



**xtb**  
online trading

# 1Q 2017 Results Presentation

May 2017



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## Agenda

■ Financial data

■ Market volatility

■ Operational data

■ Regulatory changes in the industry

■ Appendix



Financial data



## Financial data

### Consolidated comprehensive income statement

PLNmm	1Q 2017	1Q 2016	Change
Result of operations on financial instruments	57,6	81,5	(23,9)
Other income	1,1	1,3	(0,2)
<b>Total operating income</b>	<b>58,7</b>	<b>82,8</b>	<b>(24,1)</b>
Salaries and employee benefits	(18,4)	(22,3)	3,9
Marketing	(7,2)	(8,0)	0,8
Other operating expenses	(11,0)	(10,2)	(0,8)
<b>Total operating expenses</b>	<b>(36,6)</b>	<b>(40,5)</b>	<b>3,9</b>
<b>Operating profit</b>	<b>22,1</b>	<b>42,3</b>	<b>(20,2)</b>
Finance income	4,5	2,0	2,5
Finance costs	(12,9)	(4,5)	(8,4)
<b>Profit before tax</b>	<b>13,7</b>	<b>39,8</b>	<b>(26,1)</b>
Income tax	(3,1)	(7,9)	4,8
<b>Net profit</b>	<b>10,6</b>	<b>31,9</b>	<b>(21,3)</b>

### Historical quarterly consolidated financial results

PLNmm	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Total operating income	58,7	94,0	42,8	31,0	82,8
Total operating expenses	(36,6)	(38,9)	(34,4)	(54,7)	(40,5)
Operating profit (loss)	22,1	55,1	8,4	(23,7)	42,3
Net profit (loss)	10,6	50,4	4,2	(8,8)	31,9

## Financial data continued

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Total operating income (in PLN mln)	58,7	94,0	42,8	31,0	82,8
Transaction volume in CFD instrument in lots	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN)	109	192	91	59	155

■ Operating income in the 1Q 2017 has been shaped by:

- the greater trading activity of customers, which is reflected in the increase in the volume of turnover calculated in lots;
- decrease in profitability per lot.

	2016	2015	2014	2013
Profitability per lot (in PLN)	124	116	103	111

■ The decrease in profitability per lot results from the characteristics of the XTB Group's business model:

- profitability per lot in particular quarters may be subject to significant fluctuations;
- the longer the analysis horizon, the more stable the results are.

## Financial data continued

### Key financial indicators

	1Q 2017	1Q 2016
<b>EBITDA margin (%)</b>	40,0	52,8
Aggregate capital adequacy ratio (%)	10,1	14,5
Return on equity – ROE (%)	11,9	37,1
Return on assets – ROA (%)	5,2	17,6
<b>Net profit margin (%)</b>	18,1	38,5

#### Retail

##### 1Q 2017 vs 1Q 2016

**44,1 mm / 71,5 mm**  
revenues

**8,8 mm / 32,5 mm**  
operating profit

**39,5% / 76,8%**  
operating profit share

**PLN 91 / PLN 152**  
profitability per lot

#### Institutional

##### 1Q 2017 vs 1Q 2016

**14,7 mm / 11,2 mm**  
revenues

**13,4 mm / 9,8 mm**  
operating profit

**60,5% / 23,2%**  
operating profit share

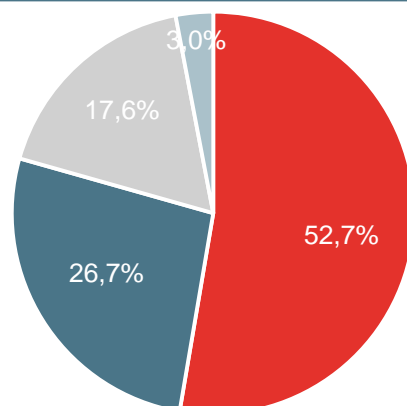
**PLN 271 / PLN 176**  
profitability per lot

## Financial data continued

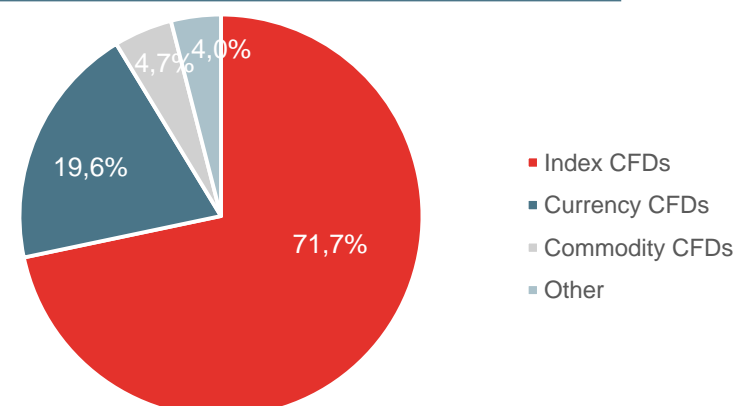
### Result of operations on financial instruments

PLNmm	1Q 2017	1Q 2016	Change (%)
<b>CFDs</b>			
Index CFDs	43,2	43,8	(1,4)
Currency CFDs	11,8	22,2	(47,0)
Commodity CFDs	2,8	14,7	(80,7)
Equity CFDs	0,5	0,3	59,1
Bond CFDs	(0,1)	0,9	(114,2)
Total CFDs	58,2	81,9	(28,9)
Option derivatives	2,1	1,3	63,0
<b>Gross gain on transactions in financial instruments</b>	<b>60,3</b>	<b>83,2</b>	<b>(27,5)</b>
Bonuses and discounts paid to customers	(0,8)	(0,9)	(10,1)
Commissions paid to cooperating brokers	(1,8)	(0,8)	122,6
<b>Net gain on transactions in financial instruments</b>	<b>57,7</b>	<b>81,5</b>	<b>(29,2)</b>

### Revenue by class of instrument 1Q 2016



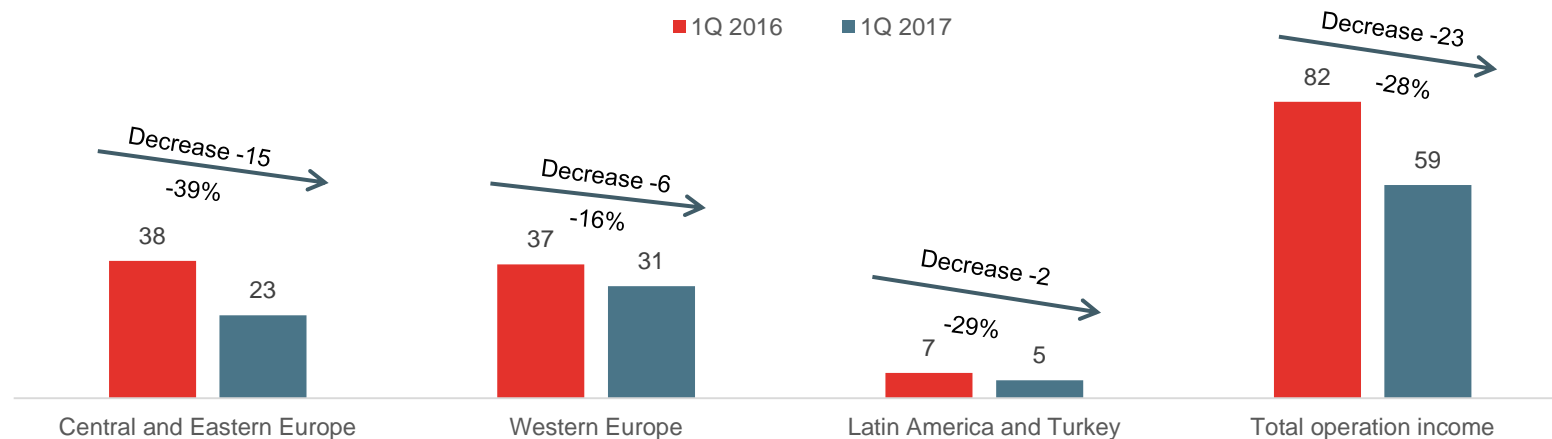
### Revenue by class of instrument 1Q 2017



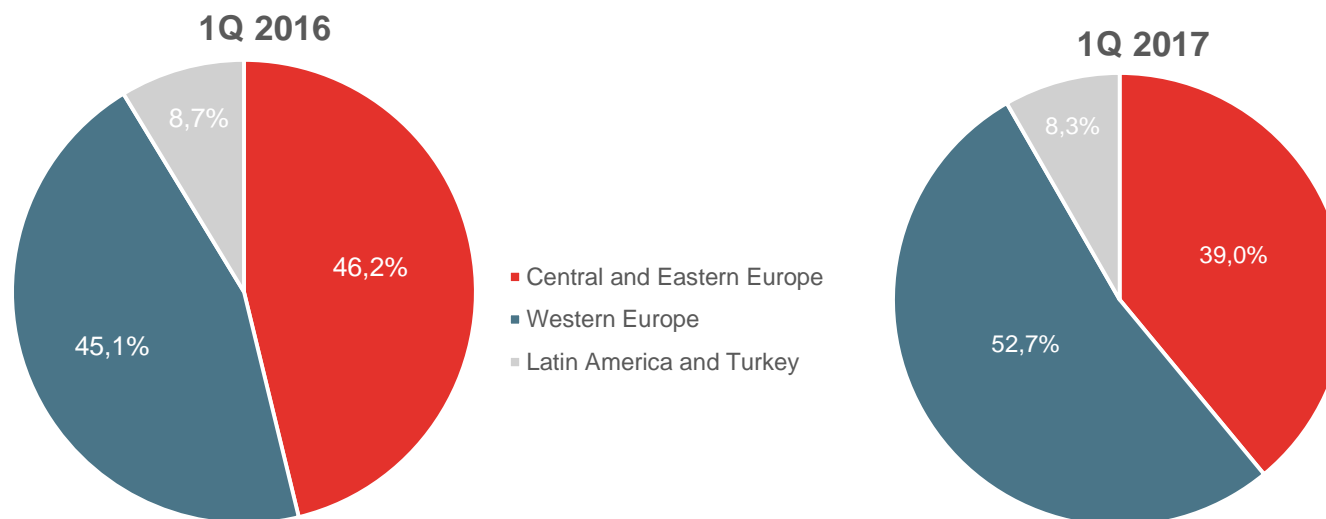


## Financial data continued

### Revenue by geographical area (PLNmm)



### Revenue by geographical area (%)



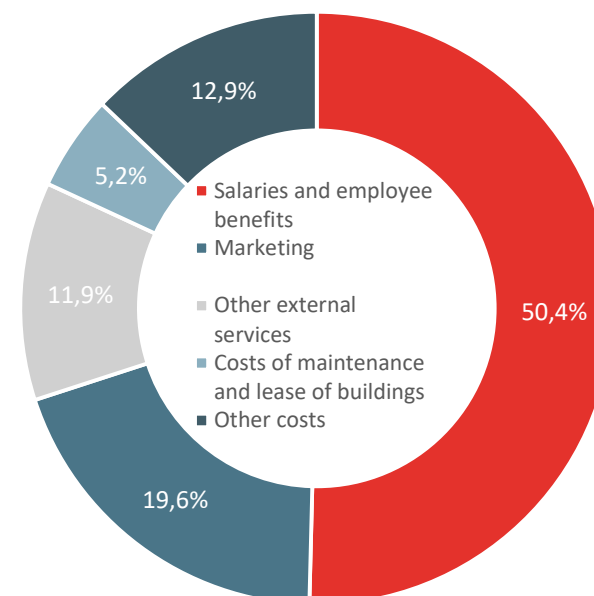
## Financial data continued

### Operating expenses

PLNmm	1Q 2017	1Q 2016	Change (%)
Salaries and employee benefits	(18,4)	(22,3)	(17,3)
Marketing	(7,2)	(8,0)	(10,2)
Other external services	(4,4)	(4,0)	9,9
Costs of maintenance and lease of buildings	(1,9)	(2,4)	(19,9)
Amortisation and depreciation	(1,3)	(1,4)	(4,2)
Taxes and fees	(1,0)	(0,3)	225,6
Fee expenses	(1,5)	(1,1)	35,2
Other costs	(0,9)	(1,0)	(17,9)
<b>Total operating expenses</b>	<b>(36,6)</b>	<b>(40,5)</b>	<b>(9,6)</b>

### Operating expenses structure 1Q 2017

- Decrease in operating expenses by PLN 3,9 mm mainly due to:
  - Lower by PLN 2,7 mm variable remuneration components (bonuses);
  - Decrease in average monthly employment in the Group from 406 (1Q 2016) to 387 (1Q 2017), which translated into PLN 1,2 mm savings.



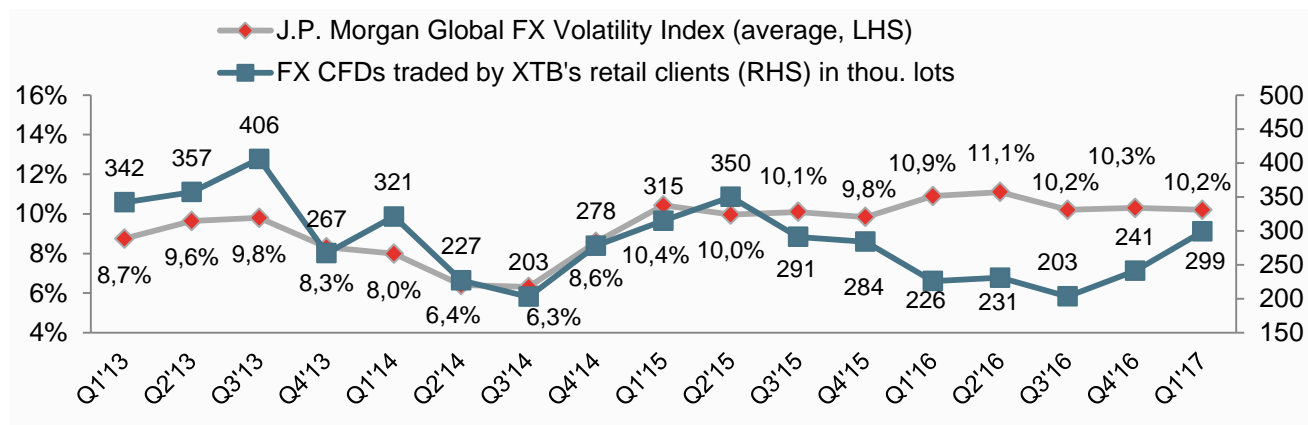


Market volatility



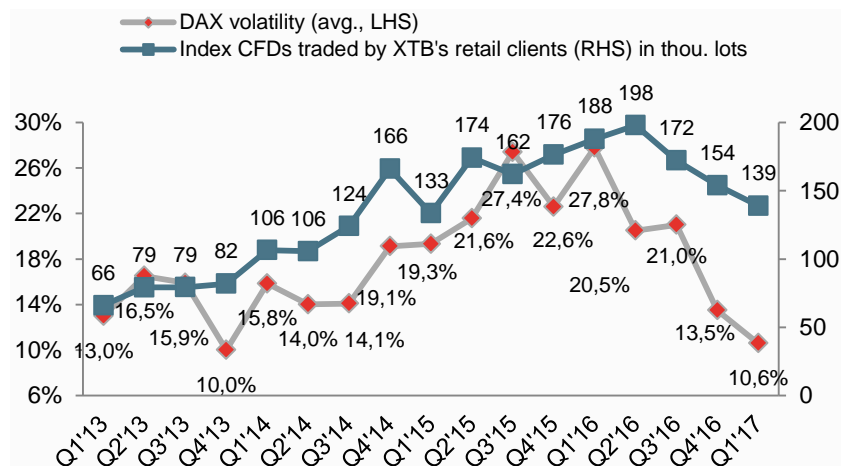
## Market volatility

### FX volatility on the market



Source: Bloomberg, XTB

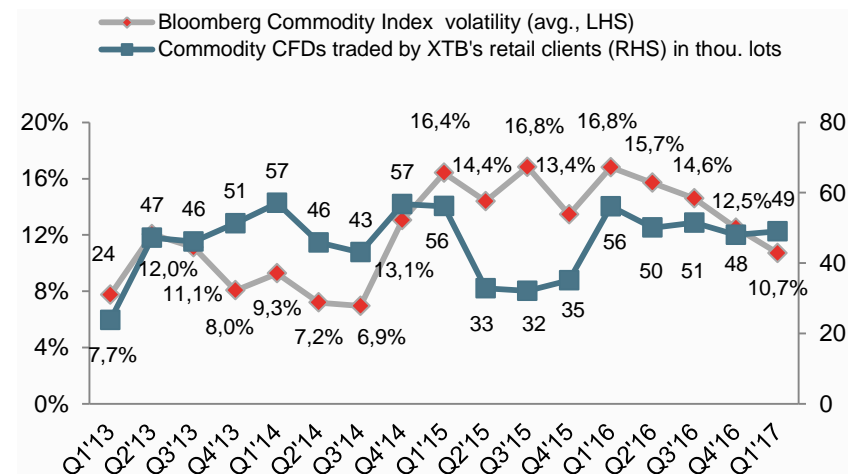
### Volatility of equity market<sup>1</sup>



Source: Bloomberg, XTB

<sup>1</sup> Volatility of German blue chip index DAX 30 and Bloomberg Commodity Index is calculated as an annualized historical daily volatility based on 30-day period standard deviation

### Volatility of commodity market<sup>1</sup>

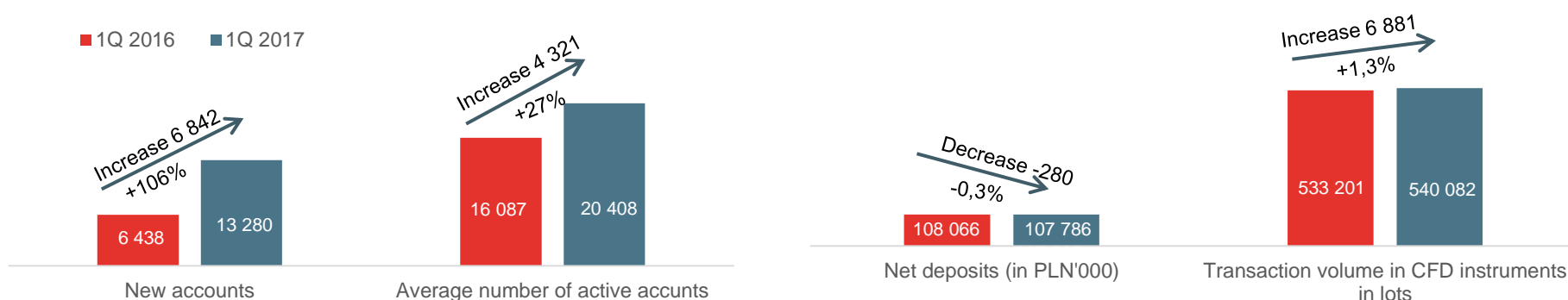




Operational data

## Operational data

### Consolidated KPIs



	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
New accounts	13 280	9 624	8 060	7 178	6 438
Average number of active accounts <sup>1</sup>	20 408	17 243	16 531	16 305	16 087
Accounts in total	169 031	156 501	146 939	139 209	132 170
Net deposits (in PLN'000)	107 786	116 759	60 717	28 503	108 066
Average operating income per active account (in PLN'000) <sup>2</sup>	2,9	14,5	9,5	7,0	5,1
Transaction volume in CFD instruments in lots	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN)	109	192	91	59	155

1) The average quarterly number of active accounts respectively for 3 months of 2017 and 12, 9, 6 and 3 months of 2016.

2) 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, respectively for 3 months of 2017 and 12, 9, 6 and 3 months of 2016.



## Operational data continued



### Retail

### Institutional

#### 1Q 2017 vs 1Q 2016

**13 273 / 6 435**  
new accounts

**20 378 / 16 052**  
average active accounts

**168 949 / 132 058**  
total accounts

**486 129 / 469 757**  
CFD volume (in lots)

**96 / 83**  
net deposits (in PLN mm)

#### 1Q 2017 vs 1Q 2016

**7 / 3**  
new accounts

**30 / 35**  
average active accounts

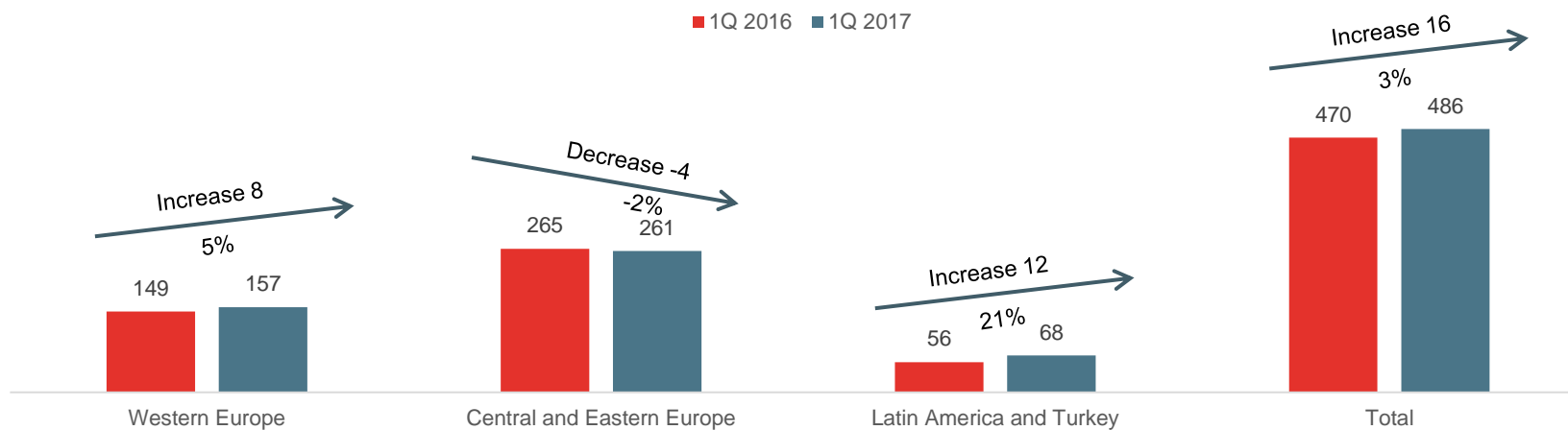
**82 / 112**  
total accounts

**53 953 / 63 444**  
CFD volume (in lots)

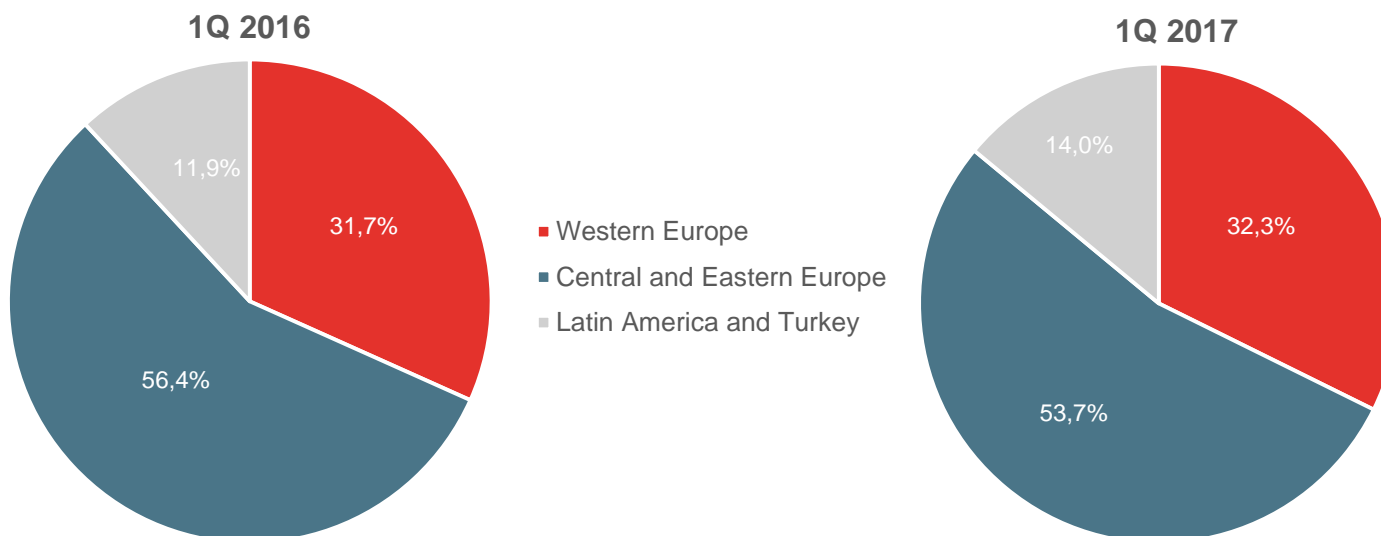
**12 / 25**  
net deposits (in PLN mm)

## Operational data continued

### Retail transaction volumes by geographical area (thousand lots)

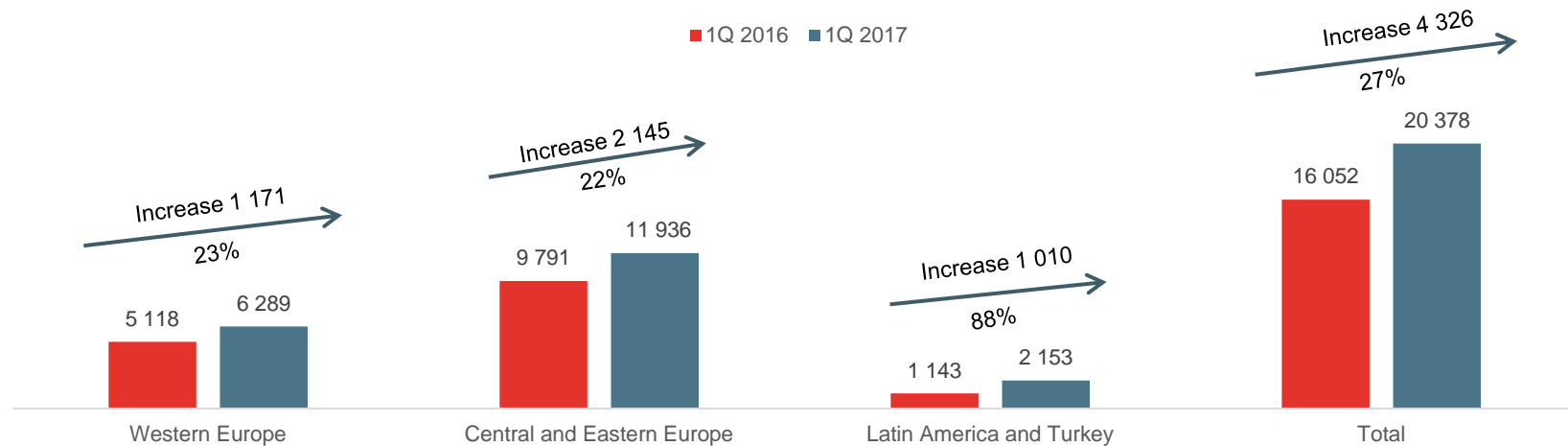


### Retail transaction volumes by geographical area (% share)

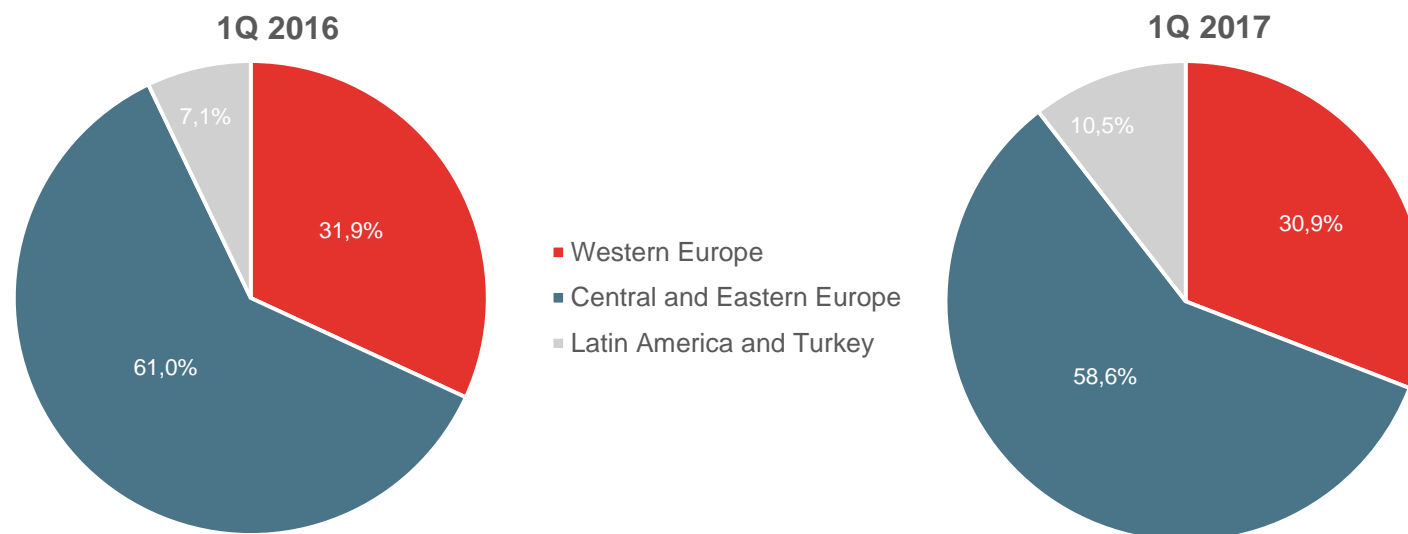


## Operational data continued

### Average number of retail active accounts



### Average number of retail active accounts (%)

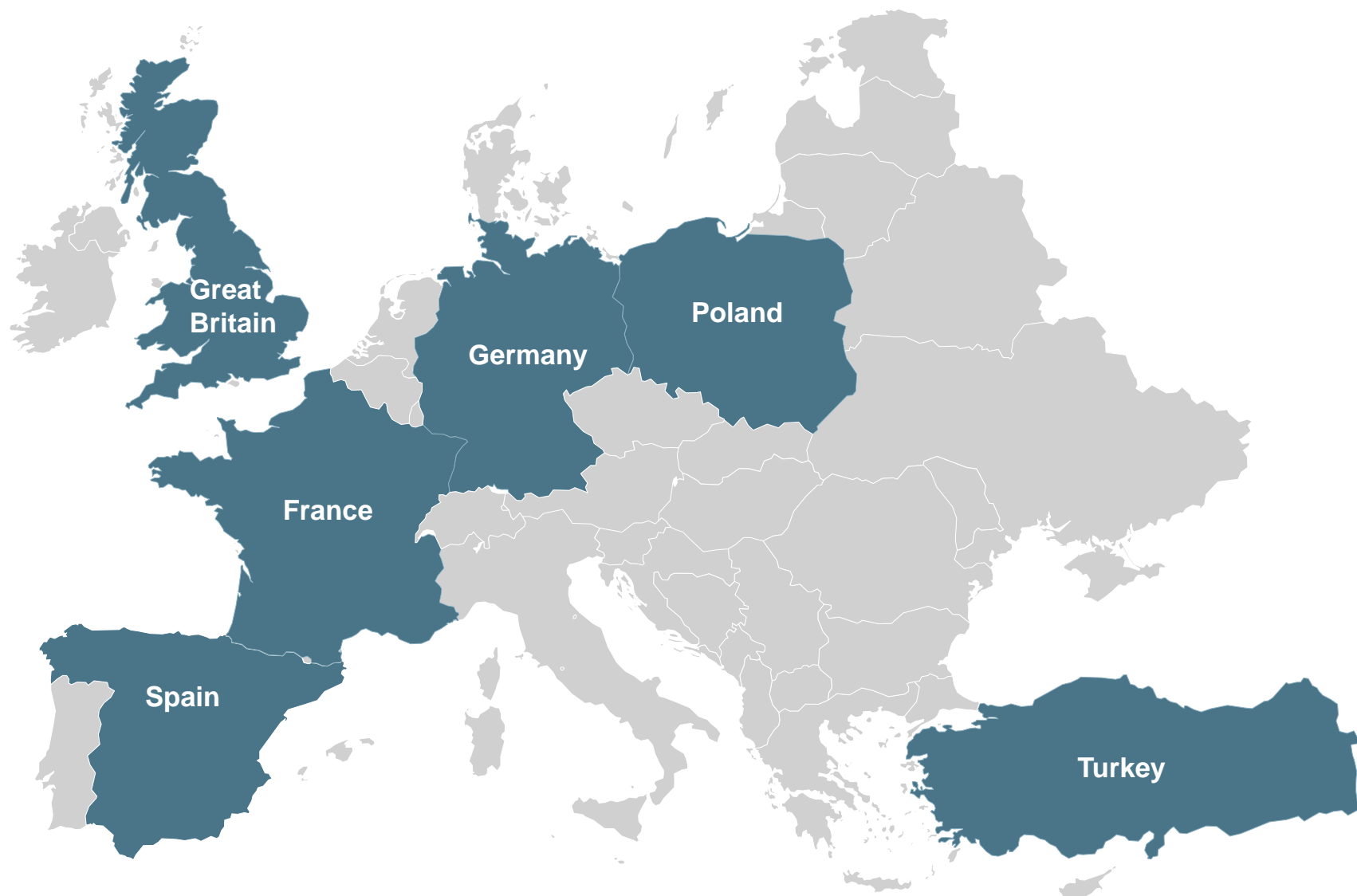






## Regulatory changes in the industry

## Regulatory changes in the industry



## France

- In France the works on the introduction of **restrictions on promoting the services** in the scope of i.a. 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, i.a. 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.



## Turkey

- On 10 February 2017 the Communiqué on the changes in the III-37.1 Communiqué on principles regarding investment services, activities and ancillary services have been published in the Official Journal. Key assumptions include the **reduction of used leverage** to 1:10 and the introduction of **minimum deposit** of TRY 50 thousand (or the equivalent in foreign currency – approx. 12 thousand USD). The changes referred to above entered into force with immediate effect for all customers and open positions from 10 February 2017, and in relation to the position opened before that date was a deadline 45 days to adjust the current state to the new regulations.

## Germany

- On 8 May 2017 German supervisory authority - BaFin published General Administrative Act **limiting the promotion, distribution and sale** of CFD financial instruments, of which transactions may result that on client's account will occur debt. Such debt is the result of transactions where the loss exceeds the value of client's deposits. The term to adapt to the adjustment is established on 10 August 2017.

## Great Britain

- On 6 December 2016 British supervisory authority - FCA submitted for consultation the document called Enhancing conduct of business rules for firms providing contract for difference products to retail clients. The main assumptions of legal changes include among others **reduction of leverage** offered depending on the client's investment in derivatives experience. Under the proposed assumptions for experienced retail clients i.e. those who have done at least 40 transactions in a continuous period of 12 months over the last 3 years, or at least 10 transactions per quarter in the four quarters over the last three years the maximum leverage level will be 1:50. For other clients leverage was set at the maximum level 1:25. Further proposals indicated in the document assume preventing offering of bonuses or rebates, which depend on the opening of an account or payment of deposit by the client. The document also envisages the introduction of obligation to publish standardized information on the risks of investing in derivative instruments and information on the percentage of accounts, on which gain or loss was reported in the preceding quarter and the preceding 12 months.
- According to the FCA information, the final version of the document will be published in Spring 2017.



## 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 acceptance of this risk. Regulations are designed to protect individual investors.

## Poland

- On April 29, 2017, the Act of 9 March 2017 amending the Trading in Financial Instruments Act and certain other acts entered into force. The most important assumptions introduced by the amendment are, inter alia, the following: **(i)** the abolition of the regulated market division into the stock exchange market and over-the-counter market, **(ii)** the introduction of the derivative account definition - provisions indicate entities authorized to maintain derivatives records and specify the scope of permits allowing those entities to keep such records, **(iii)** the change of the authority authorized to issue permissions for operating a regulated market from the minister responsible for financial institutions into the PFSA and **(iv)** the promotion of brokerage services. As of the date of entry of this Act into force, clients or potential clients acquisition, including information on the scope of brokerage services and concluding agreements for providing of brokerage services by a financial institution, may be conducted solely by a financial institution or tied agent of investment institution, provided that the investment institution may entrust the promotion of its services to other entities only if the information provided by these entities is directed at the same time to a broad group of clients or potential clients, or to the undefined recipient.

## Appendix



## Appendix

### Consolidated statement of financial position

PLNmm	31-March-2017	31-December-2016
Own cash and cash equivalents	286	291
Customers' cash and cash equivalents	406	376
Financial assets held for trading	115	95
Loans granted and other receivables	9	5
Intangible assets	10	10
Property, plant and equipment	3	4
Deferred income tax assets	11	12
Other assets	8	4
<b>Total assets</b>	<b>848</b>	<b>797</b>
Amounts due to customers	418	377
Financial liabilities held for trading	29	23
Deferred income tax provision	15	13
Other liabilities	25	28
<b>Total liabilities</b>	<b>487</b>	<b>441</b>
<b>Equity attributable to the owners of the Parent Company</b>	<b>361</b>	<b>356</b>
<b>Total equity and liabilities</b>	<b>848</b>	<b>797</b>

## Appendix continued

### Consolidated cash flow statement

PLNmm	31-March-2017	31-March-2016
Profit before tax	13,7	39,8
Amortization and depreciation	1,3	1,4
FX (gains) losses from translation of own cash	3,7	0,8
Change in balance of financial assets and liabilities held for trading	(13,9)	(0,1)
Change in balance of restricted cash	(30,4)	(17,4)
Change in balance of amounts due to customers	41,1	18,1
Other adjustments and changes	(10,6)	8,8
<b>Cash from operating activities</b>	<b>4,9</b>	<b>51,4</b>
Income tax paid	(5,0)	(13,3)
<b>Net cash from operating activities</b>	<b>(0,1)</b>	<b>38,1</b>
Expenses relating to payments for property, plant and equipment	(0,2)	(0,3)
Expenses relating to payments for intangible assets	(0,7)	(0,1)
Other	-	-
<b>Net cash from investing activities</b>	<b>(0,9)</b>	<b>(0,4)</b>
Dividend paid to owners	-	(72,1)
<b>Net cash from financing activities</b>	<b>-</b>	<b>(72,1)</b>
<b>Increase (Decrease) in net cash and cash equivalents</b>	<b>(1,0)</b>	<b>(34,4)</b>



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