tighten the restrictions.

On 1 August 2019, the Polish Financial Supervision Authority (PFSA) decided to introduce additional requirements while offering contracts for difference to retail clients. The restrictions introduced by the PFSA are that the CFD supplier is required to provide retail customers with:

– protection of the initial margin, i.e. the leverage limits for the type of investment;
– protection against closing the position – the CFD supplier is obliged to close the most loss client transactions in the event of a reduction in the value of funds deposited to an account below a certain level;
– protection against negative balances, i.e. prevented the client from incurring losses exceeding the value of paid cash;
– access only to CFD materials and advertising that will include an appropriate warning about the risks associated with investing in CFD; and;
– will not provide any financial or non-financial bonuses to encourage customers to invest in CFDs;
– in addition, the decision taken by the Commission introduces the category of an experienced retail client who will be able to offer CFDs with a higher level of leverage while applying the remaining restrictions.

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 30 June 2019 and as at the date of publication of this periodic report, the composition of the Management Board was as follows:

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

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

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

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

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

3.2 Supervisory Board

As at 30 June 2019 and as at the date of publication of this periodic report, the composition of the Supervisory Board was as follows:

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

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

4. Information about shares and shareholding

4.1 Equity

As at 30 June 2019 and as at the submission date of this periodic report, share capital of X-Trade Brokers Dom Maklerski S.A. comprised of 117 383 635 A-series ordinary shares. The nominal value of the shares is PLN 0.05 per share.

4.2 Share in the free float

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

4.3 Shareholding structure

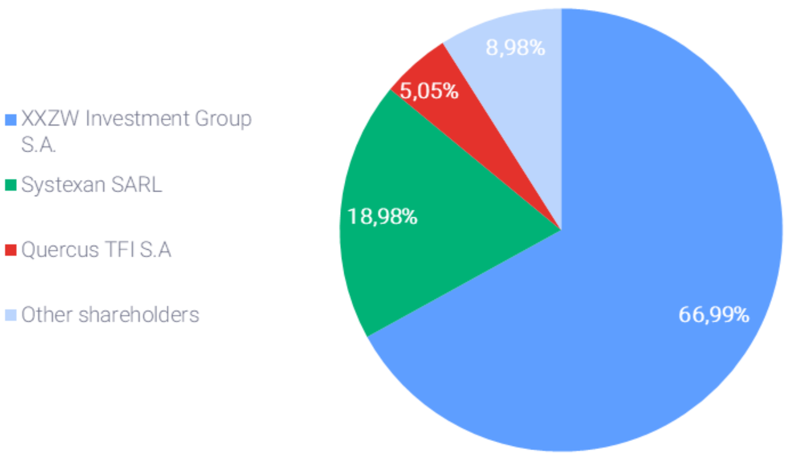
To the best knowledge of the Management Board of the Company as at 10 May 2019 i.e. as at the submission date of the previous periodic report (I quarter report for the 2019), the status of shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Parent Entity, was as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A.[1]	78 629 794	3 932	66,99%
Systexan SARL[2]	22 280 207	1 114	18,98%
Quercus TFI S.A	5 930 000	297	5,05%
Pozostali akcjonariusze	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 percentage share in the share capital of the Parent Company of the abovementioned shareholders is in line with the percentage shares in the number of votes at the General Meeting.

The shareholding structure as at 10 May 2018 is presented on the graph below:



To the best knowledge of the Company's Management Board as at 30 June 2019 and as at the date of this periodic report, the condition of shareholders holding directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Entity did not change compared to 10 May 2019.

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

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

5. Other information

5.1 Information on transactions with related parties

In 6 month period ended 30 June 2019 and 30 June 2018 were no related transactions concluded on other than arm's length basis.

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

(in PLN'000)	30.06.2019 REVENUES	30.06.2019 RECEIVABLES	30.06.2018 REVENUES	31.12.2018 RECEIVABLES	30.06.2018 RECEIVABLES
Subsidiaries:					
XTB Limited (UK)	811	1 134	15 665	2 514	2 142
XTB Limited (CY)	897	89	76	468	13
X Open Hub Sp. z o.o.	2 050	425	1 426	642	871
XTB International Limited	7 590	2 870	10 383	4 464	1 199

(in PLN'000)	30.06.2019 COSTS	30.06.2019 LIABILITIES	30.06.2018 COSTS	31.12.2018 LIABILITIES	30.06.2018 LIABILITIES
Subsidiaries:					
XTB Limited (UK)	(5 203)	5 522	(6 059)	2 075	2 925
XTB Limited (CY)	(1 453)	251	(1 469)	359	220
X Open Hub Sp. z o.o.	(382)	14	(240)	158	55
XTB International Limited	(8 529)	4 007	(5 737)	1 199	675
XTB Services Limited	(7 071)	914	(2 967)	387	628

As at June 30 of 2019 the Group shows a balance of liabilities to Mr. Jakub Zabłocki in the amount of PLN 1.0 thousand due to the investment account held (as at December 31 of 2018: PLN 0.4 thousand, as at June 30 of 2018: PLN 0.2 thousand). In the period from January 1 to June 30 2019 the Group did not report any profit or loss on transactions in financial instruments concluded by Mr. Jakub Zabłocki. In addition, Mr. Jakub Zabłocki receives remuneration for an employment contract in a subsidiary in the United Kingdom. The gross salary and bonuses paid in the period from 1 January to 30 June 2019 amounted to PLN 1 155 thousand and in the corresponding period of 2018 it amounted to PLN 1 132 thousand.

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

As at 30 June 2019 and in the reporting period, i.e. from 1 January 2019 to 30 June 2019, neither the Parent Company nor any of its subsidiaries granted any warranties in respect of loans or advances or any guarantees to any third party or its subsidiary, whose combined value is significant.

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

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2019.

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

As at 30 June 2019 and as at the submission date of this report the Parent company and its subsidiaries were not a party to any significant proceedings pending before court, arbitration authority or public administration authority. The most important of the ongoing proceedings were indicated below.

Court proceedings

The Company and Group companies are parties to several court proceedings related to the Group's operations. The proceedings in which the Company and Group companies appear as defendants are above all related to employees' claims and clients' claims. As at the submission date of this report, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 3 million, of which suits brought by the employees pending before court consist of the two proceedings where the total value of claims was approximately PLN 700 thousand and ten brought by clients with the total value of claims of approximately PLN 2,3 million. Below are presented the most significant, in the Company's view.

- since May 2016 in relation to Turkish subsidiary, X Trade Brokers Menkul Degerler A.Ş., there is an action pending brought by customer, who contests the merit of cancellation by the company of transactions concluded at incorrect prices. At the submission date of this report total value of the claims is the equivalent of PLN 541 000;
- 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 then PLN 14 million. The management board finds client's claims groundless. The only reason for the loss of the customer was his wrong investment decisions. This has been clearly demonstrated, among others, during the audits of the Polish Financial Supervision Authority (PFSA) in 2016, in the subsequent correspondence of the company with the supervisor, and in the expertise of an independent consultancy company, Roland Berger, which analysed the client's transaction history. The analysis confirmed that the customer's transactions were not delayed, and the timing of his orders was even faster than the average for other clients;
- on January 5 2018, the Financial Ombudsman received a request from the client to investigate the legitimacy of restoring by the Company of this client's margin in the amount of PLN 131 000, i.e. the amount resulting from the loss of transactions closed by the Company. Their closing took place as a result of the mechanism of closing the position after 365 days from the day of their opening. This mechanism has been described in the regulations on the provision of brokerage services. On February 19, 2019 a lawsuit in the case under consideration was filed with the District Court. On April 26, 2019 the Company lodged an appeal.

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

On 18 November 2016 the Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), with a request to secure claims connected with breach of rights to registered union trademark of 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. Proceedings before the Regional Court in Warsaw are currently pending since 12 April 2017 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 authorized 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. After correction of formal defects by XTRADE Europe Ltd., the Company submitted a response to the reply on 9 November 2017 and by letter of 28 May 2018 filed a new motion as to evidence. XTRADE Europe Ltd. responded in writing to both these letters of the Company. On 20 September 2018, 4 December 2018, 20 March 2019 and 16 April 2019 hearings in this case were held. XTRADE Europe Ltd. closed its branch in Warsaw and stated that it stopped provided services to clients in Poland during the procedures held before the District Court. In this way it arguments that it does not use XTRADE's signs in Poland. The next hearing is planned on 4 July 2019. The court stated that in the before mentioned term closing of the hearing is planned. Based on this, it is possible that in July the court will give its judgement.

Moreover, on 19 June 2017 the Company applied to the District Court for Warsaw-Śródmieście in Warsaw for commencement of enforcement proceedings 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. 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. In connection with this on 19 April 2018 the Company applied to the District Court with a motion for awarding from XTRADE Europe Ltd. PLN 100 000 in connection with failure to perform a collateral established by the Court of Appeal. By virtue of a decision from 28 November 2018 District Court dismissed the Company's motion and determined that as of the date of issue of the decision the marks are no longer used in Poland by XTRADE Europe Ltd. By virtue of 27 March 2019 the District Court in Warsaw dismissed the complaint of the Company.

Before the Warsaw-Śródmieście District Prosecutor's Office in Warsaw (case reference number PR 4 Ds.376.2017.TD), proceedings are pending based on the Company's application for prosecution in connection with the marketing of a counterfeit mark within the meaning of Art. 120 p.p. i.e. the XTB mark by employees and associates of XTRADE EUROPE LTD. The application was submitted on September 23, 2016. On December 29, 2017, the investigation was suspended in order to take evidence in international legal assistance (Cyprus). On January 15, the Company filed a complaint, indicating the possibility of continuing the proceedings in Poland. The suspension decision was revoked by the decision of the District Court for Warsaw-Śródmieście in Warsaw, 2nd Criminal Division of March 22, 2018, and evidence was taken, but not sufficiently. By decision of 29 June 2018, the Prosecutor again suspended the proceedings due to the existence of premises indicating the necessity of taking evidence in the framework of international legal assistance (Czech Republic and United Kingdom). On July 9, 2018, a complaint was filed, indicating again the possibility or even the need to continue the proceedings in Poland. By a decision of May 22, 2019, the District Court for Warsaw-Śródmieście in Warsaw, the 2nd Criminal Division, dismissed the company's appeal. Currently, the Prosecutor is awaiting the implementation of the application for legal aid in the territory of the British Virgin Islands.

Furthermore, The Regional Court in Munich by decision from 25 July 2017 has prohibited using in Germany marks „XTRADE" and „XTRADE EUROPE Ltd" and confirmed that these marks are confusingly similar to the trademarks registered by the Company. In addition, XTRADE Europe Ltd. was 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. On 19 April 2018 the Court of Appeal rejected the appeal of the Cypriot company – the judgment which forbids usage of XTRADE symbol in Germany is final. As of the date of delivery of this report the proceedings aiming at award the Company reimbursement by XTRADE Europe Ltd. of representation costs and enforcement of the final judgement.

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 (the "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 PFSA. As to the post-inspection objections, the Management Board submitted to the PFSA extensive substantive and legal objections as well as detailed analyses, pointing that remarks included in the control protocol are groundless;

- on 27 September 2018 the Company received information about imposition onto the Company pursuant to art. 167 para. 2 point 1 in connection with art. 167 para. 1 point 1 of the act on Trading in Financial Instruments a fine of PLN 9.9 million in connection with the violation of the law, in particular in the area of providing brokerage services to the Company's clients. In the Company's opinion, the imposition of a fine for above-mentioned fraud is not justifiable and is not reflected in the facts. The Polish Financial Supervision Authority refused to take the evidence requested by the Company (including the expert's opinion) and did take into account independent expert's opinions submitted by the Company. Acting in the best interest of the Company, its employees and shareholders, as well as having clients best interest in mind, the Management Board appealed the abovementioned decision by filing on 29 October 2018 complaint against the PFSA decision to Provincial Administrative Court (hereinafter the "PAC"). On 6 June 2019, the PAC dismissed the Company's plaint against the Commission's decision to impose a financial fine in the amount of PLN 9.9 million. The Court decision is not legally binding yet. After delivery by PAC a copy of the ruling along with its justification, the Company's Management Board decided to lodge a final cassation appeal to Supreme Administrative Court;

- on 20 November 2017, the inspection initiated by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") started 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. Despite exercising due diligence in the area of compliance with legal requirements in the functioning of the affiliation programme in the German branch, no assurance may be given that BaFin will not identify irregularities constituting basis for, among others, initiation of administrative proceeding imposing penalties or other administrative sanctions on the Company within the supervisory powers of BaFin or other bodies;
- on 26 January 2018 the Company was served with the letter from the National Bank of the Czech Republic ("CNB"), 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.

On 15 June 2018, the Company received a control report indicating that the inspectors found irregularities and deficiencies in the implementation and enforcement of the applicable in Czech Republic laws and regulations by the branch and the Company, in response to which the Company has lodged substantiated objections in accordance with the applicable regulations. Company exercised due diligence in order to implement the post-audit recommendations and submitted the implementation results to CNB. On 2 February 2019, the authority informed the branch director in Czech Republic that the implementation of these recommendations would be verified in case of conducting another inspection by the CNB. In the opinion of the Management Board infringements detected in the course of the control may not constitute basis for initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of CNB or other authorities. Therefore, there is no need to establish provisions for potential administrative penalties;

- 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;
- on 24 April 2019, the Company received a letter from the Social Insurance Institution (hereinafter the "SII") informing about the intention to initiate a control of the contribution payer at the Company's headquarters. The scope of the control covered: (I) the correctness and reliability of calculating social insurance contributions by the contribution payer and other contributions, which SII is obliged to collect and social insurance and health insurance claims brought, (II) determining entitlements to social insurance benefits, paying these benefits and making settlements in this respect, (III) the correctness and timeliness of preparing applications for retirement and disability pensions, and (V) issuing certificates or data reporting for social security purposes;

On 19 June 2019, the Company received a control report indicating that the inspector found irregularities in the date of insurance registration of one employee, failure to pay health contributions for one employee for several months and calculation of contributions in the Labour Fund for Members of the Supervisory Board for the period 2016 -2017 and the Labour Fund and the Employee Benefits Guarantee Fund for several employees. Moreover, it was found that one of the employees was not entitled to the payment of care allowance and the benefits for him were overpaid. As at the submission date of this report, the Company exercised due diligence to implement all post-control recommendations of the SII within the required period of 30 days from the delivery of the report. In the opinion of the Management Board, the irregularities identified during the control will not constitute basis for initiation administrative proceedings against the Company concerning the imposition of penalties or other sanctions. Therefore, there is no need to establish provisions for potential administrative penalties;

- on 19 July 2019, control was initiated by the French supervisory authority – AMF at the Company's French branch. The control is a comprehensive assessment of activity of the Company's branch in France, among others, based on the regulations of the MiFID II Directive, MIFIR Regulations, ESMA requirements and the French anti-corruption law Sapin II. As at the submission date of this report, the Company exercises due diligence in order to provide AMF with all necessary data in the course of the control. Despite exercising due of the branch in France to ensure compliance with legal requirements, no assurance may be given that AMF will not identify irregularities in operation of the branch constituting basis for, among others, initiation of administrative proceedings imposing penalties or other administrative sanctions on the Company within the supervisory powers of AMF or other bodies.

Regulatory environment

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

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

The so-called the MiFID II/MIFIR package implementation into national legislative system by introducing act amending the act on trading in financial instruments and some other acts and new regulations to this act

The MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") entered into force on 3 January, 2018. Transposition of the MiFID II Directive into the national law took place by introducing amendments to the act on trading in financial instruments. The amended act entered into force on 21 April, 2018, albeit a longer vacatio legis has been reserved for some of its provisions. The main purpose of this act is to increase the safety of financial market participants and ensure competitive conditions for investment companies. The starting point for covering customers of investment companies with greater protection is an obligation of entities providing services to act in a reliable and professional manner, in accordance with principles of fair trading and the best interest of their clients. The legislator distinguished two stages: (i) preceding and (ii) accompanying and following after providing brokerage services and for each of them indicated separate obligations towards clients of investment companies. The professionalism and reliability of investment companies have been strengthened by new rules regarding communication with clients and introducing system to register telephone conversation and electronic communication with them. During provision of services investment companies were obliged to provide clients with regular reports related to the performance of a contract for the provision of brokerage services. Novum, also ensuring greater transparency of the market for its participants is authorisation of a new category of trading system in the form of an organised trading facilities (OTF). Non-discriminatory access rules to OTF will contribute to make the market competitive. There also were introduced separate provisions dedicated to the new type of financial instruments trading system, alternative trading platform for small and medium-sized enterprises. The regulation is intended to increase transparency of cross-selling by entities providing retail services inter alia in the area of fees associated with this kind of selling. The regulation also reduced unnecessary costs that could be charged to the client. The charging of remuneration, commissions or any other benefits from third parties by companies proving independent investment advisory services and asset management shall henceforth subject to significant restrictions. Thanks to the changes, it should be clear for the client who uses investment advisory services, whether they are independent and he also should be familiarised with their costs and grounds. As a result of the amendment, the outsourcing of the processes, services or activities of an investment company was regulated, and the entities that deal with the algorithmic trading technique were subject to special surveillance. Following the amendment to the act on trading in financial instruments, a new regulation of the Minister of Finance of May 30, 2018 on the mode and conditions of conduct of investment firms and banks, which are referred to in Art. 70 (2) of the act on trading in financial Instruments, and custodian banks (hereinafter the "RMC Regulation") entered into force. The layout and content of the new RMC Regulation is based on the previous regulation, however the Ministry of Finance broadened the definition part and enriched the RMC Regulation with additional sections. From the perspective of financial entities, it is crucial to determine the conditions for providing clients with report related to the performance of a contract for the provision of brokerage services: its content, method and time limit for its transfer. It also settled according to which principles incentives may be received or paid. From the law arise, among others, prohibition on accepting or receiving incentives if the investment company would provide brokerage services in a way that is unreliable, unprofessional, inconsistent with the principles of fair trading or does not duly take into account the interests of clients or potential clients. The aforementioned prohibition corresponds to the obligation to disclose data concerning benefits to those persons and to collect and store documentation confirming that the purpose of any benefits provided is to improve the quality of services. The RMC Regulation sets out situations where such the benefit is considered as improving the quality of services. The law has been enriched with a catalogue of forms of benefits considered as minor cash benefits. In relation to the previous regulation, the provisions on the principles of categorisation clients as retail or professional were modified. There are also new provisions for practices related to cross-selling. In addition, the RMC Regulation sets out the terms and conditions for the conduct of investment firms recommending, offering or otherwise enabling the acquisition or subscription of a financial instrument. The act contains additional conditions for the activity of investment companies who are: issuers of financial instruments or entities providing advice on issuing financial instruments. In conclusion, RMC Regulation extends mechanisms for securing clients and limits the possibility of receiving incentives by investment firms. New provisions came into force on 23 June, 2018, whereby their implementation in investment companies was to take place until 21 October 2018.

Another element of the implementation of the MiFID II/ MIFIR package into the Polish system is the introduction of the regulation of the Minister of Finance of 29 May 2018 on detailed technical and organizational conditions for investment companies, banks referred to in art. 70 (2) of the act on trading in financial instruments, and custodian banks (hereinafter "RTOC Regulation"). It regulates in detail the storage, registration and safekeeping of financial instruments and keeping cash accounts. The provisions of the RTOC Regulation contain a description of the manner and detailed conditions for recording and depositing funds of clients as well as categories of entities in which these funds may be deposited. An innovation is necessity to appoint one person responsible for fulfilling duties in the area of safekeeping of financial instruments and clients' funds in order to prevent the fragmentation of responsibility between individual employees and to reduce the associated risks. The regulations indicate the necessity of introducing organizational solutions regarding the manner of remunerating persons offering or concluding agreements in the course of cross-selling, in order to remove any possibility of concluding cross-selling contracts with clients for whom it will be inappropriate. There also can occur organizational changes in investment companies as a result of changes in the functioning of the internal audit and specifying rules allowing serving on boards of investment companies and holding other key positions. In relation to previous internal audit regulation, more flexibility was given in the area of shaping the audit principles, because it was reduced to the obligation to introduce internal audit regulations. The requirements for the management personnel, also in the area of improvement of professional qualifications are indicated to strengthen the professionalism of activities of the investment companies. The RTOC Regulation develops the principles for keeping records of transactions, archiving documentation and other medium of information prepared in connection with running a business. The law issued on 29 May 2018 entered into force on 23 June 2018. Similarly to the RMC Regulation, the transitional provisions allowed investment companies to comply with the new requirements by 21 October 2018.

The Company exercised due diligence in order to comply with amendments to the act on trading in financial instruments and requirements of RMC Regulation and RTOC Regulation. However, it cannot be excluded that a given rule or requirement will be interpreted by Company in a manner inconsistent with the regulations which may be connected with supervisory activities and sanctions specified in binding laws and may require incurring by the Company further significant financial outlays and implementation of the significant organizational changes.

Changes in the scope of protection of personal data and establishing a national cybersecurity system

A legislative package on a new EU legal framework for data protection 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 Regulation") 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 (the "RODO Directive"). Implementation of the RODO Directive by the Member States, with some exceptions, was supposed to take place by 6 May, 2018. The GDPR Regulation did not require implementation and is being used directly by all of the countries of the Community as of 25 May, 2018.

The outcome of working on the implementation of the above-mentioned regulations into the Polish legal order is entering into force the act on personal data protection on 25 May, 2018. This act 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.

Since August 2017 in Ministry of Digital Affairs works on regulations implementing act on the protection of personal data were being conducted. After referring a draft act amending other acts in connection with ensuring implementation of the GDPR Regulation to public consultation, on 13 September 2018 new draft act was presented. The project of regulation contains provisions adapting certain acts to the requirements of the GDPR Regulation in areas such as, among others the insurance sector, sectors of justice, culture, health and public statistics. There are also included the principles of processing personal data by employers. The significant element of the project for financial market entities is the introduction of an amendment to the act on trading in financial instruments in the scope of personal data processing of natural persons. The bill was passed on February 21, 2019.

The Company has exercised due diligence in order to comply with its obligations under provisions for the protection of personal data. However, it cannot be excluded that a given rule or requirement were interpreted by the Group in a manner inconsistent with provisions for the protection of personal data which may be connected with risk of supervisory activities 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.

On 28 August 2018 the act of 5 July 2018 on national cybersecurity system which is implementation of Directive of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across Union (the "NIS Directive"). In the meaning of the act, the "cybersecurity" is understood as resilience of information systems to activities that violate confidentiality, integrity, availability and authenticity of the data processed or related services offered by these systems. The aim of the regulation is to detect, prevent and minimise the effects of incidents that violate cybersecurity. Institutionally, these objectives are to be pursued by the national cybersecurity system. They are belonging to him, among others authorities responsible for cybersecurity, digital service providers and so-called the operators of essential services. The last one are entities that have an organizational unit in Poland, whose potential sectors of activity have been specified in Appendix 1 to the act and in relation to which an administrative decision has been issued recognising the entity as the operator of the essential services. Such decisions are to be issued until 9 November 2018 by the authorities responsible for cybersecurity. The PFSA is the relevant authority for the banking sector and financial market infrastructure. Pursuant to the provisions of the act, each operator of essential services is obliged to assess the risk of incident and to manage the risk, to use technical and organizational measures appropriate to the risk, including building awareness of system users. In addition, these entities have the task of managing incidents, including reporting serious incidents, applying measures to prevent and minimise the impact of incidents on the security of the information system and enabling efficient communication within the national cybersecurity system. As at the submission date of this report, the Company has not received a decision on a possible recognition her as the operator of essential services and it cannot be ruled out that the provisions of the new act will apply to her. Their implementation may involve significant organizational changes or significant financial outlays.

Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance and amendments to some other acts

On 25 September 2018 another draft act amending the personal income tax act (the "PIT Act"), the corporate income tax act ("CIT Act"), the act - Tax Ordinance and some other amendments to the act were published. According to statements of reasons concerning the draft, the purpose of the regulation is, inter alia, closing tax loopholes. It concerns, among others collection of withholding tax, i.e. the tax collected from non-residents. Up to the amount of PLN 2 million of receivable paid to a taxpayer who is non-resident in a given tax year, the current principles of payment (collection) of withholding tax will apply. Once it has been exceeded, a payer is allowed to apply the current withholding tax rules, i.e. favourable fiscal treatment concerning withholding tax if he submits to the tax authority relevant statements related to fulfilling formal requirements (eg. obtaining required documents from the taxpayer) and exercising due diligence in verification of prerequisites for a given tax preference in the form of a reduction or an exemption. The payer who fails to submit these statements will be required to collect, calculate and pay the tax using the rates specified in the CIT Act and the PIT Act. In this case, the payer does not apply the exemptions indicated in these laws and the provisions of agreements on avoidance of double taxation with countries with which Poland have signed the agreements. These restrictions will also apply to taxpayers who are domestic entities in relation to dividends and other income from participation in profits of legal persons. There is also a new mechanism of collecting the tax which requires collection and return of tax after the verification of preferential taxation entitlements. In the opinion of the project initiator, the primary purpose of the changes is to introduce solutions aiming at verification the conditions for the use of favourable fiscal treatment of significant receivables. Evidence collection should be easer as a result of introduction of the act as it allows under certain conditions to use copies of residency certificates that confirm the place of residence of the taxpayer.

The act came into force on 1 January 2019. The Company has exercised due diligence to adapt to changes in the Act amending the personal income tax act, the corporate income tax act, the act - Tax Ordinance Act and amendments to some other acts. It can not be ruled out, however, that a given rule or requirement was interpreted by the Company in a manner inconsistent with the regulations, which may result in the application of supervisory activities and sanctions provided for in the applicable regulations to the Company, and may cause the Company to incur further significant financial expenditures and implementation of significant organizational changes.

Act amending the Act on the exchange of tax information with other countries and certain other acts

On April 4, 2019 the act amending the Act on the exchange of tax information with other countries and certain other acts was passed. The purpose of implementing solutions planned in the project is to improve and supplement the national legislator. The most important assumptions of the Act: (i) in relation to documenting new accounts opened in the period from 1 January 2016 to 30 April 2017 - the need for account holders to submit a statement containing residences as at the opening date of the invoice, no use for filing a statement made by account holders for another moment in time, as well as the use of other methods of bill identification; (ii) introducing a criminal liability clause in the CRS and FATCA statements, and (iii) introducing an obligation to re-identify bills if it was previously made pursuant to Article 50 section 2 of the Act, and simultaneously with this identification, the financial institution did not take into account the tax residence of the account holder. Part of the provisions will come into force on 1 September 2019, while the rest on 16 September 2019.

The Company has exercised due diligence to adapt to changes in the Act amending the Act on the exchange of tax information with other countries and certain other acts. It can not be ruled out, however, that a given rule or requirement was interpreted by the Company in a manner inconsistent with the regulations, which may result in the application of supervisory activities and sanctions provided for in the applicable regulations to the Company, and may cause the Company to incur further significant financial expenditures and implementation of significant organizational changes.

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

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

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 should 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.

The Company has exercised due diligence in order to comply with obligation under PRIIP Regulation. However, it cannot be excluded that a given rule or requirement was interpreted by the Group in a manner inconsistent with PRIIR Regulation which may be connected with risk of supervisory activities 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.

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

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

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

On 13 October 2018 regulation of 4 October 2018 on the transfer of information about transactions and a form identifying the obligated institution came into force. The provisions establish the mode of preparing and transferring transactional information and a form identifying obliged institution and the mode of their transfer to General Inspector of Financial Information (the "GIIF").

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

Activity of the European Securities and Markets Authority ("ESMA")

The group is witnessing continuous regulatory changes in the industry at an international level that may change over time. The European Securities and Markets Authority (ESMA) published on 29 June 2017 a statement regarding possible product interventions for CFDs, binary options and other highly speculative financial products that would take place under MIFIR.

On 5 February, 2018 the ESMA published its Guidelines on MiFID II product governance requirements. The document discussed obligations regarding compliance with the law and reporting, and it presented: (i) guidelines for manufacturers, including the manufacturer's obligation to identify the potential target market and the relationship between the manufacturer's distribution strategy and their target market definition; (ii) guidelines for distributors, which define – inter alia – the relationship between the product governance requirements and assessment of suitability or adequacy, as well as the distribution strategy, and (iii) guidelines regarding issues applicable to manufacturers and distributors, including principles of identification of the negative target market and sales outside the positive target market, as well as application of the requirements of the target market to firms operating on wholesale markets.

Moreover, on 27 March, 2018 ESMA agreed on measures on the provision of contracts for differences and binary options to retail investors in EU. Agreed measures regarding CFDs included: (i) leverage limits on the opening of a position by a retail clients between 30:1 and 2:1, which is subject to changes according to changes of the basic instrument, 30:1 for major currency pairs, 20:1 for non-majors currency pairs, 10:1 for commodities other than gold and non-major equity indices, 5:1 for individual equities and other reference values, 2:1 for cryptocurrencies; (ii) a margin close out rule on a per account basis; (iii) negative balance protection on a per account basis; (iv) a restriction on the incentives offered to trade CFDs; (v) a standardised risk warning. When it comes to binary options, the agreed measures included a prohibition on the marketing, distribution or sale of those instruments to retail clients. Decisions taken on 22 May 2018 in accordance with art. 40 of Regulation on markets in financial instruments regulation (EU) 600/215 by ESMA on product intervention were finally published in the Official Journal of the European Union. The temporary prohibition on the trading, distribution or sale of binary options with regard to retail clients is effective from 2 July, 2018 and is motivated by significant investor protection concerns due to the complexity of the product and the negative expected rate of return. In relation to CFDs temporary aforementioned restrictions on trade, distribution and sale entered into force on 1 August, 2018.

According to MiFIR Regulation, ESMA may introduce temporary intervention measures only for three months. Before the end of the three-month period, ESMA each time considers the need to extend the intervention measures for a further three months. In August 2018, ESMA reviewed the product intervention measure on binary options on the basis of a study carried out among the national competent authorities on the practical application and impact as well as on the basis of additional information provided by the competent national authorities and interested parties. On 24 August 2018 ESMA announced decision to extend its application from 2 October 2018 for following, three-months period. In September 2018 the review concerned the measures applied to CFDs after which, on 28 September 2018 ESMA decided on their extension from 1 November 2018 for a further three months. It also conditionally shortened risk information for CFDs as ESMA was notified that some investment firms had some technical problems with using standard risk warnings due to limitations on the number of marks imposed by external marketing service providers. Another decisions regarding extension of the product intervention were announced respectively on 23 January 2019 – for another three months, this is staring from 1 February 2019 and on 17 April 2019 – for another three months, this is from 1 May 2019 till 1 August 2019. After August 1, 2019, i.e. after the end of the last ESMA decision, product intervention measures identical to the existing rules set out in previous decisions were introduced by the relevant regulators in Spain, Portugal, Germany, the Czech Republic and France. Different intervention measures have been implemented in Cyprus and Poland Intervention measures different from current ones will be introduced in Cyprus and in Poland. Cyprus regulatory authority decided that in case of retail clients falling within the grey area of target market the restrictions will be lower than in ESMA product intervention, while in case of grey market a tightening of restrictions in planned. On 1 August 2019 the Polish Financial Supervision Authority decided to introduce additional requirements while offering contracts for difference to retail clients. The restrictions introduced by the PFSA are that the CFD supplier is required to provide retail customers with: (i) protection of the initial margin, i.e. the leverage limits for the type of investment; (ii) protection against closing the position - the CFD supplier is obliged to close the most lossy client transactions in the event of a reduction in the value of funds deposited to an account below a certain level; (iii) protection against negative balances, i.e. prevented the client from incurring losses exceeding the value of paid cash; (iv) access only to CFD materials and advertising that will include an appropriate warning about the risks associated with investing in CFD; and (v) will not provide any financial or non-financial bonuses to encourage customers to invest in CFDs. In addition, the decision taken by the Commission introduces the category of an experienced retail client who will be able to offer CFDs with a higher level of leverage while applying the remaining restrictions. Despite the Group acting with due diligence implemented organizational changes to comply with these requirements of conducting activity, it cannot be excluded that the manner of interpretation of prohibition and restrictions of regulators may be different than solutions adopted by the Group. It may involve applying supervisory activities and sanctions provided for by applicable law and might require the Group to incur further significant financial outlays and implement significant organizational changes. In addition, it cannot be excluded that implementation of decisions may have a negative impact on the financial results of the Group.

Following the publication on 1 June 2018 of the decision of ESMA regarding product intervention concerning CFD contracts, on 18 July 2018 the Company received a letter from the PFSA with a questionnaire regarding operations on CFD market and the process of adaptation business activity to the aforementioned ESMA's decision. The Company informed about its implementation activities and detected inaccuracies in the interpretation of the abovementioned ESMA's decision. In the view of the prohibition of 22 May 2018 regarding the trading, distribution or sale of binary options issued by ESMA, on 19 October 2018 the PFSA asked the Company to provide information regarding the sale of binary options. The Company provided appropriate explanations, including information about the withdrawal of binary options from her offer. On 19 November 2018 the Company filled in the PFSA the answer for the questionnaire. As at the submission date of this report, the Company exercised due diligence in order to comply with the obligations arising from aforementioned ESMA decisions. However, it cannot be ruled out that a given rule or requirement will be interpreted by the Company in a manner incompatible with the PFSA expectations to its interpretation which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes.

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 requirements. However, it cannot be excluded that measures undertaken by the Company in order to implement above limitations and prohibitions 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. 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 on Turkish market and liquidation of subsidiary, which remains valid at the date of submission of the report.

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.

FCA suspended work on the document until discussions conducted within the European Securities and Markets Authority ("ESMA") about the possible use of its product intervention powers under article 40 of MiFIR will be concluded and after their completion it was decided not to resume the work.

Following ESMA's decision to introduce a temporary prohibition on the distribution of binary options and restrictions on CFDs distribution to retail customers, as announced by FCA on the British market the timely implementation of aforementioned measures in the mode of product intervention took place. ESMA decisions to extend the application of product intervention measures begun to be also valid in Great Britain for subsequent, quarterly periods. At the moment other FCA changes related to ESMA's product intervention are not expected.

At the moment of submission of the report, negotiations are ongoing between Prime Minister Boris Johnson and representatives of European Union regarding the terms of withdraw from European Union of Great Britain (so-called "Brexit"), in accordance with the procedure under art. 50 of the Treaty on European Union. The impact of Brexit on the financial industry sector hinges on whether a deal can be struck between Great Britain and European Union and on what kind of barriers in providing services by British entities will be included in it. In connection with the above, the Company is eagerly awaiting results of the conducted negotiations. It cannot be ruled out that the new operating conditions for entities in the Group may affect its future financial results.

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.

On 9 October 2018 CNMV published a new regulation, circular 4/2018, whereby amendment to circular 1/2010 on information to be communicated to the CNMV by investment companies was made in line with Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. New requirements are applicable to the information concerning activity of investment companies starting from 1 January 2019.

The Company has exercises 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.

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.

5.5 Risk factors

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

As at 30 June 2019 and as at the date of this report, the Group identifies the following risks associated with the Group's operations and with the regulatory environment.

Risks associated with the Group's operations:

Risks associated with the Group's operations:

- Group's revenue and profitability are influenced by trading volume and volatility in financial and commodity markets that are impacted by factors that are beyond the Group's control;
- economic, political and market factors beyond the Group's control may harm its business and profitability;
- the Group may incur material financial losses from its market making model;
- the Group's risk management policies and procedures may prove ineffective;

- the Group may experience disruptions to or corruption of its infrastructure necessary for the conduct of the Group's business;
- the Group's business relies, to a great extent, on the Group's ability to maintain its good reputation and the general perception of the FX/CFD market;
- the Company may not be able to pay dividends in the future or pay lower dividends than provided in the Group's dividend policy;
- the Group may fail to implement its strategy;
- as a result of implementing its strategy relating to developing its operations in Latin America the Group may be exposed to various risks specific to Latin America;
- the Group may experience difficulties in attracting new retail clients and maintain its active retail client base;
- the Group may be unable to effectively manage its growth;
- the Group is subject to counterparty credit risk;
- the Group is exposed to client credit risk;
- the Group is exposed to the risk of losing its liquidity;
- the Group may lose access to market liquidity;
- the decline in interest rates may have an adverse impact on the Group's revenue;
- the Group's operations in certain regions are subject to increased risks associated with political instability and the risks that are typical of the developing markets;
- the Group operates on a highly competitive market;
- the Group may not be able to maintain technological competitiveness and respond to dynamically changing client demands;
- the Group may be unable to effectively protect or to ensure the continued use of its current intellectual property rights;
- the development of the Group's product and services portfolio and expansion of the Group's operations to include new lines of business may involve increased risks;
- the Group may not be able to hire or retain qualified staff;
- risks related to the Group's cost structure;
- the Group's insurance coverage relating to its operations may be insufficient or not available;
- within its operations the Group is significantly dependent on third parties;
- the Group may not be able to prevent potential conflicts between its interest connected with its activities and the interests of the clients;
- other factors beyond the Group's control could have negative impact on its operating activities.

Risks associated with the regulatory environment:

- the Group operates in a heavily regulated environment and may fail to comply with the rapidly changing laws and regulations. Additional information regarding the Group's regulatory environment were presented in section 5.2.;
- the Group is required to adapt its business to the new PFSA Guidelines, which may force the Group to incur significant financial expenditures and to implement material organisational changes, and may adversely affect the Group's competitive position;
- the Group is required to adapt its operation to the new ESMA Guidelines, which may require it to incur considerable financial outlays and implement significant organisational changes, and may adversely affect the Group's competitive position;
- the Company is required to maintain minimum levels of capital, which could restrict the Company's and as a consequence Group's growth and subject it to regulatory sanctions;
- the Company may be required to maintain higher capital ratios;
- maximum leverage ratios may be further reduced by regulators;
- the interpretation of the applicable laws may be unclear, and the laws may be subject to change;
- the Group may be exposed to increased administrative burdens and compliance costs as a respect of entering new markets;
- the procedures utilised by the Group, including in respect of anti-money laundering, preventing the financing of terrorism and 'know your client', may not be sufficient to prevent money laundering, the financing of terrorism, market manipulation or to identify other prohibited trades;
- the Group may be exposed to risks related to personal data and other sensitive data processed by the Group;
- a breach of consumer protection regulations may result in adverse consequences for the Group;
- advertising regulations and other regulations may impact the Group's ability to advertise;
- changes in tax law regulations specific for the Group's business, their interpretation or changes to the individual interpretations of tax law regulations could adversely affect the Group;

- the related-party transactions carried out by the Company and the Group Companies could be subject to inspection by the tax or fiscal authorities;
- court, administrative or other proceedings may have an unfavourable impact on the Group's operations, and the Group is exposed, in particular, to the risk of proceedings relating to client complaints and litigation, and regulatory investigation;
- as a brokerage house, XTB may be required to bear additional financial burdens under Polish law, including contributions to the investment compensation scheme established by the NDS and contributions for the purpose of financing the PFSA's supervision of capital markets, as well as fees related to the costs of the Financial Ombudsman and his office;
- risk related to increased reporting obligations due to the applicability of FATCA and the automatic exchange of information on tax matters;
- the Group will be required to observe and to adjust its business to the MiFID II/MiFIR Package after it enters into force, which may be expensive and time-consuming and may result in significant restrictions in terms of the manner and scope in which the Group may offer its products and services;
- the risk related to the implementation of EU law in the Polish legal system on the implementation of remedial actions and the resolution of financial institutions.

5.6 Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken and for regularly setting appropriate limits to limit the scale of exposure to these risks.

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

The Risk Management Committee, composed of members of the Supervisory Board, was appointed in the Parent Company. The Committee's tasks include: preparation of a draft document regarding risk appetite of the brokerage house, issuing opinions on management strategy developed by the Management Board, supporting the Supervisory Board in supervising the strategy of the brokerage house in risk management by the Management Board, verification of remuneration policy and principles of its implementation in terms of adjusting the remuneration system to the risk the brokerage house is exposed to, its capital, liquidity and probabilities and dates of obtaining income.

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

The Parent Company's Supervisory Board approves procedures for internal capital estimation, capital management and planning.

In the reporting period there were no significant changes in the risk management system.

6. Statement of the Management Board

Statement of the Management Board of X-Trade Brokers Dom Maklerski S.A. on the reliability of preparation of the consolidated and separate financial statements

The Management Board of X-Trade Brokers Dom Maklerski S.A. declares that, to the best of its knowledge, the consolidated and separate financial statements for period of six months ended 30 June 2019 and comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear financial and financial situation and the financial result of the Group and the Company, respectively. In addition, the Management Board declares that activity report contains a true picture of the development and achievements of the Group and the Company, respectively, including a description of the basic threats and risk.

Warsaw, 21 August 2019 roku

Omar Arnaout
President of the Management Board

Paweł Szejko
Member of the Management Board

Filip Kaczmarzyk
Member of the Management Board

Jakub Kubacki
Member of the Management Board

Andrzej Przybylski
Member of the Management Board

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