CAPITAL GROUP

X-Trade Brokers DM S.A.

REPORT FOR THE 1ST HALF 2016

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FINANCIAL HIGHLIGHTS

FINANCIAL CONSOLIDATED HIGHLIGHTS

	IN PLN'000 SIX-MONTH PERIOD ENDED		IN EUR'000 SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Consolidated comprehensive income statement:				
Total operating income	113 815	129 493	25 982	31 323
Profit on operating activities	18 621	64 601	4 251	15 626
Profit before tax	24 968	64 527	5 700	15 608
Net profit	23 047	51 592	5 261	12 480
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,20	0,44	0,05	0,11
Consolidated cash flow statement:				
Net cash from operating activities	9 620	25 598	2 196	6 192
Net cash from investing activities	(845)	(482)	(193)	(117)
Net cash from financing activities	(91 616)	(78 108)	(20 915)	(18 894)
Increase/(Decrease) in net cash and cash equivalents	(82 841)	(52 992)	(18 911)	(12 818)

	IN PLN'000		IN EUR'000	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Consolidated statement of financial position:				
Total assets	671 269	727 119	151 682	170 625
Total liabilities	364 137	353 070	82 282	82 851
Share capital	5 869	5 869	1 326	1 377
Equity	307 132	374 049	69 401	87 774
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)	2,62	3,18	0,59	0,75

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: 4,3805;
  - for the comparative period: 4,1341;
- 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: 4,4255;
  - for the comparative period: 4,2615.

FINANCIAL SEPARATE HIGHLIGHTS

	IN PLN'000 SIX-MONTH PERIOD ENDED		IN EUR'000 SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Comprehensive income statement:				
Total operating income	91 381	114 417	20 861	27 676
Profit on operating activities	17 559	62 773	4 008	15 184
Profit before tax	21 362	61 938	4 877	14 982
Net profit	20 141	49 690	4 598	12 020
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,17	0,42	0,04	0,10
Cash flow statement:				
Net cash from operating activities	9 345	44 926	2 133	10 867
Net cash from investing activities	(617)	(1 211)	(141)	(293)
Net cash from financing activities	(94 264)	(93 762)	(21 519)	(22 680)
Increase/(Decrease) in net cash and cash equivalents	(85 536)	(50 047)	(19 527)	(12 106)

	IN PLN'000		IN EUR'000	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Statement of financial position:				
Total assets	655 383	721 642	148 092	169 340
Total liabilities	344 175	340 016	77 771	79 788
Share capital	5 869	5 869	1 326	1 377
Equity	311 208	381 626	70 322	89 552
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)	2,65	3,25	0,60	0,76

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: 4,3805;
  - for the comparative period: 4,1341;
- 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: 4,4255;
  - for the comparative period: 4,2615.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Result of operations on financial instruments	6.1	111 094	126 460
Income from fees and charges	6.2	2 698	2 955
Other income		23	78
Total operating income	**6**	**113 815**	**129 493**
Salaries and employee benefits	7	(38 534)	(33 188)
Marketing	8	(32 300)	(11 370)
Other external services	9	(10 816)	(7 740)
Costs of maintenance and lease of buildings		(4 481)	(3 607)
Amortization and depreciation		(2 777)	(2 870)
Taxes and fees		(890)	(847)
Fee expenses	10	(2 311)	(1 955)
Other costs		(3 085)	(3 315)
Total operating expenses		**(95 194)**	**(64 892)**
Profit on operating activities		**18 621**	**64 601**
Finance income	11	9 673	2 675
Finance costs	11	(3 326)	(2 749)
Profit before tax		**24 968**	**64 527**
Income tax	25	(1 921)	(12 935)
Net profit		**23 047**	**51 592**
Other comprehensive income		**1 595**	**(1 310)**
Items which will be reclassified to profit or loss after meeting specific conditions		1 595	(1 310)
– foreign exchange differences on translation of foreign operations		*326*	*(737)*
– foreign exchange differences on valuation of separated equity		*1 567*	*(707)*
– deferred income tax		*(298)*	*134*
Total comprehensive income		**24 642**	**50 282**
Net profit attributable to shareholders of the Parent Company		23 047	51 592
Total comprehensive income attributable to shareholders of the Parent Company		24 642	50 282
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	24	0,20	0,44
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	24	0,20	0,44
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	24	0,20	0,44
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	24	0,20	0,44

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

HALF-YEAR CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	246 426	325 328	234 809
Customers' cash and cash equivalents	13	316 961	298 138	294 133
Financial assets held for trading	14	60 297	64 254	60 782
Financial assets available for sale		220	213	223
Income tax receivables		8 469	2 443	1 578
Loans granted and other receivables	15	6 501	4 545	17 861
Prepayments and deferred costs		4 723	2 513	2 540
Intangible assets	16	11 724	13 340	15 948
Property, plant and equipment	17	3 824	4 107	4 308
Deferred income tax assets	25	12 124	12 238	12 413
Total assets		**671 269**	**727 119**	**644 595**
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	320 637	301 076	289 535
Financial liabilities held for trading	19	10 208	10 215	12 294
Income tax liabilities		2 318	4 562	3 924
Other liabilities	20	23 239	26 708	20 445
Provisions for liabilities	21	1 218	871	548
Deferred income tax provision	25	6 517	9 638	9 377
Total liabilities		**364 137**	**353 070**	**336 123**
Equity				
Share capital	22	5 869	5 869	5 869
Supplementary capital	22	71 608	71 608	71 608
Other reserves	22	212 554	189 092	189 092
Foreign exchange differences on translation	22	954	(641)	1 225
Retained earnings		16 147	108 121	40 678
Equity attributable to the owners of the Parent Company		**307 132**	**374 049**	**308 472**
Total equity		**307 132**	**374 049**	**308 472**
Total equity and liabilities		**671 269**	**727 119**	**644 595**

The half-year condensed consolidated statement of financial position should be read together with the supplementary notes 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 2016 to 30 June 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRASNLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2016	**5 869**	**71 608**	**189 092**	**(641)**	**108 121**	**374 049**	**374 049**
Total comprehensive income for the financial year							
Net profit	–	–	–	–	23 047	23 047	**23 047**
Other comprehensive income	–	–	–	1 595	–	1 595	**1 595**
Total comprehensive income for the financial year	**–**	**–**	**–**	**1 595**	**23 047**	**24 642**	**24 642**
Transactions with the Parent Company's owners recognised directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	23 462	–	(115 021)	(91 559)	**(91 559)**
- dividend payment	–	–	–	–	(91 559)	(91 559)	**(91 559)**
- transfer to other reserves	–	–	23 462	–	(23 462)	–	**–**
As at 30 June 2016 (unaudited)	**5 869**	**71 608**	**212 554**	**954**	**16 147**	**307 132**	**307 132**

The half-year condensed consolidated statement of changes in equity should be read together with the supplementary notes 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 2015 to 31 December 2015

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRASNLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2015	**5 869**	**71 608**	**189 092**	**2 535**	**66 607**	**335 711**	**335 711**
Total comprehensive income for the financial year							
Net profit	–	–	–	–	119 035	119 035	**119 035**
Other comprehensive income	–	–	–	(3 176)	–	(3 176)	**(3 176)**
Total comprehensive income for the financial year	**–**	**–**	**–**	**(3 176)**	**119 035**	**115 859**	**115 859**
Transactions with the Parent Company's owners recognised directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	–	–	(77 521)	(77 521)	**(77 521)**
- dividend payment	–	–	–	–	(77 521)	(77 521)	**(77 521)**
As at 31 December 2015 (audited)	**5 869**	**71 608**	**189 092**	**(641)**	**108 121**	**374 049**	**374 049**

The consolidated statement of changes in equity should be read together with the supplementary notes 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 2015 to 30 June 2015

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRASNLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	EQUITY ATRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	TOTAL EQUITY
As at 1 January 2015	**5 869**	**71 608**	**189 092**	**2 535**	**66 607**	**335 711**	**335 711**
Total comprehensive income for the financial year							
Net profit	–	–	–	–	51 592	51 592	**51 592**
Other comprehensive income	–	–	–	(1 310)	–	(1 310)	**(1 310)**
Total comprehensive income for the financial year	**–**	**–**	**–**	**(1 310)**	**51 592**	**50 282**	**50 282**
Transactions with the Parent Company's owners recognised directly in equity							
Appropriation of profit/offset of loss (note 23)	–	–	–	–	(77 521)	(77 521)	**(77 521)**
- dividend payment	–	–	–	–	(77 521)	(77 521)	**(77 521)**
As at 30 June 2015 (unaudited)	**5 869**	**71 608**	**189 092**	**1 225**	**40 678**	**308 472**	**308 472**

The half-year condensed consolidated statement of changes in equity should be read together with the supplementary notes 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 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		24 968	64 527
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		1	6
Amortization and depreciation		2 777	2 870
Foreign exchange (gains) losses from translation of own cash		(3 939)	(413)
Other adjustments	27.2	1 554	(1 257)
Changes			
Change in provisions		347	(17)
Change in balance of financial assets and liabilities held for trading		3 950	(1 858)
Change in balance of restricted cash		(18 823)	(26 167)
Change in balance of loans granted and other receivables		(1 956)	(13 957)
Change in balance of prepayments and accruals		(2 210)	(584)
Change in balance of amounts due to customers		19 561	21 503
Change in balance of other liabilities	27.1	(3 418)	(1 582)
Cash from operating activities		**22 812**	**43 071**
Income tax paid		(13 198)	(17 482)
Interest		6	9
Net cash from operating activities		**9 620**	**25 598**
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	17	(685)	(766)
Expenses relating to payments for intangible assets	16	(160)	(4)
Sale (Purchase) of financial assets held to maturity		–	288
Net cash from investing activities		**(845)**	**(482)**
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(51)	(88)
Interest paid under lease		(6)	(9)
Expenses relating to payments for acquisitions of shares in subsidiaries		–	(490)
Dividend paid to owners		(91 559)	(77 521)
Net cash from financing activities		**(91 616)**	**(78 108)**
Increase (decrease) in net cash and cash equivalents		**(82 841)**	**(52 992)**
Cash and cash equivalents – opening balance		**325 328**	**287 388**
Effect of FX rates fluctuations on balance of cash in foreign currencies		**3 939**	**413**
Cash and cash equivalents – closing balance	13	**246 426**	**234 809**

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 EXPLANATORY 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", "Parent Company", "Brokerage", "XTB") with its headquarters located in Warsaw, at Ogrodowa street 58, 00–876 Warsaw.

X–Trade Brokers Dom Maklerski S.A. is entered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000217580. The Parent Company was granted a statistical REGON number 015803782 and a tax identification (NIP) number 527–24–43–955.

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, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: CUI 24270192.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: 4721939029.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689.
- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under No. 980436613.

1.2 Composition of the Group

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

COMPANY NAME	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
		30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
XTB Limited	United Kingdom	100%	100%	100%
X Open Hub Sp. z o.o.	Poland	100%	100%	100%
DUB Investments Ltd	Cyprus	100%	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	100%	100%	100%
Lirsar S.A.	Uruguay	100%	100%	100%

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

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

On 15 October 2013 the Parent Company acquired 100% shares in DUB Investments Limited, with its registered office in Cyprus. The Company's results are consolidated under the acquisition method as of the date of its acquisition. The fair value of the consideration paid was PLN 1 292 thousand. As a result of the acquisition of DUB Investments Ltd, the Parent Company identified goodwill of PLN 783 thousand as the difference between the acquisition price and the fair value of the acquired assets. As at the acquisition date, the subsidiary was tested for impairment; as a result of the test the full value of goodwill was charged to costs as at that date.

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

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The Company's results are consolidated under the acquisition method as of the date of its acquisition.

1.3 Composition of the Management Board of the Parent Company

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

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019

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. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Group's operations or their impact would be immaterial.

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

The half-year condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2016 to 30 June 2016 with comparative data for the period from 1 January 2015 to 30 June 2015, as at 30 June 2015 and for the year ended 31 December 2015 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 held for trading and financial instruments held for sale which are measured at fair value. The Group's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The 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 the 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 2015.

The half-year condensed consolidated financial statements were approved by the Management Board of the Parent Company on 25 August 2016. 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 half-year condensed consolidated 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 half-year 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.

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.

2.5 Changes in the accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year which began on 1 January 2015, except for the adoption of the following new or amended Standards and Interpretations applicable to annual reporting periods beginning after 1 January 2015 as noted below:

- Annual Improvements 2010-2012 Cycle including:
  - Amendments to IFRS 2 Share-based payment

    These amendments are applied prospectively and clarify definition of market condition and vesting condition, as well as provide definition of performance and service conditions, which are a result of vesting conditions.

    The Group does not carry any share-based payments thus these amendments do not impact the Group's financial situation nor operating results.

    Definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. Application of amendments does not impact the Group's financial position nor is Group operating result.
  - Amendments to IFRS 3 Business Combinations

    These amendments are applied prospectively and clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

    Application of amendments does not impact the Group's financial position or Group's operating result.
  - Amendments to IFRS 8 Operating Segments

    The amendments are applied retrospectively and clarify that:

    - An entity should disclose the judgments made by the Management in applying the aggregation of segments criteria described in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics of segments used to assess whether the segments are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

    Application of amendments does not impact the Group's financial position or Group's operating result.
  - Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets

    The amendments are applied retrospectively and clarify that the asset may be revaluated by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. Additionally, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

    The amendments refer to valuation of non-current assets and immaterial assets accordingly with the revaluation model and the Group does not use this model.
  - Amendments to IFRS 13 Fair value measurement

    The amendments clarify that deleting the paragraph B5.4.12 from IFRS 9 Financial instruments: recognition and measurement was not aimed at changing the requirements of short –term receivables and liabilities valuation. Accordingly, entity still has the right to value short-term non-interest-bearing liabilities and receivables at their nominal value, if the effect of discounting doesn't have a significant impact on presented financial data.

    Application of amendments does not impact the Group's financial position or Group's operating result.
  - Amendments to IAS 24 Related Party Disclosures

    The amendments are applied retrospectively and clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. Additionally, an entity that uses a management entity is required to disclose the expenses incurred for management services.

    The Group does not use management entity.

- Annual Improvements 2012-2014 Cycle, including:
  - Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

    Assets (or disposal groups) are usually disposed by sale or distributed to shareholders. Amendments clarify that change of one method to another is not treated as a new disposal plan, but as continuation of initial plan.

    Application of amendments does not impact the Group's financial position or Group's operating result.
  - Amendments to IAS 34 Interim financial reporting

    The amendments clarify that the required interim disclosures can either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

    Application of amendments does not impact the Group's financial position or Group's operating result.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

  The amendments clarify methods included in IAS 16 and IAS 38 stating that method based on revenues reflects a pattern in which an entity generates economic benefits from an item of assets rather than the expected pattern of using future economic benefits from asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. This amendment must be applied prospectively.

  Application of amendments does not impact the Group's financial position or Group's operational result.
- Amendments to IFRS 1 Disclosure Initiative

  The amendments clarify existing IAS 1 requirements, concerning:
  - materiality,
  - aggregation and subtotals,
  - order of the notes,
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

  Application of amendments does not impact the Group's financial position or Group's operating result.

Moreover, the following new or amended Standards and Interpretations are applicable to annual reporting periods beginning on or after 1 January 2015, but do not concern the information presented and disclosed in Group's financial statements:

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

  Amendments concern accounting for bearer plants.
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

  Amendments concern accounting for acquisitions of interests in joint operations by the acquirer.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

  Amendments concern recognition of contributions from employees or third parties when accounting for defined benefit plans
- Annual Improvements to IFRSs 2012-2014:
  - Amendments to IFRS 7 Financial instruments: Disclosure
    - Servicing contracts – the amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.
    - Applicability of the amendments to IFRS 7 (issued in December 2011) to condensed interim financial statements
  - Amendments to IAS 19 Defined Benefit Plans

    Amendments concern evaluation of the discount rate.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective in the light of the European Union 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:

- IFRS 9 Financial Instruments (issued on 24 July 2014) – 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 2018;
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these half-year condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) –– 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 2018;
- 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 IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (issued on 18 December 2014) – 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 2016;
- IFRS 16 Leases (issued on 13 January 2016) - 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 2019,
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) - 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 2017,
- Amendments to IAS 7 Disclosure Initiative (issued on 29 January 2016) - 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 2017,
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) - 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 2018.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) - 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 2018.

3. Adopted accounting policies

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 2015, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2016.

4. Material values based on professional judgements and estimates

4.1 Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2015.

5. Seasonality of operations

The Group's operations are not seasonal.

6. Operating income

6.1 Result of operations on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
CFD		
Index CFDs	63 668	43 520
Currency CFDs	28 143	58 409
Commodity CFDs	19 438	28 552
Bond CFDs	1 238	186
Stock CFDs	555	142
Total CFDs	**113 042**	**130 809**
Options		
Currency options	1 225	935
Index options	609	170
Commodity options	393	207
Bond options	11	4
Total options	**2 238**	**1 316**
Gross gain on transactions in financial instruments	**115 280**	**132 125**
Bonuses and discounts paid to customers	(2 100)	(3 585)
Commission paid to cooperating brokers	(2 086)	(2 080)
Net gain on transaction in financial instruments	**111 094**	**126 460**

The decrease in income on financial instruments in 2016 was caused by lower volatility in the financial markets than in comparative period of 2015. Above average volatility in the first half of 2015 resulted from the release of the Swiss franc in January 2015 and the beginning of European Central Bank's program of quantitative easing in March 2015. An important event in the 1st half of 2016 was Brexit, i.e. voting of Great Britain on possible exit or remaining of the country within the European Union. Thanks to the precautionary actions undertaken by the financial markets, volatility on the markets caused by the referendum did not repeat the scenario from January last year. Preparing to the voting, the Group raised minimal deposits on instruments exposed sharp movements (currency pairs with GBP, European indices). This action was undertaken in order to limit the clients' exposure to the above mentioned instruments.

Bonuses paid to customers are strictly related to trading in financial instruments by the customer with Group entities. Customers receive discounts and bonuses under bonus campaigns where the condition for awarding a bonus is the generation of a top-down determined trade volume in financial instruments in a specified period.

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

6.2 Income from fees and charges

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Other fees and charges	2 698	2 841
Brokerage fees on transactions in financial instruments	–	114
Total income from fees and charges	**2 698**	**2 955**

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

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Operating income		
Central and Eastern Europe	46 973	76 764
- including Poland	*26 621*	*53 450*
Western Europe	58 361	39 381
- including Spain	*28 981*	*11 188*
Latin America and Turkey	8 481	13 348
Total operating income	**113 815**	**129 493**

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

Reasons for the decrease in results in Poland were described in note 6.1. The significant revenue growth in Spain was caused by the double increase in trading on indices which resulted in more than double increase in revenues from these instruments.

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 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Salaries	(31 503)	(27 163)
Social insurance and other benefits	(5 930)	(4 974)
Employee benefits	(1 101)	(1 051)
Total salaries and employee benefits	**(38 534)**	**(33 188)**

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Marketing online	(17 032)	(8 627)
Marketing offline	(8 555)	(2 506)
Advertising campaigns	(6 645)	–
Competitions for customers	(68)	(237)
Total marketing	**(32 300)**	**(11 370)**

Marketing activities carried out by the Group are mainly focused on Internet marketing, which is also supported by promotional activities in the form of competitions for customers. In the 1st half of 2016, according to the implemented global marketing in the scope of retail segment, the Group has launched global branding campaign using an actor, Mads Mikkelsen. These activities led to significant increase in marketing costs.

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Legal and advisory services	(3 876)	(1 393)
Support database systems	(2 030)	(1 461)
Market data delivery	(1 363)	(989)
Internet and telecommunications	(1 279)	(1 243)
Accounting and audit services	(948)	(534)
IT services	(594)	(1 220)
Recruitment	(286)	(397)
Postal and courier services	(92)	(129)
Other external services	(348)	(374)
Total other external services	**(10 816)**	**(7 740)**

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Bank commissions	(1 149)	(889)
Stock exchange fees and charges	(1 048)	(720)
Commissions of foreign brokers	(114)	(346)
Total commission expenses	**(2 311)**	**(1 955)**

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Interest income		
Interest on own cash	2 367	1 433
Interest on customers' cash	498	597
Total interest income	**2 865**	**2 030**
Foreign exchange gains	6 794	611
Other finance income	14	34
Total finance income	**9 673**	**2 675**

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Interest expense		
Interest paid to customers	(299)	(310)
Interest paid under lease agreements	(6)	(9)
Other interest	(108)	(107)
Total interest expense	**(413)**	**(426)**
Foreign exchange losses	(2 907)	(2 309)
Other finance costs	(6)	(14)
Total finance costs	**(3 326)**	**(2 749)**

Result on foreign exchange relates to unrealised differences on the measurement of balance sheet items denominated in a currency other than the functional currency.

12. Segment information

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

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

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

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

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

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

COMPREHENSIVE INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	104 951	6 143	111 094	111 094
CFDs				
Index CFDs	59 315	4 353	63 668	63 668
Currency CFDs	26 519	1 624	28 143	28 143
Commodity CFDs	19 400	38	19 438	19 438
Bond CFDs	1 205	33	1 238	1 238
Stock CFDs	443	112	555	555
Options				
Currency options	1 219	6	1 225	1 225
Index options	608	1	609	609
Commodity options	389	4	393	393
Bond options	11	–	11	11
Bonuses and discounts paid to customers	(2 100)	–	(2 100)	(2 100)
Commissions paid to cooperating brokers	(2 058)	(28)	(2 086)	(2 086)
Fee and commission income	705	1 993	2 698	2 698
Other income	23	–	23	23
Total operating income	**105 679**	**8 136**	**113 815**	**113 815**
Salaries and employee benefits	(37 505)	(1 029)	(38 534)	(38 534)
Marketing	(32 162)	(138)	(32 300)	(32 300)
Other external services	(9 590)	(1 226)	(10 816)	(10 816)
Costs of maintenance and lease of buildings	(4 331)	(150)	(4 481)	(4 481)
Amortization and depreciation	(2 749)	(28)	(2 777)	(2 777)
Taxes and fees	(885)	(5)	(890)	(890)
Commission expense	(2 276)	(35)	(2 311)	(2 311)
Other expenses	(2 836)	(249)	(3 085)	(3 085)
Total operating expenses	**(92 334)**	**(2 860)**	**(95 194)**	**(95 194)**
Operating profit	**13 345**	**5 276**	**18 621**	**18 621**
Finance income	9 673	–	9 673	9 673
Finance costs	(3 326)	–	(3 326)	(3 326)
Profit before tax	**19 692**	**5 276**	**24 968**	**24 968**
Income tax	(1 515)	(406)	(1 921)	(1 921)
Net profit	**18 177**	**4 870**	**23 047**	**23 047**

ASSETS AND LIABILITIES AS AT 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	285 307	31 654	316 961	316 961
Financial assets held for trading	57 735	2 562	60 297	60 297
Other assets	293 181	830	294 011	294 011
Total assets	**636 223**	**35 046**	**671 269**	**671 269**
Amounts due to customers	288 983	31 654	320 637	320 637
Financial liabilities held for trading	9 685	523	10 208	10 208
Other liabilities	33 044	248	33 292	33 292
Total liabilities	**331 712**	**32 425**	**364 137**	**364 137**

COMPREHENSIVE INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	126 389	71	126 460	126 460
CFDs				
Currency CFDs	55 555	2 854	58 409	58 409
Index CFDs	40 315	3 205	43 520	43 520
Commodity CFDs	34 404	(5 852)	28 552	28 552
Bond CFDs	196	(10)	186	186
Stock CFDs	(357)	499	142	142
Options				
Currency options	956	(21)	935	935
Commodity options	213	(6)	207	207
Index options	170	–	170	170
Bond options	–	4	4	4
Bonuses and discounts paid to customers	(3 585)	–	(3 585)	(3 585)
Commissions paid to cooperating brokers	(1 478)	(602)	(2 080)	(2 080)
Fee and commission income	813	2 142	2 955	2 955
Other income	78	–	78	78
Total operating income	**127 280**	**2 213**	**129 493**	**129 493**
Salaries and employee benefits	(32 074)	(1 114)	(33 188)	(33 188)
Marketing	(10 805)	(565)	(11 370)	(11 370)
Other external services	(7 502)	(238)	(7 740)	(7 740)
Costs of maintenance and lease of buildings	(3 583)	(24)	(3 607)	(3 607)
Amortization and depreciation	(2 840)	(30)	(2 870)	(2 870)
Taxes and fees	(840)	(7)	(847)	(847)
Commission expense	(1 953)	(2)	(1 955)	(1 955)
Other expenses	(3 188)	(127)	(3 315)	(3 315)
Total operating expenses	**(62 785)**	**(2 107)**	**(64 892)**	**(64 892)**
Operating profit	**64 495**	**106**	**64 601**	**64 601**
Finance income	2 650	25	2 675	2 675
Finance costs	(2 729)	(20)	(2 749)	(2 749)
Profit before tax	**64 416**	**111**	**64 527**	**64 527**
Income tax	(12 913)	(22)	(12 935)	(12 935)
Net profit	**51 503**	**89**	**51 592**	**51 592**

ASSETS AND LIABILITIES AS AT 31.12.2015 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	243 737	54 401	298 138	298 138
Financial assets held for trading	61 325	2 929	64 254	64 254
Other assets	364 727	–	364 727	364 727
Total assets	**669 789**	**57 330**	**727 119**	**727 119**
Amounts due to customers	246 675	54 401	301 076	301 076
Financial liabilities held for trading	9 140	1 075	10 215	10 215
Other liabilities	41 779	–	41 779	41 779
Total liabilities	**297 594**	**55 476**	**353 070**	**353 070**

ASSETS AND LIABILITIES AS AT 30.06.2015 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	258 551	35 582	294 133	294 133
Financial assets held for trading	59 217	1 565	60 782	60 782
Other assets	289 680	–	289 680	289 680
Total assets	**607 448**	**37 147**	**644 595**	**644 595**
Amounts due to customers	253 953	35 582	289 535	289 535
Financial liabilities held for trading	10 546	1 748	12 294	12 294
Other liabilities	34 294	–	34 294	34 294
Total liabilities	**298 793**	**37 330**	**336 123**	**336 123**

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
In hand	28	27	12
In current bank accounts	543 812	584 896	490 678
Short–term bank deposits	19 547	38 543	38 252
Cash and other monetary assets in total	**563 387**	**623 466**	**528 942**

Restricted own and customers' cash

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Customers' cash and other monetary assets	316 961	298 138	294 133
Own cash and other monetary assets	246 426	325 328	234 809
Cash and other monetary assets in total	**563 387**	**623 466**	**528 942**

14. Financial assets held for trading

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
CFDs			
Index CFDs	37 131	35 843	34 045
Currency CFDs	11 505	13 560	16 085
Commodity CFDs	8 734	12 045	8 691
Stock CFDs	2 232	2 751	1 857
Bond CFDs	695	55	104
Total financial assets held for trading	**60 297**	**64 254**	**60 782**

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

15. Loans and other receivables

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Gross amounts due from customers	4 445	2 057	1 494
Impairment write–downs of receivables	(1 818)	(1 044)	(876)
Total amounts due from customers	**2 627**	**1 013**	**618**
Amounts due from KDPW			
Amounts due from the clearing fund	–	–	194
Total amounts due from KDPW	**–**	**–**	**194**
Other receivables	4 148	3 918	17 436
Impairment write-downs of receivables	(274)	(386)	(387)
Total other receivables	**6 501**	**4 545**	**17 861**

Movements in impairment write-downs of receivables

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	**(1 430)**	**(796)**	**(796)**
write-downs recorded	(1 125)	(3 562)	(2 143)
write-downs reversed	194	555	283
write-downs utilized	269	2 373	1 393
Impairment write-downs of receivables – at the end of the reporting period	**(2 092)**	**(1 430)**	**(1 263)**

Write-downs of receivables created in 1st half of 2016 resulted from the large price gap occurred mainly in index instruments due to the volatility caused by the referendum in Great Britain in June 2016.

Write-downs of receivables created in 1st half of 2015 were the result of high volatility on financial markets in January 2015 as well as the debit balances which arose in customers' accounts in that period.

16. Intangible assets

Intangible assets in the period from 1 January 2016 to 30 June 2016 (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 2016	**4 949**	**10 792**	**8 017**	**–**	**23 758**
Additions	160	–	–	–	160
Sale and scrapping	(1)	–	–	–	(1)
Net foreign exchange differences	33	–	–	–	33
Gross value as at 30 June 2016	**5 141**	**10 792**	**8 017**	**–**	**23 950**
Accumulated amortization as at 1 January 2016	**(3 790)**	**(5 292)**	**(1 336)**	**–**	**(10 418)**
Amortization for the current period	(298)	(1 079)	(401)	–	(1 778)
Net foreign exchange differences	(30)	–	–	–	(30)
Accumulated amortization as at 30 June 2016	**(4 118)**	**(6 371)**	**(1 737)**	**–**	**(12 226)**
Net book value as at 1 January 2016	**1 159**	**5 500**	**6 681**	**–**	**13 340**
Net book value as at 30 June2016	**1 023**	**4 421**	**6 280**	**–**	**11 724**

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.

Intangible assets in the period from 1 January 2015 to 31 December 2015 (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 2015	**4 772**	**12 590**	**8 017**	**–**	**25 379**
Additions	185	–	–	–	185
Sale and scrapping	(5)	(1 798)	–	–	(1 803)
Net foreign exchange differences	(3)	–	–	–	(3)
Gross value as at 31 December 2015	**4 949**	**10 792**	**8 017**	**–**	**23 758**
Accumulated amortization as at 1 January 2015	**(3 201)**	**(3 736)**	**(534)**	**–**	**(7 471)**
Amortization for the current period	(589)	(2 488)	(802)	–	(3 879)
Sale and scrapping	3	932	–	–	935
Net foreign exchange differences	(3)	–	–	–	(3)
Accumulated amortization as at 31 December 2015	**(3 790)**	**(5 292)**	**(1 336)**	**–**	**(10 418)**
Net book value as at 1 January 2015	**1 571**	**8 854**	**7 483**	**–**	**17 908**
Net book value as at 31 December 2015	**1 159**	**5 500**	**6 681**	**–**	**13 340**

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.

In 2015, the Company liquidated some of the intangible assets manufactured on its own due to the fact that they were not used in the Company's operations. The net value of the liquidated intangible assets amounted to PLN 866 thousand.

Intangible assets in the period from 1 January 2015 to 30 June 2015 (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 2015	**4 772**	**12 590**	**8 017**	**–**	**25 379**
Additions	4	–	–	–	4
Net foreign exchange differences	(12)	–	–	–	(12)
Gross value as at 30 June 2015	**4 764**	**12 590**	**8 017**	**–**	**25 371**
Accumulated amortization as at 1 January 2015	**(3 201)**	**(3 736)**	**(534)**	**–**	**(7 471)**
Amortization for the current period	(298)	(1 259)	(401)	–	(1 958)
Net foreign exchange differences	6	–	–	–	6
Accumulated amortization as at 30 June 2015	**(3 493)**	**(4 995)**	**(935)**	**–**	**(9 423)**
Net book value as at 1 January 2015	**1 571**	**8 854**	**7 483**	**–**	**17 908**
Net book value as at 30 June 2015	**1 271**	**7 595**	**7 082**	**–**	**15 948**

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

17. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2016 to 30 June 2016 (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 2016	**8 407**	**7 601**	**141**	**–**	**16 149**
Additions	593	125	(33)	–	685
Sale and scrapping	(18)	(6)	–	–	(24)
Net foreign exchange differences	39	93	2	–	134
Gross value as at 30 June 2016	**9 021**	**7 813**	**110**	**–**	**16 944**
Accumulated amortization as at 1 January 2016	**(6 638)**	**(5 404)**	**–**	**–**	**(12 042)**
Amortization for the current period	(580)	(419)	–	–	(999)
Sale and scrapping	18	6	–	–	24
Net foreign exchange differences	(27)	(76)	–	–	(103)
Accumulated amortization as at 30 June 2016	**(7 227)**	**(5 893)**	**–**	**–**	**(13 120)**
Net book value as at 1 January 2016	**1 769**	**2 197**	**141**	**–**	**4 107**
Net book value as at 30 June 2016	**1 794**	**1 920**	**110**	**–**	**3 824**

Property, plant and equipment in the period from 1 January 2015 to 31 December 2015 (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 2015	**7 730**	**6 848**	**418**	**–**	**14 996**
Additions	1 000	861	(277)	–	1 584
Sale and scrapping	(289)	(28)	–	–	(317)
Net foreign exchange differences	(34)	(80)	–	–	(114)
Gross value as at 31 December 2015	**8 407**	**7 601**	**141**	**–**	**16 149**
Accumulated amortization as at 1 January 2015	(5 882)	(4 625)	–	–	(10 507)
Amortization for the current period	(1 041)	(884)	–	–	(1 925)
Sale and scrapping	266	29	–	–	295
Net foreign exchange differences	19	76	–	–	95
Accumulated amortization as at 31 December 2015	**(6 638)**	**(5 404)**	**–**	**–**	**(12 042)**
Net book value as at 1 January 2015	**1 848**	**2 223**	**418**	**–**	**4 489**
Net book value as at 31 December 2015	**1 769**	**2 197**	**141**	**–**	**4 107**

Property, plant and equipment in the period from 1 January 2015 to 30 June 2015 (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 2015	**7 730**	**6 848**	**418**	**–**	**14 996**
Additions	408	522	(164)	–	766
Net foreign exchange differences	(29)	(72)	–	–	(101)
Gross value as at 30 June 2015	**8 109**	**7 298**	**254**	**–**	**15 661**
Accumulated amortization as at 1 January 2015	**(5 882)**	**(4 625)**	**–**	**–**	**(10 507)**
Amortization for the current period	(504)	(408)	–	–	(912)
Sale and scrapping	(6)	–	–	–	(6)
Net foreign exchange differences	16	56	–	–	72
Accumulated amortization as at 30 June 2015	**(6 376)**	**(4 977)**	**–**	**–**	**(11 353)**
Net book value as at 1 January 2015	**1 848**	**2 223**	**418**	**–**	**4 489**
Net book value as at 30 June 2015	**1 733**	**2 321**	**254**	**–**	**4 308**

Non-current assets by geographical area

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	7 959	9 534	12 035
- including Poland	*7 349*	*8 885*	*11 372*
Western Europe	740	803	717
- including Spain	*284*	*322*	*359*
Latin America and Turkey	6 849	7 110	7 504
Total non-current assets	**15 548**	**17 447**	**20 256**

18. Amounts due to customers

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Amounts due to customers	320 637	301 076	289 535

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)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
CFDs			
Index CFDs	4 610	5 613	7 416
Commodity CFDs	2 683	1 146	836
Currency CFDs	2 099	2 458	3 683
Stock CFDs	782	982	351
Bond CFDs	34	16	8
Financial liabilities held for trading in total	**10 208**	**10 215**	**12 294**

20. Other liabilities

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Trade liabilities	9 452	7 155	4 988
Provisions for other employee benefits	9 090	15 103	9 730
Statutory liabilities	3 770	3 452	3 733
Liabilities due to employees	561	580	379
Liabilities under finance lease	324	375	425
Amounts due to the Central Securities Depository of Poland	42	32	–
Liabilities due to shareholders	–	11	11
Amounts due to brokers	–	–	1 179
Total other liabilities	**23 239**	**26 708**	**20 445**

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 Group, 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 50% of variable remuneration granted in cash, which is paid out directly after the employment year, in which the employee's work results are assessed, and 50% of the value based on financial instruments, paid in the years 2015–2018.

As at 30 June 2016, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 1 186 thousand. As at 31 December 2015 the provision amounted to PLN 439 thousand.

21. Provisions for liabilities and contingent liabilities

21.1 Provisions for liabilities

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Provision for retirement benefits	139	123	104
Provision for legal risk	1 079	748	444
Total provisions	**1 218**	**871**	**548**

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

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

Movements in provisions in the period from 1 January 2016 to 30 June 2016 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES		VALUE AS AT 30.06.2016
			USE	REVERSAL	
Provision for retirement benefits	123	16	–	–	139
Provision for legal risk	748	331	–	–	1 079
Total provisions	**871**	**347**	**–**	**–**	**1 218**

Movements in provisions in the period from 1 January 2015 to 31 December 2015 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2015	INCREASES	DECREASES		VALUE AS AT 31.12.2015
			USE	REVERSAL	
Provision for retirement benefits	114	9	–	–	123
Provision for legal risk	451	297	–	–	748
Total provisions	**565**	**306**	**–**	**–**	**871**

Movements in provisions in the period from 1 January 2015 to 30 June 2015 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2015	INCREASES	DECREASES		VALUE AS AT 30.06.2015
			USE	REVERSAL	
Provision for retirement benefits	114	–	–	10	104
Provision for legal risk	451	–	–	7	444
Total provisions	**565**	**–**	**–**	**17**	**548**

21.2 Contingent liabilities

The Parent Company and the Group Companies are parties to a number of court proceedings associated with the Group's operations. The proceedings in which the Parent Company and the Group companies act as defendants relate mainly to employees' and customers' claims. As at 30 June 2016, the total value of claims brought against the Parent Company and the Group companies, uncovered with the provisions, amounted to approx. PLN 4,71 million (as at 31 December 2015: PLN 4,69 mln and as at 30 June 2015: PLN 4,00 mln). Parent Company has not created provisions for the above proceedings. In the assessment of the Parent Company there is low probability of loss in these proceedings.

On May 9, 2014, the Parent Company issued a guarantee in the amount of 15 thousand. USD 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.

22. Equity

Share capital structure as at 30 June 2016 (unaudited) and 31 December 2015 (audited)

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

Share capital structure as at 30 June 2015 (unaudited)

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A, B, C, D, E	321 599	18,25	5 869

All shares in the Parent Company have the same nominal value, are fully paid for, and carry the same voting and profit-sharing rights. No preference is attached to any share series. On 2 September 2015, the Extraordinary General Shareholders' Meeting of the Parent Company passed a resolution on a share split and a change in the numbering of series of shares. As a result, the nominal value of the shares changed from PLN 18,25 to PLN 0,05 per share, and the number of shares changed from 321 599 to 117 383 635. The shares are now A-series ordinary registered shares.

Shareholding structure of the Parent Company

The shareholding structure of the Parent Company as at each date was as follows:

30.06.2016 (UNAUDITED)	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 446 216	3 922	66,83%
Systexan SARL	22 302 960	1 115	19,00%
Other shareholders	16 634 459	832	14,17%
Total	**117 383 635**	**5 869**	**100,00%**

On the 6 May 2016 the initial public offering was conducted, in which the key shareholder sold 16 433 709 shares in the Parent Company. After the allotment of the offer shares was made under the offering made on the 29 April 2016, the Company received a notification from one of its shareholders, XXZW Investment Group S.A., with its registered office in Luxembourg, in accordance with Article 69 of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, informing that following the sale of 16 433 709 A-series ordinary shares in the Company, the shareholder holds 78 446 216 shares/votes representing 66,83% share in the share capital/overall number of votes at the General Meeting of Shareholders.

31.12.2015 (AUDITED)	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	94 879 925	4 744	80,83%
Systexan SARL	22 302 960	1 115	19,00%
Other shareholders	200 750	10	0,17%
Total	**117 383 635**	**5 869**	**100,00%**

30.06.2015 (UNAUDITED)	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	259 945	4 744	80,83%
Systexan SARL	61 104	1 115	19,00%
Other shareholders	550	10	0,17%
Total	**321 599**	**5 869**	**100,00%**

Other capitals

Other capitals consist of:

- supplementary capital, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Parent Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Group or payment of dividend in the amount of PLN 212 554 thousand,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN 954 thousand.

23. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Parent Company, the net profit for 2015 in the amount of PLN 115 021 thousand was partially earmarked for the payment of a dividend in the amount of PLN 91 559 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2015, paid between 30 March to 8 April 2016, amounted to PLN 91 559 thousand (for 2014 dividend amounted to PLN 77 521 thousand).

The amount of dividend per share paid for 2015 was equal to PLN 0,78, the amount of dividend per share paid for 2014 was equal to PLN 0,66.

24. 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 30.06.2016	30.06.2015
Profit from continuing operations attributable to shareholders of the Parent Company	23 047	51 592
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	341 640	341 640
Weighted average number of shares including dilution effect	117 725 275	117 725 275
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,20	0,44
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,20	0,44

25. Income tax and deferred income tax

25.1 Income tax

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Income tax - current portion		
Income tax for the reporting period	(5 226)	(12 449)
Income tax - deferred portion		
Occurrence/reversal of temporary differences	3 305	(486)
Income tax disclosed in profit or loss	**(1 921)**	**(12 935)**

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Profit before tax	**24 968**	**64 527**
Income tax based on the applicable tax rate of 19%	**(4 744)**	**(12 260)**
Difference resulting from application of tax rates applicable in other countries	(166)	(112)
Non-taxable revenue	17	108
Non-deductible expenses	(281)	(644)
Tax losses for the reporting period not included in the deferred income tax	–	(49)
Usage of tax losses not included in the deferred income tax	29	24
Realisation of tax losses for the preceding periods (write-off of tax losses realised in the previous years)	3 348	–
Other items affecting the tax burden amount	(124)	(2)
Income tax disclosed in profit or loss	**(1 921)**	**(12 935)**

25.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 June 2016 (unaudited)

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
Deferred income tax assets:			
Property, plant and equipment	124	27	151
Loans granted and other receivables	3	37	40
Financial liabilities held for trading	1 840	14	1 854
Provisions for liabilities	16	57	73
Prepayments and deferred costs	1 665	(342)	1 323
Other liabilities	20	71	91
Tax losses of previous periods to be settled in future periods*	12 112	2 518	14 630
Total deferred income tax assets	**15 780**	**2 382**	**18 162**

**Deferred tax asset on tax losses recognized in 2016 concerns tax reliefs for tax losses of liquidated branch offices claimed by the Parent Company*

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
Deferred income tax provision:			
Cash and cash equivalents	–	1	1
Financial assets held for trading	11 866	(849)	11 017
Other liabilities	–	46	46
Loans granted and other receivables	34	(32)	2
Prepayments	–	150	150
Property, plant and equipment	1 092	(239)	853
Total deferred income tax provision	**12 992**	**(923)**	**12 069**
Deferred tax disclosed in profit or (loss)	**–**	**3 305**	**–**

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 30.06.2016
Deferred tax provision included directly in the equity:			
Separate equity of branches	188	298	486
Total deferred tax provision through equity	**188**	**298**	**486**

Change in the balance of deferred tax for the period from 1 January 2015 to 31 December 2015 (audited)

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 31.12.2015
Deferred income tax assets:			
Property, plant and equipment	125	(1)	124
Loans granted and other receivables	–	3	3
Financial liabilities held for trading	2 740	(900)	1 840
Provisions for liabilities	14	2	16
Prepayments and deferred costs	1 412	253	1 665
Other liabilities	–	20	20
Tax losses of previous periods to be settled in future periods	12 664	(552)	12 112
Total deferred income tax assets	**16 955**	**(1 175)**	**15 780**

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 31.12.2015
Deferred income tax provision:			
Cash and cash equivalents	1	(1)	–
Financial assets held for trading	11 583	283	11 866
Loans granted and other receivables	–	34	34
Property, plant and equipment	1 742	(650)	1 092
Total deferred income tax provision	**13 326**	**(334)**	**12 992**
Deferred tax disclosed in profit or (loss)	**–**	**(841)**	**–**

(W TYS. ZŁ)	AS AT 01.01.2015	INCLUDED IN EQUITY	AS AT 31.12.2015
Deferred tax provision included directly in the equity:			
Separate equity of branches	241	(53)	188
Total deferred tax provision through equity	**241**	**(53)**	**188**

Change in the balance of deferred tax for the period from 1 January to 30 June 2015 (unaudited)

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 30.06.2015
Deferred income tax assets:			
Cash and cash equivalents	–	2	2
Property, plant and equipment	125	(23)	102
Loans granted and other receivables	–	2	2
Financial liabilities held for trading	2 740	(432)	2 308
Provisions for liabilities	14	–	14
Prepayments and deferred costs	1 412	6	1 418
Tax losses of previous periods to be settled in future periods	12 664	(433)	12 231
Total deferred income tax assets	**16 955**	**(878)**	**16 077**

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 30.06.2015
Deferred income tax provision:			
Cash and cash equivalents	1	1	2
Financial assets held for trading	11 583	(149)	11 434
Loans granted and other receivables	–	3	3
Property, plant and equipment	1 742	(247)	1 495
Total deferred income tax provision	**13 326**	**(392)**	**12 934**
Deferred tax disclosed in profit or (loss)	**–**	**(486)**	**–**

(IN PLN'000)	AS AT 01.01.2015	INCLUDED IN EQUITY	AS AT 30.06.2015
Deferred tax provision included directly in the equity:			
Separate equity of branches	241	(134)	107
Total deferred tax provision through equity	**241**	**(134)**	**107**

Geographical division of deferred tax assets

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Deferred income tax assets			
Central and Eastern Europe	135	71	154
- including Poland	–	–	–
Western Europe	11 920	12 167	12 255
- including Spain	–	–	–
Latin America and Turkey	69	–	4
Total deferred income tax assets	**12 124**	**12 238**	**12 413**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2016 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION
Poland	6 010	12 527	–	6 517
Czech Republic	25	13	12	–
Slovakia	139	15	124	–
Germany	3 133	–	3 133	–
France	5 924	–	5 924	–
Great Britain	2 862	–	2 862	–
Turkey	69	–	69	–
Total	**18 162**	**12 555**	**12 124**	**6 517**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2015 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION
Poland	3 501	13 139	–	9 638
Czech Republic	30	8	22	–
Slovakia	82	33	49	–
Germany	3 102	–	3 102	–
France	5 792	–	5 792	–
Great Britain	3 271	–	3 271	–
Turkey	2	–	2	–
Total	**15 780**	**13 180**	**12 238**	**9 638**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2015 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION
Poland	3 659	13 036	–	9 377
Czech Republic	99	4	95	–
Slovakia	60	1	59	–
Germany	3 146	–	3 146	–
France	5 781	–	5 781	–
Great Britain	3 328	–	3 328	–
Turkey	4	–	4	–
Total	**16 077**	**13 041**	**12 413**	**9 377**

26. Related party transactions

26.1 Parent Company

XXZW Investment Group S.A. with its registered office in Luxembourg is the key shareholder of the Parent Company. It holds 66,83% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.
Mr. Jakub Zabłocki is the ultimate parent company for the Group and XXZW Investment Group S.A.

26.2 Figures concerning related party transactions

As at 30 June 2016, the Group had no settlements with related parties. As at 31 December 2015 and 30 June 2015, the Group had a liability to the parent company in the amount of PLN 11 thousand. As at 31 December 2015 and as at 30 June 2015 there were no receivables from related parties. In the periods covered by the half-year condensed consolidated financial statements there we no revenues or expenses resulting from transactions with related entities.

26.3 Benefits to Management and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Benefits to the Management Board members	(1 596)	(743)
Benefits to the Supervisory Board members	(66)	–
Total benefits to the Management and Supervisory Board members	**(1 662)**	**(743)**

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 20 of the half-year condensed consolidated financial statements. The value of the element settled in financial instruments in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 1 186 thousand.

Members of the Management Board of the Parent Company, within the framework of the Options Program described in note 26.4 of the consolidated financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date.

26.4 Share-based payments

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

	YEAR ENDED		
	31.12.2013 (AUDITED)	31.12.2012 (AUDITED)	31.12.2011 (AUDITED)
Number of rights granted to employee 1	–	41 245	43 800
Number of rights granted to employee 2	123 370	–	95 995
Number of rights granted to employee 3	–	–	37 230
Total number of rights granted	**123 370**	**41 245**	**177 025**

No rights to shares were granted in the period covered by the half-year condensed consolidated financial statements.

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

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

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

Unrealized rights to shares

	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	341 640	341 640	341 640
Granted rights to shares	–	–	–
Lost rights to shares	–	–	–
Realized rights to shares	–	–	–
Expired rights to shares	–	–	–
Unrealized rights to shares as at the end of the period	**341 640**	**341 640**	**341 640**

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

26.5 Loans granted to the Management and Supervisory Board members

As at 30 June 2016, 31 December 2015 and 30 June 2015, there are no loans granted to the Management and Supervisory Board members.

27. Supplementary information and explanations to the cash flow statement

27.1 Change in the balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Change in other liabilities	(3 469)	(2 160)
Payment of finance lease liabilities	51	88
Liability due to dividend payment	–	490
Change in balance of other liabilities	**(3 418)**	**(1 582)**

27.2 Other adjustments

The 'other adjustments' item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	1 595	(1 310)
Foreign exchange differences on translation of financial instruments held for sale	(7)	18
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(34)	35
Change in other adjustments	**1 554**	**(1 257)**

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

28. Post balance sheet events

From 15 to 16 July 2016 there was a coup attempt in Turkey. The failed military coup in Turkey does not have a significant bearing on the financial situation of the subsidiary X Trade Brokers Menkul Değerler A.Ş. The Management Board currently sees no significant threat or consequences caused by the failed coup in Turkey for the business activities of the subsidiary.

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

29.1 Nominal value of derivatives

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
CFDs			
Index CFDs	860 306	1 140 266	972 100
Currency CFDs	734 614	1 065 917	1 015 092
Commodity CFDs	283 379	267 666	240 702
Stock CFDs	48 822	92 934	52 006
Bond CFDs	29 769	9 308	8 731
Total derivatives	**1 956 890**	**2 576 091**	**2 288 631**

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2016, transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2015: 12% of the total nominal value of instruments, as at 30 June 2015: 6% of the total nominal value of instruments).

29.2 Customers' financial instruments

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

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	221	221	186
Other securities registered in customers' securities accounts	340	341	259
Total customers' financial instruments	**561**	**562**	**445**

30. Items regarding the compensation scheme

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	2 204	1 733	1 733
- increases	*224*	*471*	*238*
b) closing balance	2 428	2 204	1 971
2. XTB's share in the profits from the compensation scheme	**164**	**152**	**136**

31. Capital management

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

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

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

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

As part of ICAAP, the Parent Company 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 Parent Company estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Group and taking into account stress test results.

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

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

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

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

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

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 Group was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
The Group's own funds	**254 964**	**240 873**	**242 366**
Tier I Capital	254 964	240 873	242 366
Common Equity Tier I capital	254 964	240 873	242 366
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
The Group's total risk exposure	**1 615 806**	**1 665 592**	**1 323 431**
Capital conservation buffer	20 197	N/A	N/A
Countercyclical capital buffer	872	N/A	N/A
Combined buffer requirement	**21 069**	N/A	N/A

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 30.06.2016 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD (UNAUDITED)	AS AT 31.12.2015 (AUDITED)	AS AT 30.06.2015 (UNAUDITED)
1. Capital/Own funds	254 964	252 691	240 873	242 366
1.1. Base capital/Common Equity Tier I without deductions	289 430	277 758	265 354	265 846
1.2. Additional items of common equity / Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(34 466)	(25 067)	(24 481)	(23 480)
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	**254 964**	**252 691**	**240 873**	**242 366**
1. Market risk	65 212	73 866	67 894	48 883
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	3 526	3 657	3 904	3 500
3. Credit risk	24 258	26 240	25 181	24 718
4. Operating risk	36 269	35 529	36 268	28 774
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	**129 265**	**139 292**	**133 247**	**105 875**
IIb. Total risk exposure	**1 615 806**	**1 741 153**	**1 665 592**	**1 323 431**
Capital conservation buffer	20 197	21 764	N/A	N/A
Countercyclical capital buffer	872	556	N/A	N/A
Combined buffer requirement	**21 069**	**22 320**	N/A	N/A

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

32. Risk management

There were no changes in the risk management system in the periods covered by the half-year condensed consolidated financial statements.

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 Group's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Group's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Group 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 Group.

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 Group's internal control system.

The Parent Company's Supervisory Board approves risk management system, including procedures for internal capital estimation, capital management and planning.

32.1 Fair value

32.1.1 Carrying amount and fair value

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

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

32.1.2 Fair value hierarchy

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

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

(IN PLN'000)	30.06.2016 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	60 297	–	**60 297**
Financial assets held for sale	–	220	–	**220**
Total assets	**–**	**60 517**	**–**	**60 517**
Financial liabilities				
Financial liabilities held for trading	–	10 208	–	**10 208**
Total liabilities	**–**	**10 208**	**–**	**10 208**

(IN PLN'000)	31.12.2015 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	64 254	–	**64 254**
Financial assets held for sale	–	213	–	**213**
Total assets	**–**	**64 467**	**–**	**64 467**
Financial liabilities				
Financial liabilities held for trading	–	10 215	–	**10 215**
Total liabilities	**–**	**10 215**	**–**	**10 215**

(IN PLN'000)	LEVEL 1	30.06.2015 (UNAUDITED) LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	60 782	–	**60 782**
Financial assets held for sale	–	223	–	**223**
Total assets	**–**	**61 005**	**–**	**61 005**
Financial liabilities				
Financial liabilities held for trading	–	12 294	–	**12 294**
Total liabilities	**–**	**12 294**	**–**	**12 294**

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, ie. from reliable liquidity suppliers and reputable news, adjusted for the spread specified by the Parent 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 Group, was insignificant from the point of view of the general estimation of derivative transactions concluded by the Group. Therefore, the Group does not recognise the impact of unobservable input data used for the estimation of derivative transactions as significant and, pursuant to IFRS 13.73, does not classify such transactions as level 3 of the fair value hierarchy.

32.2 Market risk

There were no changes in the market risk management system in the periods covered by the half-year condensed consolidated financial statements.

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

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

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

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

The Management Board defines in the investment strategy short-, medium-, and long-term investment objectives, rules of establishment and methods of management of an investment portfolio, amount of funds to be invested, as well as the rules and mechanisms for hedging against excesses of the permitted exposure concentration limits and large exposures. The resolution is approved by the Supervisory Board. 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.

32.2.1 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 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 2016 (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	52 031	99 968	5 154	24 137	4 644	3 581	46 749	236 264	246 426
Customers' cash and cash equivalents	19 020	161 959	2 125	31 025	4 597	4 549	4 610	227 885	316 961
Financial assets held for trading	2 956	26 783	345	4 135	1 313	975	1 543	38 050	60 297
Financial assets available for sale	–	–	–	–	–	–	220	220	220
Income tax receivables	–	30	–	2 554	–	–	254	2 838	8 469
Loans granted and other receivables	530	3 447	1 069	162	5	77	654	5 944	6 501
Prepayments and deferred costs	–	187	616	143	–	3	650	1 599	4 723
Intangible assets	–	43	–	35	–	2	57	137	11 724
Property, plant and equipment	–	622	185	440	–	24	512	1 783	3 824
Deferred income tax assets	–	9 182	2 862	11	–	–	70	12 125	12 124
Total assets	**74 537**	**302 221**	**12 356**	**62 642**	**10 559**	**9 211**	**55 319**	**526 845**	**671 269**
Liabilities									
Amounts due to customers	20 277	162 683	2 285	31 327	4 841	4 621	4 366	230 400	320 637
Financial liabilities held for trading	534	4 086	180	547	162	628	75	6 212	10 208
Income tax liabilities	–	299	–	–	–	–	–	299	2 318
Other liabilities	293	6 639	3 137	1 590	–	273	2 448	14 380	23 239
Provisions for liabilities	–	–	–	–	–	778	55	833	1 218
Deferred income tax provision	–	–	–	–	–	–	–	–	6 517
Total liabilities	**21 104**	**173 707**	**5 602**	**33 464**	**5 003**	**6 300**	**6 944**	**252 124**	**364 137**

Assets and liabilities denominated in foreign currencies as at 31 December 2015 (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	71 732	136 172	9 001	32 734	8 711	2 620	44 221	305 191	325 328
Customers' cash and cash equivalents	28 510	150 297	2 448	25 558	3 102	4 066	3 009	216 990	298 138
Financial assets held for trading	3 277	27 844	927	4 435	1 009	1 394	1 211	40 097	64 254
Financial assets available for sale	–	–	–	–	–	–	213	213	213
Income tax receivables	–	630	–	1 567	–	–	245	2 442	2 443
Loans granted and other receivables	394	2 084	1 067	141	3	101	116	3 906	4 545
Prepayments and deferred costs	–	221	118	143	–	6	210	698	2 513
Intangible assets	–	53	–	42	–	5	33	133	13 340
Property, plant and equipment	–	625	247	454	–	27	395	1 748	4 107
Deferred income tax assets	–	8 943	3 271	22	–	–	–	12 236	12 238
Total assets	**103 913**	**326 869**	**17 079**	**65 096**	**12 825**	**8 219**	**49 653**	**583 654**	**727 119**
Liabilities									
Amounts due to customers	29 878	150 670	3 101	25 527	3 295	4 127	2 926	219 524	301 076
Financial liabilities held for trading	764	4 554	501	363	101	562	23	6 868	10 215
Income tax liabilities	–	106	–	–	–	–	–	106	4 562
Other liabilities	309	7 730	3 043	1 611	75	425	2 463	15 656	26 708
Provisions for liabilities	–	–	–	–	–	748	40	788	871
Deferred income tax provision	–	–	–	–	–	–	–	–	9 638
Total liabilities	**30 951**	**163 060**	**6 645**	**27 501**	**3 471**	**5 862**	**5 452**	**242 942**	**353 070**

Assets and liabilities denominated in foreign currencies as at 30 June 2015 (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	30 127	87 450	5 771	18 902	6 029	3 195	28 226	179 700	234 809
Customers' cash and cash equivalents	23 268	151 041	1 507	26 718	4 170	4 271	5 168	216 143	294 133
Financial assets held for trading	1 944	29 097	185	4 431	1 611	1 014	1 193	39 475	60 782
Financial assets available for sale	–	–	–	–	–	–	223	223	223
Income tax receivables	–	232	–	686	–	–	306	1 224	1 578
Loans granted and other receivables	70	1 518	961	270	9	121	14 144	17 093	17 861
Prepayments and deferred costs	–	281	17	189	–	3	699	1 189	2 540
Intangible assets	–	36	–	81	–	9	56	182	15 948
Property, plant and equipment	–	568	215	436	–	36	367	1 622	4 308
Deferred income tax assets	–	8 986	3 328	95	–	–	4	12 413	12 413
Total assets	**55 409**	**279 209**	**11 984**	**51 808**	**11 819**	**8 649**	**50 386**	**469 264**	**644 595**
Liabilities									
Amounts due to customers	24 669	148 220	1 448	26 943	4 317	4 800	1 894	212 291	289 535
Financial liabilities held for trading	1 886	5 668	40	1 022	47	261	25	8 949	12 294
Income tax liabilities	–	1 905	–	–	–	–	–	1 905	3 924
Other liabilities	49	6 345	1 324	1 386	–	439	2 278	11 821	20 445
Provisions for liabilities	–	–	–	–	–	443	32	475	548
Deferred income tax provision	–	–	–	–	–	–	–	–	9 377
Total liabilities	**26 604**	**162 138**	**2 812**	**29 351**	**4 364**	**5 943**	**4 229**	**235 441**	**336 123**

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)	30.06.2016 (UNAUDITED)		30.06.2015 (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	8 114	(8 114)	9 297	(9 297)
Equity, of which:	4 173	(4 173)	3 780	(3 780)
Foreign exchange differences on translation	4 173	(4 173)	3 780	(3 780)

32.2.2 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 customers in connection with funds deposited in cash accounts in the Group, and
- of the bank account and bank deposits where the Group's customers' funds are invested.

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

As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in customers' cash accounts based on a variable formula, in an amount not higher than the interest rate received by the Group from the bank maintaining the bank account in which customers' funds are deposited.

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

Since the Group maintains a low duration of assets and liabilities and minimises the duration gap, sensitivity of the market value of assets and liabilities to calculations of market interest rates is very low.

As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

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

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

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Financial assets			
Cash and cash equivalents	563 387	623 466	528 942
Total financial assets	**563 387**	**623 466**	**528 942**
Financial liabilities			
Amounts due to customers	100 099	62 132	65 290
Other liabilities	345	375	425
Total financial liabilities	**100 444**	**62 507**	**65 715**

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 first quarter of 2016 and 2015, using the average 1M interest rate in a given market.

(IN PLN'000)	30.06.2016 (UNAUDITED)		30.06.2015 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit (loss) before tax	3 054	(3 054)	2 768	(2 768)

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.

32.2.3 Other price risk

Other price risk is exposure of the Group's financial position to unfavorable 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)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Financial assets held for trading			
Commodity CFDs			
Precious metals	2 661	3 146	1 959
Base metals	158	335	138
Other	5 808	8 322	6 570
Total commodity CFDs	**8 627**	**11 803**	**8 667**
Equity instruments			
Stocks	2 167	2 237	1 856
Indicies	37 019	35 376	33 781
Total equity instruments	**39 186**	**37 613**	**35 637**
Debt instruments	**683**	**55**	**104**
Total financial assets held for trading	**48 496**	**49 471**	**44 408**
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	1 457	200	165
Base metals	71	17	14
Other	1 050	895	647
Total commodity CFDs	**2 578**	**1 112**	**826**
Equity instruments			
Stocks	719	764	350
Indicies	4 504	5 526	7 342
Total equity instruments	**5 223**	**6 290**	**7 692**
Debt instruments	**22**	**16**	**8**
Total financial liabilities held for trading	**7 823**	**7 418**	**8 526**

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

(IN PLN'000)	30.06.2016 (UNAUDITED) INCREASE BY 5%	30.06.2016 (UNAUDITED) DECREASE BY 5%	30.06.2015 (UNAUDITED) INCREASE BY 5%	30.06.2015 (UNAUDITED) DECREASE BY 5%
Income (expenses) of the period				
Commodity CFDs				
Precious metals	1 888	(1 888)	(5 038)	5 038
Base metals	(119)	119	(102)	102
Other	(177)	177	(819)	819
Total commodity CFDs	**1 592**	**(1 592)**	**(5 959)**	**5 959**
Equity instruments				
Stocks	10	(10)	(1 752)	1 752
Indicies	6 814	(6 814)	(9 414)	9 414
Total equity instruments	**6 824**	**(6 824)**	**(11 166)**	**11 166**
Debt instruments	**1 316**	**(1 316)**	**262**	**(262)**
Total income (expenses) for the period	**9 732**	**(9 732)**	**(16 863)**	**16 863**

32.3 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 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 Parent Company uses the liquidity model described in the procedure for the management of own cash and cash equivalents. The essence of the model 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 Parent Company makes a transfer to the appropriate current account corresponding to the surplus above the optimum level. Similarly, if the cash in the account falls to the lower limit, the Parent Company makes a transfer of funds from the current account to the appropriate account in order to bring cash to the optimum level.

Tasks relating to the maintenance and updating of the rules of the liquidity model are performed by the Parent Company's Trading Department. Trading 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. Selected accounts are monitored on a daily basis.

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 consolidated financial statements and in the comparative period, due to the fact that the amount of the most liquid assets (own cash and cash equivalents) greatly exceeds the amount of liabilities.

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

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

The contractual payment periods of financial assets and liabilities are presented 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 2016 (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	563 387	563 387	563 387	–	–	–	–
Financial assets held for trading							
CFDs	60 297	60 297	60 297	–	–	–	–
Total financial assets held for trading	60 297	60 297	60 297	–	–	–	–
Financial instruments available for sale	220	220	–	–	–	–	220
Loans granted and other receivables	6 501	6 501	4 867	42	1 428	164	–
Total financial assets	**630 405**	**630 405**	**628 551**	**42**	**1 428**	**164**	**220**
Financial liabilities							
Amounts due to customers	320 637	320 637	320 637	–	–	–	–
Financial liabilities held for trading							
CFDs	10 208	10 208	10 208	–	–	–	–
Total financial liabilities held for trading	10 208	10 208	10 208	–	–	–	–
Other liabilities	23 239	23 239	15 492	7 558	189	–	–
Total financial liabilities	**354 084**	**354 084**	**346 337**	**7 558**	**189**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			282 214	(7 516)	1 239	164	220
Contractual cumulative liquidity gap			282 214	274 698	275 937	276 101	276 321

Contractual payment periods of financial assets and liabilities as at 31 December 2015 (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	623 466	623 466	623 466	–	–	–	–
Financial assets held for trading							
CFDs	64 254	64 254	64 254	–	–	–	–
Total financial assets held for trading	64 254	64 254	64 254	–	–	–	–
Financial instruments available for sale	213	213	–	–	–	–	213
Loans granted and other receivables	4 545	4 545	2 901	–	1 644	–	–
Total financial assets	**692 478**	**692 478**	**690 621**	**–**	**1 644**	**–**	**213**
Financial liabilities							
Amounts due to customers	301 076	301 076	301 076	–	–	–	–
Financial liabilities held for trading							
CFDs	10 215	10 215	10 215	–	–	–	–
Total financial liabilities held for trading	10 215	10 215	10 215	–	–	–	–
Other liabilities	26 708	26 708	13 446	13 013	249	–	–
Total financial liabilities	**337 999**	**337 999**	**324 737**	**13 013**	**249**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			365 884	(13 013)	1 395	–	213
Contractual cumulative liquidity gap			365 884	352 871	354 266	354 266	354 479

Contractual payment periods of financial assets and liabilities as at 30 June 2015 (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	528 942	528 942	528 942	–	–	–	–
Financial assets held for trading							
CFDs	60 782	60 782	60 782	–	–	–	–
Total financial assets held for trading	60 782	60 782	60 782	–	–	–	–
Financial instruments available for sale	223	223	–	–	–	–	223
Loans granted and other receivables	17 861	17 861	16 391	5	718	102	645
Total financial assets	**607 808**	**607 808**	**606 115**	**5**	**718**	**102**	**868**
Financial liabilities							
Amounts due to customers	289 535	289 535	289 535	–	–	–	–
Financial liabilities held for trading							
CFDs	12 294	12 294	12 294	–	–	–	–
Total financial liabilities held for trading	12 294	12 294	12 294	–	–	–	–
Other liabilities	20 445	20 445	15 699	4 439	307	–	–
Total financial liabilities	**322 274**	**322 274**	**317 528**	**4 439**	**307**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			288 587	(4 434)	411	102	868
Contractual cumulative liquidity gap			288 587	284 153	284 564	284 666	285 534

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

32.4 Credit risk

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

(IN PLN'000)	30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (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	563 387	563 387	623 466	623 466	528 942	528 942
Financial assets held for trading *	60 297	2 602	64 254	1 830	60 782	3 778
Financial assets available for sale	220	220	213	213	223	223
Loans granted and other receivables	6 501	6 501	4 545	4 545	17 861	17 861
Total financial assets	**630 405**	**572 710**	**692 478**	**630 054**	**607 808**	**550 804**

** As at 30 June 2016, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 60 297 thousand (as at 31 December 2015: PLN 64 254 thousand, as at 30 June 2015: PLN 60 782 thousand). This exposure was collateralised with customers' cash, which, as at 30 June 20165, covered the amount of PLN 57 345 thousand (as at 31 December 2105: PLN 61 331 thousand, as at 30 June 2015: PLN 56 393 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 NP

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 2016, the Group had deposit accounts in 40 banks and institutions (as at 31 December 2015: in 39 banks and institutions, as at 30 June 2015: in 41 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period:

30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (UNAUDITED)	
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	93 519	Bank 1	96 946	Bank 1	85 439
Bank 2	71 412	Bank 2	71 302	Bank 2	58 781
Bank 3	69 068	Bank 3	62 549	Bank 3	52 374
Bank 4	60 614	Bank 4	60 058	Bank 4	51 510
Bank 5	32 311	Bank 5	46 973	Bank 5	33 844
Bank 6	29 671	Bank 6	36 647	Bank 6	32 844
Bank 7	25 018	Bank 7	26 786	Bank 7	26 143
Bank 8	21 750	Bank 8	26 265	Bank 8	19 847
Bank 9	21 450	Bank 9	25 213	Bank 9	19 735
Bank 10	17 651	Bank 10	24 201	Bank 10	16 586
Other	120 923	Other	146 526	Other	131 839
Total	**563 387**	**Total**	**623 466**	**Total**	**528 942**

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.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000) 30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Cash and cash equivalents			
Step 1	220 685	237 400	292 417
Step 2	268 743	314 378	162 819
Step 3	56 261	54 355	61 229
Step 4	17 698	17 333	12 476
Step 5	–	–	–
Step 6	–	–	–
Total	**563 387**	**623 466**	**528 941**

Financial assets held for trading

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

Credit risk involving financial assets held for trading is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the 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 30% 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.

Transactions executed by customers on a regulated market practically did not carry significant credit risks, as instructions are covered with funds in cash accounts or securities in securities accounts. The Group's hedging methods and conditions for accepting orders comply with the applicable regulations.

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

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

30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	288	Entity 1	299	Entity 1	583
Entity 2	260	Entity 2	211	Entity 2	196
Entity 3	232	Entity 3	172	Entity 3	195
Entity 4	158	Entity 4	131	Entity 4	178
Entity 5	108	Entity 5	100	Entity 5	166
Entity 6	102	Entity 6	90	Entity 6	148
Entity 7	87	Entity 7	78	Entity 7	144
Entity 8	86	Entity 8	56	Entity 8	131
Entity 9	81	Entity 9	54	Entity 9	130
Entity 10	79	Entity 10	50	Entity 10	108
Total	**1 481**	**Total**	**1 241**	**Total**	**1 979**

Financial assets held to maturity

As at 30 June 2016 and in the comparative periods, there were no financial assets held to maturity.

Other receivables

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

Warsaw, 25 August 2016

Jakub Malý President of the Management Board	Paweł Frańczak Member of the Management Board
Paweł Szejko Member of the Management Board	Ewa Stefaniak Person responsible for bookkeeping

HALF-YEAR CONDENSED FINANCIAL STATEMENTS

HALF-YEAR CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Result of operations on financial instruments	6.1	88 999	111 540
Income from fees and charges	6.2	2 359	2 799
Other income		23	78
Total operating income	**6**	**91 381**	**114 417**
Salaries and employee benefits	7	(29 780)	(27 281)
Marketing	8	(25 304)	(9 302)
Other external services	9	(9 241)	(5 623)
Costs of maintenance and lease of buildings		(2 933)	(2 561)
Amortization and depreciation	17,18	(2 232)	(2 382)
Taxes and fees		(298)	(274)
Fee expenses	10	(1 998)	(1 626)
Other costs		(2 036)	(2 595)
Total operating expenses		**(73 822)**	**(51 644)**
Profit on operating activities		**17 559**	**62 773**
Finance income	11	7 927	2 081
Finance costs	11	(4 124)	(2 916)
Profit before tax		**21 362**	**61 938**
Income tax	26	(1 221)	(12 248)
Net profit		**20 141**	**49 690**
Other comprehensive income		**1 000**	**25**
Items which will be reclassified to profit or loss after meeting specific conditions		1 000	25
– foreign exchange differences on translation of foreign operations		*(269)*	*598*
– foreign exchange differences on valuation of separated equity		*1 567*	*(707)*
– deferred income tax		*(298)*	*134*
Total comprehensive income		**21 141**	**49 715**
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	25	0,17	0,42
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	25	0,17	0,42
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	25	0,17	0,42
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	25	0,17	0,42

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	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	193 995	275 592	208 421
Customers' cash and cash equivalents	13	295 814	282 793	278 805
Financial assets held for trading	14	57 986	62 452	60 179
Investments in subsidiaries	15	66 095	63 447	63 447
Income tax receivables		8 215	2 198	1 270
Loans granted and other receivables	16	12 123	13 930	11 017
Prepayments and deferred costs		3 453	2 181	1 822
Intangible assets	17	5 387	6 626	8 810
Property, plant and equipment	18	3 122	3 457	3 715
Deferred income tax assets	26	9 193	8 966	9 081
Total assets		**655 383**	**721 642**	**646 567**
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	19	303 546	289 285	283 809
Financial liabilities held for trading	20	9 756	9 686	12 150
Income tax liabilities		2 317	4 561	3 924
Other liabilities	21	20 842	26 015	20 530
Provisions for liabilities	22	1 162	831	516
Deferred income tax provision	26	6 552	9 638	9 376
Total liabilities		**344 175**	**340 016**	**330 305**
Equity				
Share capital	23	5 869	5 869	5 869
Supplementary capital	23	71 608	71 608	71 608
Other reserves	23	212 416	188 954	188 954
Foreign exchange differences on translation	23	1 664	664	631
Retained earnings		19 651	114 531	49 200
Total equity		**311 208**	**381 626**	**316 262**
Total equity and liabilities		**655 383**	**721 642**	**646 567**

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 2016 to 30 June 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRASNLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2016	**5 869**	**71 608**	**188 954**	**664**	**114 531**	**381 626**
Total comprehensive income for the financial year						
Net profit	–	–	–	–	20 141	20 141
Other comprehensive income	–	–	–	1 000	–	1 000
Total comprehensive income for the financial year	**–**	**–**	**–**	**1 000**	**20 141**	**21 141**
Transactions with the Parent Company's owners recognised directly in equity						
Appropriation of profit/offset of loss (note 24)	–	–	23 462	–	(115 021)	(91 559)
- dividend payment	–	–	–	–	(91 559)	(91 559)
- transfer to other reserves	–	–	23 462	–	(23 462)	–
As at 30 June 2016 (unaudited)	**5 869**	**71 608**	**212 416**	**1 664**	**19 651**	**311 208**

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 2015 to 31 December 2015

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRASNLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2015	**5 869**	**71 608**	**188 954**	**606**	**77 031**	**344 068**
Total comprehensive income for the financial year						
Net profit	–	–	–	–	115 021	115 021
Other comprehensive income	–	–	–	58	–	58
Total comprehensive income for the financial year	**–**	**–**	**–**	**58**	**115 021**	**115 079**
Transactions with the Parent Company's owners recognised directly in equity						
Appropriation of profit/offset of loss (note 24)	–	–	–	–	(77 521)	(77 521)
- dividend payment	–	–	–	–	(77 521)	(77 521)
As at 31 December 2015 (audited)	**5 869**	**71 608**	**188 954**	**664**	**114 531**	**381 626**

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 2015 to 30 June 2015

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRASNLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2015	**5 869**	**71 608**	**188 954**	**606**	**77 031**	**344 068**
Total comprehensive income for the financial year						
Net profit	–	–	–	–	49 690	49 690
Other comprehensive income	–	–	–	25	–	25
Total comprehensive income for the financial year	**–**	**–**	**–**	**25**	**49 690**	**49 715**
Transactions with the Parent Company's owners recognised directly in equity						
Appropriation of profit/offset of loss (note 24)	–	–	–	–	(77 521)	(77 521)
- dividend payment	–	–	–	–	(77 521)	(77 521)
As at 30 June 2015 (unaudited)	**5 869**	**71 608**	**188 954**	**631**	**49 200**	**316 262**

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 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		21 362	61 938
Adjustments:			
(Gain) Loss on sale or disposal of items of property, plant and equipment		1	6
Amortization and depreciation		2 232	2 382
Foreign exchange (gains) losses from translation of own cash		(3 952)	(413)
Other adjustments	28.3	958	42
Changes			
Change in provisions		331	(7)
Change in balance of financial assets and liabilities held for trading		4 536	(1 488)
Change in balance of restricted cash		(13 021)	(29 591)
Change in balance of loans granted and other receivables	28.1	1 830	921
Change in balance of prepayments and accruals		(1 272)	(100)
Change in balance of amounts due to customers		14 261	28 838
Change in balance of other liabilities	28.2	(5 122)	(990)
Cash from operating activities		**22 144**	**61 538**
Income tax paid		(12 796)	(16 618)
Interest		(3)	6
Net cash from operating activities		**9 345**	**44 926**
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	18	(497)	(588)
Expenses relating to payments for intangible assets	17	(120)	(1)
Loans granted		–	(622)
Net cash from investing activities		**(617)**	**(1 211)**
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(51)	(88)
Interest paid under lease		(6)	(9)
Expenses relating to payments for acquisitions of shares in subsidiaries		(2 648)	(16 144)
Dividend paid to owners		(91 559)	(77 521)
Net cash from financing activities		**(94 264)**	**(93 762)**
Increase (decrease) in net cash and cash equivalents		**(85 536)**	**(50 047)**
Cash and cash equivalents – opening balance		**275 592**	**258 055**
Effect of FX rates fluctuations on balance of cash in foreign currencies		**3 939**	**413**
Cash and cash equivalents – closing balance	**13**	**193 995**	**208 421**

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 EXPLANATORY 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:	527-24-43-955
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.

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 527–24–43–955.

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 – 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 the half-year condensed financial statements, the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF FIRST APPOINTMENT	TERM OF OFFICE
Jakub Malý	Chairman of the Management Board	25.03.2014	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Frańczak	Board Member	31.08.2012	from the 29 June appointed for the 3-years term of office ending 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 29 June appointed for the 3-years term of office ending 29 June 2019

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. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Company's operations or their impact would be immaterial.

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

The half-year condensed financial statements of the X–Trade Brokers Dom Maklerski S.A. prepared for the period from 1 January 2016 to 30 June 2016 with comparative data for the period from 1 January 2015 to 30 June 2015, as at 30 June 2015 and for the year ended 31 December 2015 cover the Company's financial data.

These half-year condensed financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading and financial instruments held for sale which are measured at fair value. The 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 foreign 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 2015.

The half-year condensed financial statements were approved by the Management Board of the Company on 25 August 2016. 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 half-year condensed 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.

2.5 Changes in the accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year which began on 1 January 2015, except for the adoption of the following new or amended standards and interpretations applicable to annual reporting periods beginning after 1 January 2015, as noted below.

- Annual Improvements 2010-2012 Cycle including
  - Amendments to IFRS 2 Share-based payment

    These amendments are applied prospectively. They clarify the definition of market condition and vesting condition, as well as provide the definition of performance and service conditions, which are vesting conditions.

    Definitions are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods. Application of amendments does not impact the Company's financial position nor operating result.
  - Amendments to IFRS 3 Business Combinations

    These amendments are applied prospectively and clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

    Application of amendments does not impact the Company's financial position nor Company's operating result.
  - Amendments to IFRS 8 Operating Segments

    The amendments are applied retrospectively and clarify that:

    - An entity should disclose the judgments made by the Management in applying the aggregation of segments criteria described in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics of segments used to assess whether the segments are 'similar',
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

    The Company applies the amendments and discloses the information in accordance with IFRS 8 in Note 12.
  - Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets

    The amendments are applied retrospectively and clarify that the asset may be revaluated by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. Additionally, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

    The amendments refer to valuation of non-current assets and immaterial assets accordingly with the revaluation model and the Company does not use this model.
  - Amendments to IFRS 13 Fair value measurement

    The amendments clarify that deleting the paragraph B5.4.12 from IFRS 9 Financial instruments: recognition and measurement was not aimed at changing the requirements of short –term receivables and liabilities valuation. Accordingly, entity still has the right to value short-term non-interest-bearing liabilities and receivables at their nominal value, if the effect of discounting doesn't have a significant impact on presented financial data.

Application of amendments does not impact the Company's financial position or the Company's operating result.

- Amendments to IAS 24 Related Party Disclosures

  The amendments are applied retrospectively and clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. Additionally, an entity that uses a management entity is required to disclose the expenses incurred for management services.

  The Company does not use management entity.

- Amendments resulting from review of IFRS 2012-2014, including:
  - Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

    Assets (or disposal groups) are usually disposed by sale or distributed to shareholders. Amendments clarify that change of one method to another is not treated as a new disposal plan, but as continuation of initial plan.

    Application of amendments does not impact the Company's financial position or Company's operating result.
  - Amendments to IAS 34 Interim financial reporting

    The amendments clarify that the required interim disclosures can either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

    Application of amendments does not impact the Company's financial position or Company's operating result.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

  The amendments clarify methods included in IAS 16 and IAS 38 stating that method based on revenues reflects a pattern in which an entity generates economic benefits from an item of assets rather than the expected pattern of using future economic benefits from asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. This amendment must be applied prospectively.

  Application of amendments does not impact the Company's financial position or Company's operating result.
- Amendments to IAS 27 Equity Method in Separate Financial Statements

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements are required to apply this method from the date of transition to IFRS.

  Application of amendments does not impact the Company's financial position or Company's operating result.
- Amendments to IFRS 1 Disclosure Initiative

  The amendments clarify existing IAS 1 requirements, concerning:
  - materiality,
  - aggregation and subtotals,
  - order of the notes,
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

  Application of amendments does not impact the Company's financial position or Company's operating result.

Moreover, the following new or amended Standards and Interpretations are applicable to annual reporting periods beginning on or after 1 January 2015, but do not concern the information presented and disclosed in Company's financial statements:

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

  Amendments concern accounting for bearer plants.

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

  Amendments concern accounting for acquisitions of interests in joint operations by the acquirer.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

  Amendments concern recognition of contributions from employees or third parties when accounting for defined benefit plans
- Annual Improvements to IFRSs 2012-2014:
  - Amendments to IFRS 7 Financial instruments: Disclosure
    - Servicing contracts – the amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.
    - Applicability of the amendments to IFRS 7 (issued in December 2011) to condensed interim financial statements
  - Amendments to IAS 19 Defined Benefit Plans

  Amendments concern evaluation of the discount rate.

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:

- IFRS 9 Financial Instruments (issued on 24 July 2014) – 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 2018;
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these half-year condensed financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) — 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 2018;
- 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 IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (issued on 18 December 2014) – 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 2016;
- IFRS 16 Leases (issued on 13 January 2016) - 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 2019,
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) - 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 2017,
- Amendments to IAS 7 Disclosure Initiative (issued on 29 January 2016) - 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 2017,
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) - 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 2018.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) - 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 2018.

3. Adopted accounting policies

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 2015, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2016.

4. Material values based on professional judgements and estimates

4.1 Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Company made judgements in the scope of classification of lease agreements, period of amortization of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2015.

5. Seasonality of operations

The Company's operations are not seasonal.

6. Operating income

6.1 Result of operations on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
CFD		
Index CFDs	63 584	43 486
Currency CFDs	28 068	58 398
Commodity CFDs	19 395	28 597
Bond CFDs	1 236	167
Stock CFDs	555	115
Total CFDs	**112 838**	**130 763**
Options		
Currency options	1 225	935
Index options	609	170
Commodity options	393	207
Bond options	11	4
Total options	**2 238**	**1 316**
Gain from financial instruments held for trading	**115 076**	**132 079**
Gain from financial instruments held for sale	**17**	**–**
Gross gain on transactions in financial instruments	**115 093**	**132 079**
Bonuses and discounts paid to customers	(1 648)	(3 065)
Commission paid to cooperating brokers	(24 446)	(17 474)
Net gain on transaction in financial instruments	**88 999**	**111 540**

The decrease in income on financial instruments in 2016 was caused by lower volatility in the financial markets than in comparative period of 2015. Above average volatility in the first half of 2015 resulted from the release of the Swiss franc in January 2015 and the beginning of European Central Bank's program of quantitative easing in March 2015. An important event in the 1st half of 2016 was Brexit, i.e. voting of Great Britain on possible exit or remaining of the country within the European Union. Thanks to the precautionary actions undertaken by the financial markets, volatility on the markets caused by the referendum did not repeat the scenario from January last year. Preparing to the voting, the Company raised minimal deposits on instruments exposed sharp movements (currency pairs with GBP, European indices). This action was undertaken in order to limit the clients' exposure to the above mentioned instruments

Bonuses paid to customers are strictly related to trading in financial instruments by the customer. Customers receive discounts and bonuses under bonus campaigns where the condition for awarding a bonus is the generation of a top-down determined trade volume in financial instruments in a specified period.

The Company concludes cooperation agreements with cooperating 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 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Other fees and charges	2 359	2 781
Brokerage fees on transactions in financial instruments	–	18
Total income from fees and charges	**2 359**	**2 799**

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

6.3 Geographical areas

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Operating income		
Central and Eastern Europe	46 751	76 771
- including Poland	*26 399*	*53 458*
Western Europe	44 664	30 237
- including Spain	*28 981*	*11 188*
Latin America and Turkey	(34)	7 409
Total operating income	**91 381**	**114 417**

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.

Reasons for the decrease in results in Poland were described in note 6.1. The significant revenue growth in Spain was caused by the double increase in trading on indices which resulted in more than double increase in revenues from these instruments.

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 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Salaries	(24 008)	(22 128)
Social insurance and other benefits	(5 031)	(4 419)
Employee benefits	(741)	(734)
Total salaries and employee benefits	**(29 780)**	**(27 281)**

8. Marketing

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Marketing online	(13 437)	(7 492)
Marketing offline	(5 157)	(1 668)
Advertising campaigns	(6 645)	–
Competitions for customers	(65)	(142)
Total marketing	**(25 304)**	**(9 302)**

Marketing activities carried out by the Company are mainly focused on Internet marketing, which is also supported by promotional activities in the form of competitions for customers. In the 1st half of 2016, according to the implemented global marketing in the scope of retail segment, the Company has launched global branding campaign using an actor, Mads Mikkelsen. These activities led to significant increase in marketing costs.

9. Other external services

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Legal and advisory services	(3 242)	(484)
Support database systems	(2 028)	(1 459)
Market data delivery	(1 363)	(989)
Internet and telecommunications	(1 080)	(1 154)
Accounting and audit services	(653)	(414)
IT services	(354)	(597)
Recruitment	(148)	(38)
Postal and courier services	(90)	(124)
Other external services	(283)	(364)
Total other external services	**(9 241)**	**(5 623)**

10. Commission expenses

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Stock exchange fees and charges	(1 048)	(661)
Commissions of foreign brokers	(114)	(305)
Bank commissions	(836)	(660)
Total commission expenses	**(1 998)**	**(1 626)**

11. Finance income and costs

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Interest income		
Interest on own cash	66	324
Interest on customers' cash	498	597
Total interest income	**564**	**921**
Foreign exchange gains	7 349	996
Other finance income	14	164
Total finance income	**7 927**	**2 081**

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Interest expense		
Interest paid to customers	(298)	(310)
Interest paid under lease agreements	(6)	(9)
Other interest	(108)	(106)
Total interest expense	**(412)**	**(425)**
Foreign exchange losses	(3 707)	(2 477)
Other finance costs	(5)	(14)
Total finance costs	**(4 124)**	**(2 916)**

Result on foreign exchange relates 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 Company's operations are divided into the following two business segments:

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

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

Transfer prices between operating segments are based on market prices, according to the principles similar to those applied in settlements with unrelated parties. The Company concludes transactions only with external clients. Transactions between operating segments are not concluded.

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

COMPREHENSIVE INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	82 856	6 143	88 999	88 999
CFDs				
Index CFDs	59 231	4 353	63 584	63 584
Currency CFDs	26 444	1 624	28 068	28 068
Commodity CFDs	19 357	38	19 395	19 395
Bond CFDs	1 203	33	1 236	1 236
Stock CFDs	443	112	555	555
Options			–	
Currency options	1 219	6	1 225	1 225
Index options	608	1	609	609
Commodity options	389	4	393	393
Bond options	11	–	11	11
Gain from financial instruments held for sale	17	–	17	17
Bonuses and discounts paid to customers	(1 648)	–	(1 648)	(1 648)
Commissions paid to cooperating brokers	(24 418)	(28)	(24 446)	(24 446)
Fee and commission income	739	1 620	2 359	2 359
Other income	23	–	23	23
Total operating income	**83 618**	**7 763**	**91 381**	**91 381**
Salaries and employee benefits	(29 316)	(464)	(29 780)	(29 780)
Marketing	(25 304)	–	(25 304)	(25 304)
Other external services	(8 916)	(325)	(9 241)	(9 241)
Costs of maintenance and lease of buildings	(2 902)	(31)	(2 933)	(2 933)
Amortization and depreciation	(2 212)	(20)	(2 232)	(2 232)
Taxes and fees	(295)	(3)	(298)	(298)
Commission expense	(1 998)	–	(1 998)	(1 998)
Other expenses	(2 017)	(19)	(2 036)	(2 036)
Total operating expenses	**(72 960)**	**(862)**	**(73 822)**	**(73 822)**
Operating profit	**10 658**	**6 901**	**17 559**	**17 559**
Finance income	7 927	–	7 927	7 927
Finance costs	(4 124)	–	(4 124)	(4 124)
Profit before tax	**14 461**	**6 901**	**21 362**	**21 362**
Income tax	(827)	(394)	(1 221)	(1 221)
Net profit	**13 634**	**6 507**	**20 141**	**20 141**

ASSETS AND LIABILITIES AS AT 30.06.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	264 160	31 654	295 814	295 814
Financial assets held for trading	55 424	2 562	57 986	57 986
Other assets	301 028	555	301 583	301 583
Total assets	**620 612**	**34 771**	**655 383**	**655 383**
Amounts due to customers	271 892	31 654	303 546	303 546
Financial liabilities held for trading	9 233	523	9 756	9 756
Other liabilities	30 626	247	30 873	30 873
Total liabilities	**311 751**	**32 424**	**344 175**	**344 175**

COMPREHENSIVE INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	111 286	254	111 540	111 540
CFDs				
Currency CFDs	55 544	2 854	58 398	58 398
Index CFDs	40 281	3 205	43 486	43 486
Commodity CFDs	34 449	(5 852)	28 597	28 597
Bond CFDs	177	(10)	167	167
Stock CFDs	(384)	499	115	115
Options				
Currency options	956	(21)	935	935
Commodity options	213	(6)	207	207
Index options	166	4	170	170
Bond options	4	–	4	4
Bonuses and discounts paid to customers	(3 065)	–	(3 065)	(3 065)
Commissions paid to cooperating brokers	(17 055)	(419)	(17 474)	(17 474)
Fee and commission income	1 735	1 064	2 799	2 799
Other income	78	–	78	78
Total operating income	**113 099**	**1 318**	**114 417**	**114 417**
Salaries and employee benefits	(26 581)	(700)	(27 281)	(27 281)
Marketing	(9 051)	(251)	(9 302)	(9 302)
Other external services	(5 459)	(164)	(5 623)	(5 623)
Costs of maintenance and lease of buildings	(2 537)	(24)	(2 561)	(2 561)
Amortization and depreciation	(2 354)	(28)	(2 382)	(2 382)
Taxes and fees	(268)	(6)	(274)	(274)
Commission expense	(1 626)	–	(1 626)	(1 626)
Other expenses	(2 576)	(19)	(2 595)	(2 595)
Total operating expenses	**(50 452)**	**(1 192)**	**(51 644)**	**(51 644)**
Operating profit	**62 647**	**126**	**62 773**	**62 773**
Finance income	2 081	–	2 081	2 081
Finance costs	(2 916)	–	(2 916)	(2 916)
Profit before tax	**61 812**	**126**	**61 938**	**61 938**
Income tax	(12 223)	(25)	(12 248)	(12 248)
Net profit	**49 589**	**101**	**49 690**	**49 690**

ASSETS AND LIABILITIES AS AT 31.12.2015 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	230 693	52 100	282 793	282 793
Financial assets held for trading	59 532	2 920	62 452	62 452
Other assets	376 397	–	376 397	376 397
Total assets	**666 622**	**55 020**	**721 642**	**721 642**
Amounts due to customers	237 185	52 100	289 285	289 285
Financial liabilities held for trading	8 612	1 074	9 686	9 686
Other liabilities	41 045	–	41 045	41 045
Total liabilities	**286 842**	**53 174**	**340 016**	**340 016**

ASSETS AND LIABILITIES AS AT 30.06.2015 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	COMPREHENSIVE INCOME STATEMENT
Customers' cash and cash equivalents	243 223	35 582	278 805	278 805
Financial assets held for trading	58 614	1 565	60 179	60 179
Other assets	307 583	–	307 583	307 583
Total assets	**609 420**	**37 147**	**646 567**	**646 567**
Amounts due to customers	248 227	35 582	283 809	283 809
Financial liabilities held for trading	10 402	1 748	12 150	12 150
Other liabilities	34 346	–	34 346	34 346
Total liabilities	**292 975**	**37 330**	**330 305**	**330 305**

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
In current bank accounts	470 262	519 968	448 974
Short–term bank deposits	19 547	38 417	38 252
Cash and other monetary assets in total	**489 809**	**558 385**	**487 226**

Restricted own and customers' cash

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Customers' cash and other monetary assets	295 814	282 793	278 805
Own cash and other monetary assets	193 995	275 592	208 421
Cash and other monetary assets in total	**489 809**	**558 385**	**487 226**

14. Financial assets held for trading

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
CFDs			
Index CFDs	36 020	35 376	33 781
Currency CFDs	10 821	12 981	15 771
Commodity CFDs	8 320	11 803	8 667
Stock CFDs	2 161	2 237	1 856
Bond CFDs	664	55	104
Total financial assets held for trading	**57 986**	**62 452**	**60 179**

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

15. Investments in subsidiaries

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
At the beginning of the reporting period	63 447	47 303	47 303
Increase	2 648	16 144	16 144
Decrease	–	–	–
At the end of the reporting period	**66 095**	**63 447**	**63 447**

Detailed information on subsidiaries

NAME OF SUBSIDIARY	COUNTRY OF REGISTERED OFFICE	30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (UNAUDITED)	
		NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE IN CAPITAL %	NOMINAL VALUE 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%
DUB Investments	Cyprus	4 568	100%	1 920	100%	1 920	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	41 367	100%	41 367	100%	41 367	100%
Lirsar S.A.	Uruguay	16	100%	16	100%	16	100%
Total		**66 095**		**63 447**		**63 447**	

In February 2016 the Company acquired 1 000 new shares in the capital increase of its subsidiary DUB Investments Ltd with a total nominal value of EUR 1 000, additionally the value of each share was increased by share premium in the amount of EUR 599, the total value of share premium amounted to EUR 599 000. The value of shares in the reporting currency amounted to PLN 2 648 thousand.

As a result of the above transaction the Company kept 100% share in subsidiary's capital.

The scope of activities of subsidiaries:

- XTB Limited – brokerage activity
- DUB Investments Ltd – brokerage activity
- X Open Hub Sp. z o.o. – applications and electronic trading technology offering
- X Trade Brokers Menkul Değerler A.Ş. – brokerage activity
- Lirsar S.A. – financial advisory

16. Loans and other receivables

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Gross amounts due from customers	10 786	9 669	8 235
Impairment write–downs of receivables	(1 818)	(1 044)	(876)
Total amounts due from customers	**8 968**	**8 625**	**7 359**
Amounts due from KDPW			
Amounts due from the clearing fund	–	–	194
Total amounts due from KDPW	–	–	**194**
Loans granted to subsidiaries	638	658	625
Other receivables	2 517	4 647	2 850
Impairment write-downs of receivables	–	–	(11)
Total other receivables	**12 123**	**13 930**	**11 017**

Movements in impairment write-downs of receivables

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	**(1 044)**	**(669)**	**(669)**
write-downs recorded	(769)	(2 203)	(1 758)
write-downs reversed	125	433	152
write-downs utilised	(130)	1 395	1 388
Impairment write-downs of receivables – at the end of the reporting period	**(1 818)**	**(1 044)**	**(887)**

Write-downs of receivables created in 1st half of 2016 resulted from the large price gap occurred mainly in index instruments due to the volatility caused by the referendum in Great Britain in June 2016.

Write-downs of receivables created in 1st half of 2015 were the result of high volatility on financial markets in January 2015 as well as the debit balances which arose in customers' accounts in that period.

17. Intangible assets

Intangible assets in the period from 1 January 2016 to 30 June 2016 (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 2016	**4 822**	**10 792**	**–**	**–**	**15 614**
Additions	120	–	–	–	120
Sale and scrapping	(1)	–	–	–	(1)
Net foreign exchange differences	29	–	–	–	29
Gross value as at 30 June 2016	**4 970**	**10 792**	**–**	**–**	**15 762**
Accumulated amortization as at 1 January 2016	**(3 696)**	**(5 292)**	**–**	**–**	**(8 988)**
Amortization for the current period	(282)	(1 079)	–	–	(1 361)
Net foreign exchange differences	(26)	–	–	–	(26)
Accumulated amortization as at 30 June 2016	**(4 004)**	**(6 371)**	**–**	**–**	**(10 375)**
Net book value as at 1 January 2016	**1 126**	**5 500**	**–**	**–**	**6 626**
Net book value as at 30 June2016	**966**	**4 421**	**–**	**–**	**5 387**

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 2015 to 31 December 2015 (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 2015	**4 632**	**12 590**	**–**	**–**	**17 222**
Additions	182	–	–	–	182
Sale and scrapping	(5)	(1 798)	–	–	(1 803)
Net foreign exchange differences	13	–	–	–	13
Gross value as at 31 December 2015	**4 822**	**10 792**	**–**	**–**	**15 614**
Accumulated amortization as at 1 January 2015	**(3 125)**	**(3 736)**	**–**	**–**	**(6 861)**
Amortization for the current period	(562)	(2 487)	–	–	(3 049)
Sale and scrapping	3	931	–	–	934
Net foreign exchange differences	(12)	–	–	–	(12)
Accumulated amortization as at 31 December 2015	**(3 696)**	**(5 292)**	**–**	**–**	**(8 988)**
Net book value as at 1 January 2015	**1 507**	**8 854**	**–**	**–**	**10 361**
Net book value as at 31 December 2015	**1 126**	**5 500**	**–**	**–**	**6 626**

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

In 2015, the Company liquidated some of the intangible assets manufactured on its own due to the fact that they were not used in the Company's operations. The net value of the liquidated intangible assets amounted to PLN 866 thousand.

Intangible assets in the period from 1 January 2015 to 30 June 2015 (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 2015	**4 632**	**12 590**	**–**	**–**	**17 222**
Additions	1	–	–	–	1
Net foreign exchange differences	(2)	–	–	–	(2)
Gross value as at 30 June 2015	**4 631**	**12 590**	**–**	**–**	**17 221**
Accumulated amortization as at 1 January 2015	**(3 125)**	**(3 736)**	**–**	**–**	**(6 861)**
Amortization for the current period	(291)	(1 259)	–	–	(1 550)
Accumulated amortization as at 30 June 2015	**(3 416)**	**(4 995)**	**–**	**–**	**(8 411)**
Net book value as at 1 January 2015	**1 507**	**8 854**	**–**	**–**	**10 361**
Net book value as at 30 June 2015	**1 215**	**7 595**	**–**	**–**	**8 810**

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

18. Property, plant and equipment

Property, plant and equipment in the period from 1 January 2016 to 30 June 2016 (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 2016	**7 710**	**6 115**	**141**	**–**	**13 966**
Additions	440	90	(33)	–	497
Sale and scrapping	(18)	(6)	–	–	(24)
Net foreign exchange differences	40	94	2	–	136
Gross value as at 30 June 2016	**8 172**	**6 293**	**110**	**–**	**14 575**
Accumulated amortization as at 1 January 2016	**(6 180)**	**(4 329)**	**–**	**–**	**(10 509)**
Amortization for the current period	(527)	(344)	–	–	(871)
Sale and scrapping	18	6	–	–	24
Net foreign exchange differences	(29)	(68)	–	–	(97)
Accumulated amortization as at 30 June 2016	**(6 718)**	**(4 735)**	**–**	**–**	**(11 453)**
Net book value as at 1 January 2016	**1 530**	**1 786**	**141**	**–**	**3 457**
Net book value as at 30 June 2016	**1 454**	**1 558**	**110**	**–**	**3 122**

Property, plant and equipment in the period from 1 January 2015 to 31 December 2015 (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 2015	**7 134**	**5 548**	**418**	**–**	**13 100**
Additions	864	580	(277)	–	1 167
Sale and scrapping	(289)	(28)	–	–	(317)
Net foreign exchange differences	1	15	–	–	16
Gross value as at 31 December 2015	**7 710**	**6 115**	**141**	**–**	**13 966**
Accumulated amortization as at 1 January 2015	**(5 475)**	**(3 645)**	**–**	**–**	**(9 120)**
Amortization for the current period	(968)	(703)	–	–	(1 671)
Sale and scrapping	266	29	–	–	295
Net foreign exchange differences	(3)	(10)	–	–	(13)
Accumulated amortization as at 31 December 2015	**(6 180)**	**(4 329)**	**–**	**–**	**(10 509)**
Net book value as at 1 January 2015	**1 659**	**1 903**	**418**	**–**	**3 980**
Net book value as at 31 December 2015	**1 530**	**1 786**	**141**	**–**	**3 457**

Property, plant and equipment in the period from 1 January 2015 to 30 June 2015 (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 2015	**7 134**	**5 548**	**418**	**–**	**13 100**
Additions	341	411	(164)	–	588
Net foreign exchange differences	(15)	(28)	–	–	(43)
Gross value as at 30 June 2015	**7 460**	**5 931**	**254**	**–**	**13 645**
Accumulated amortization as at 1 January 2015	**(5 475)**	**(3 645)**	**–**	**–**	**(9 120)**
Amortization for the current period	(490)	(342)	–	–	(832)
Sale and scrapping	(6)	–	–	–	(6)
Net foreign exchange differences	10	18	–	–	28
Accumulated amortization as at 30 June 2015	**(5 961)**	**(3 969)**	**–**	**–**	**(9 930)**
Net book value as at 1 January 2015	**1 659**	**1 903**	**418**	**–**	**3 980**
Net book value as at 30 June 2015	**1 499**	**1 962**	**254**	**–**	**3 715**

Non-current assets by geographical area

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	7 959	9 535	12 035
- including Poland	*7 349*	*8 885*	*11 372*
Western Europe	550	548	490
- including Spain	*284*	*322*	*359*
Total non-current assets	**8 509**	**10 083**	**12 525**

19. Amounts due to customers

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Amounts due to customers	303 546	289 285	283 809

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

20. Financial liabilities held for trading

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
CFDs			
Index CFDs	4 459	5 526	7 342
Commodity CFDs	2 560	1 113	826
Currency CFDs	1 999	2 267	3 624
Stock CFDs	715	764	350
Bond CFDs	23	16	8
Financial liabilities held for trading in total	**9 756**	**9 686**	**12 150**

21. Other liabilities

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Trade liabilities	9 232	9 761	6 519
Provisions for other employee benefits	7 761	12 446	9 075
Statutory liabilities	3 048	2 922	3 020
Liabilities due to employees	435	479	312
Liabilities under finance lease	324	375	425
Amounts due to the Central Securities Depository of Poland	42	32	–
Amounts due to brokers	–	–	1 179
Total other liabilities	**20 842**	**26 015**	**20 530**

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

As at 30 June 2016, salaries and employee benefits included the provision for variable remuneration elements in the amount of PLN 1 186 thousand (as at 31 December 2015: PLN 439 thousand, as at 30 June 2015: PLN 549 thousand).

22. Provisions for liabilities and contingent liabilities

22.1 Provisions for liabilities

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Provision for retirement benefits	83	83	73
Provision for legal risk	1 079	748	443
Total provisions	**1 162**	**831**	**516**

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

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

Movements in provisions in the period from 1 January 2016 to 30 June 2016 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES		VALUE AS AT 30.06.2016
			USE	REVERSAL	
Provision for retirement benefits	83	–	–	–	83
Provision for legal risk	748	331	–	–	1 079
Total provisions	**831**	**331**	**–**	**–**	**1 162**

Movements in provisions in the period from 1 January 2015 to 31 December 2015 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2015	INCREASES	DECREASES		VALUE AS AT 31.12.2015
			USE	REVERSAL	
Provision for retirement benefits	73	10	–	–	83
Provision for legal risk	450	298	–	–	748
Total provisions	**523**	**308**	**–**	**–**	**831**

Movements in provisions in the period from 1 January 2015 to 30 June 2015 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2015	INCREASES	DECREASES		VALUE AS AT 30.06.2015
			USE	REVERSAL	
Provision for retirement benefits	73	–	–	–	73
Provision for legal risk	450	–	–	7	443
Total provisions	**523**	**–**	**–**	**7**	**516**

22.2 Contingent liabilities

The Company is the party to a number of court proceedings associated with its operations. The proceedings in which the Company acts as defendans relate mainly to employees' and customers' claims. As at 30 June 2016, the total value of claims brought against the Company, uncovered with the provisions, amounted to approx. PLN 4,68 million (as at 31

December 2015: PLN 4,69 mln and as at 30 June 2015: PLN 4,50 mln). Company has not created provisions for the above proceedings. In the assessment of the Company there is low probability of loss in these proceedings.

On May 9, 2014, the Company issued a guarantee in the amount of 15 thousand. USD 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.

23. Equity

Share capital structure as at 30 June 2016 (unaudited) and 31 December 2015 (audited)

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

Share capital structure as at 30 June 2015 (unaudited)

SERIES/ISSUE	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN)	NOMINAL VALUE OF ISSUE (IN PLN'000)
Series A, B, C, D, E	321 599	18,25	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. On 2 September 2015, the Extraordinary General Shareholders' Meeting of the Company passed a resolution on a share split and a change in the numbering of series of shares. As a result, the nominal value of the shares changed from PLN 18,25 to PLN 0,05 per share, and the number of shares changed from 321 599 to 117 383 635. The shares are now A-series ordinary registered shares.

Shareholding structure of the Company

The shareholding structure of the Company as at each date was as follows:

30.06.2016 (UNAUDITED)	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 446 216	3 922	66,83%
Systexan SARL	22 302 960	1 115	19,00%
Other shareholders	16 634 459	832	14,17%
Total	**117 383 635**	**5 869**	**100,00%**

On the 6 May 2016 the initial public offering was conducted, in which the key shareholder sold 16 433 709 shares in the Company. After the allotment of the offer shares was made under the offering made on the 29 April 2016, the Company received a notification from one of its shareholders, XXZW Investment Group S.A., with its registered office in Luxembourg, in accordance with Article 69 of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, informing that following the sale of 16 433 709 A-series ordinary shares in the Company, the shareholder holds 78 446 216 shares/votes representing 66,83% share in the share capital/overall number of votes at the General Meeting of Shareholders.

31.12.2015 (AUDITED)	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	94 879 925	4 744	80,83%
Systexan SARL	22 302 960	1 115	19,00%
Other shareholders	200 750	10	0,17%
Total	**117 383 635**	**5 869**	**100,00%**

30.06.2015 (UNAUDITED)	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	259 945	4 744	80,83%
Systexan SARL	61 104	1 115	19,00%
Other shareholders	550	10	0,17%
Total	**321 599**	**5 869**	**100,00%**

Other capitals

Other capitals consist of:

- supplementary capital, mandatorily established from annual profit distribution to be used to cover potential losses that may occur in connection with the Company's operations, up to the amount of at least one third of the share capital, amounting to PLN 1 957 thousand and from surplus of the issue price over the nominal price in the amount of PLN 69 651 thousand, resulting from the capital increase in 2012 with a nominal value of PLN 348 thousand for the price of PLN 69 999 thousand,
- reserve capital, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend in the amount of PLN 212 416 thousand,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of branches and foreign operations in the amount of PLN 1 664 thousand.

24. Profit distribution and dividend

Pursuant to the decision of the General Shareholders' Meeting of the Company, the net profit for 2015 in the amount of PLN 115 021 thousand was partially earmarked for the payment of a dividend in the amount of PLN 91 559 thousand, the remaining amount was transferred to reserve capital.

The dividend on ordinary shares for 2015, paid between 30 March to 8 April 2016, amounted to PLN 91 559 thousand (for 2014 dividend amounted to PLN 77 521 thousand).

The amount of dividend per share paid for 2015 was equal to PLN 0,78, the amount of dividend per share paid for 2014 was equal to PLN 0,66.

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 30.06.2016 (UNAUDITED)	SIX-MONTH PERIOD ENDED 30.06.2015 (UNAUDITED)
Profit from continuing operations	20 141	49 690
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	341 640	341 640
Weighted average number of shares including dilution effect	117 725 275	117 725 275
Basic net profit per share from continuing operations for the year	0,17	0,42
Diluted net profit per share from continuing operations for the year	0,17	0,42

26. Income tax and deferred income tax

26.1 Income tax

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Income tax - current portion		
Income tax for the reporting period	(4 832)	(11 906)
Income tax - deferred portion		
Occurrence/reversal of temporary differences	3 611	(342)
Income tax disclosed in profit or loss	**(1 221)**	**(12 248)**

Reconciliation of the actual tax burden

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Profit before tax	**21 362**	**61 938**
Income tax based on the applicable tax rate of 19%	**(4 059)**	**(11 768)**
Difference resulting from application of tax rates applicable in other countries	(120)	(94)
Non-taxable revenue	17	108
Non-deductible expenses	(281)	(611)
Tax losses for the reporting period not included in the deferred income tax	–	–
Usage of tax losses not included in the deferred income tax	24	18
Realisation of tax losses for the preceding periods (write-off of tax losses realised in the previous years)	3 348	–
Other items affecting the tax burden amount	(150)	99
Income tax disclosed in profit or loss	**(1 221)**	**(12 248)**

26.2 Deferred income tax

Change in the balance of deferred tax for the period from 1 January to 30 June 2016 (unaudited)

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
Deferred income tax assets:			
Property, plant and equipment	143	8	151
Loans granted and other receivables	3	1	4
Financial liabilities held for trading	1 840	14	1 854
Provisions for liabilities	16	57	73
Prepayments and deferred costs	1 645	(393)	1 252
Other liabilities	19	70	89
Tax losses of previous periods to be settled in future periods*	8 841	2 929	11 770
Total deferred income tax assets	**12 507**	**2 686**	**15 193**

**Deferred tax asset on tax losses recognized in 2016 concerns tax reliefs for tax losses of liquidated branch offices claimed by the Company.*

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 30.06.2016
Deferred income tax provision:			
Financial assets held for trading	11 866	(849)	11 017
Other liabilities	–	46	46
Loans granted and other receivables	33	(33)	–
Prepayments	–	150	150
Property, plant and equipment	1 092	(239)	853
Total deferred income tax provision	**12 991**	**(925)**	**12 066**
Deferred tax disclosed in profit or (loss)	**–**	**3 611**	**–**

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 30.06.2016
Deferred tax provision included directly in the equity:			
Separate equity of branches	188	298	486
Total deferred tax provision through equity	**188**	**298**	**486**

Change in the balance of deferred tax for the period from 1 January 2015 to 31 December 2015 (audited)

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 31.12.2015
Deferred income tax assets:			
Property, plant and equipment	125	18	143
Loans granted and other receivables	–	3	3
Financial liabilities held for trading	2 740	(900)	1 840
Provisions for liabilities	14	2	16
Prepayments and deferred costs	1 400	245	1 645
Other liabilities	–	19	19
Tax losses of previous periods to be settled in future periods	9 200	(359)	8 841
Total deferred income tax assets	**13 479**	**(972)**	**12 507**

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 31.12.2015
Deferred income tax provision:			
Financial assets held for trading	11 583	283	11 866
Loans granted and other receivables	–	33	33
Property, plant and equipment	1 742	(650)	1 092
Total deferred income tax provision	**13 325**	**(334)**	**12 991**
Deferred tax disclosed in profit or (loss)	**–**	**(638)**	**–**

(IN PLN'000)	AS AT 01.01.2015	INCLUDED IN EQUITY	AS AT 31.12.2015
Deferred tax provision included directly in the equity:			
Separate equity of branches	241	(53)	188
Total deferred tax provision through equity	**241**	**(53)**	**188**

Change in the balance of deferred tax for the period from 1 January to 30 June 2015 (unaudited)

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 30.06.2015
Deferred income tax assets:			
Property, plant and equipment	125	4	129
Financial liabilities held for trading	2 740	(432)	2 308
Provisions for liabilities	14	–	14
Prepayments and deferred costs	1 400	(12)	1 388
Tax losses of previous periods to be settled in future periods	9 200	(298)	8 902
Total deferred income tax assets	**13 479**	**(738)**	**12 741**

(IN PLN'000)	AS AT 01.01.2015	PROFIT OR (LOSS)	AS AT 30.06.2015
Deferred income tax provision:			
Financial assets held for trading	11 583	(149)	11 434
Property, plant and equipment	1 742	(247)	1 495
Total deferred income tax provision	**13 325**	**(396)**	**12 929**
Deferred tax disclosed in profit or (loss)	**–**	**(342)**	**–**

(IN PLN'000)	AS AT 01.01.2015	INCLUDED IN EQUITY	AS AT 30.06.2015
Deferred tax provision included directly in the equity:			
Separate equity of branches	241	(134)	107
Total deferred tax provision through equity	**241**	**(134)**	**107**

Geographical division of deferred tax assets

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Deferred income tax assets			
Central and Eastern Europe	135	71	154
- including Poland	–	–	–
Western Europe	9 058	8 895	8 927
- including Spain	–	–	–
Total deferred income tax assets	**9 193**	**8 966**	**9 081**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2016 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION
Poland	5 972	12 524	–	6 552
Czech Republic	25	13	12	–
Slovakia	139	15	124	–
Germany	3 133	–	3 133	–
France	5 924	–	5 924	–
Total	**15 193**	**12 552**	**9 193**	**6 552**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 December 2015 (audited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION
Poland	3 501	13 139	–	9 638
Czech Republic	30	7	23	–
Slovakia	82	33	49	–
Germany	3 102	–	3 102	–
France	5 792	–	5 792	–
Total	**12 507**	**13 179**	**8 966**	**9 638**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 30 June 2015 (unaudited):

(IN PLN'000)	DATA ACCORDING TO THE NATURE OF ORIGIN		DATA PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION	DEFERRED INCOME TAX ASSTES	DEFERRED INCOME TAX PROVISION
Poland	3 655	13 031	–	9 376
Czech Republic	99	4	95	–
Slovakia	60	1	59	–
Germany	3 146	–	3 146	–
France	5 781	–	5 781	–
Total	**12 741**	**13 036**	**9 081**	**9 376**

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 Parent Company. It holds 66,83% of shares and votes in the General Meeting. XXZW Investment Group S.A. prepares consolidated financial statements.

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

27.2 Incomes and costs

(IN PLN'000)	1.01.2016 - 30.06.2016		1.01.2015 - 30.06.2015	
	INCOMES (UNAUDITED)	COSTS (UNAUDITED)	INCOMES (UNAUDITED)	COSTS (UNAUDITED)
Parent Company	–	–	–	–
Subsidiaries:				
XTB Limited	7 412	(14 170)	3 108	(9 691)
Dub Investments	79	(604)	74	(518)
X Open Hub Sp. z o.o.	689	(61)	585	(152)
X Trade Brokers Menkul Değerler A.Ş.	8 666	(8 729)	16 228	(6 917)
Lirsar S.A.	10	–	4	–

27.3 Receivables

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Parent Company	–	–	4
Subsidiaries:			
XTB Limited	1 934	5 543	1 692
Dub Investments	13	13	13
X Open Hub Sp. z o.o.	647	468	275
X Trade Brokers Menkul Değerler A.Ş.	4 747	4 885	6 267
Lirsar S.A.	689	658	635

27.4 Liabilities

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Parent Company	–	–	–
Subsidiaries:			
XTB Limited	4 123	3 849	3 947
Dub Investments	197	49	82
X Open Hub Sp. z o.o.	28	34	26
X Trade Brokers Menkul Değerler A.Ş.	6 105	6 574	6 741
Lirsar S.A.	–	–	–

27.5 Benefits to Management and Supervisory Board

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Benefits to the Management Board members	(1 596)	(743)
Benefits to the Supervisory Board members	(66)	–
Total benefits to the Management and Supervisory Board members	**(1 662)**	**(743)**

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 in the years 2015 - 2018 acquired by the members of the Management Board amounts to PLN 1 186 thousand.

Members of the Management Board of the Company, within the framework of the Options Program described in note 27.6 of the financial statements, acquired 341 640 rights to shares with the total value of PLN 462 thousand as at the balance-sheet date

27.6 Share-based payments

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

	31.12.2013 (AUDITED)	31.12.2012 (AUDITED)	31.12.2011 (AUDITED)
Number of rights granted to employee 1	–	41 245	43 800
Number of rights granted to employee 2	123 370	–	95 995
Number of rights granted to employee 3	–	–	37 230
Total number of rights granted	**123 370**	**41 245**	**177 025**

No rights to shares were granted in the period covered by the half-year condensed financial statements.

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

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

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

Unrealized rights to shares

	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	341 640	341 640	341 640
Granted rights to shares	–	–	–
Lost rights to shares	–	–	–
Realized rights to shares	–	–	–
Expired rights to shares	–	–	–
Unrealized rights to shares as at the end of the period	**341 640**	**341 640**	**341 640**

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

27.7 Loans granted to the Management and Supervisory Board members

As at 30 June 2016, 31 December 2015 and 30 June 2015, 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 loans granted and other receivables

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Change in loans granted and other receivables	1 807	296
Change in loans granted (unreceived interests)	23	–
Loans granted presented in investing activities	–	622
Valuation and accrued interests from loans granted	–	3
Change in the balance of loans granted and other receivables	**1 830**	**921**

28.2 Change in the balance of other liabilities

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Change in other liabilities	(5 172)	(1 078)
Payment of finance lease liabilities	51	88
Change in balance of other liabilities	**(5 121)**	**(990)**

28.3 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	1 000	25
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	(42)	17
Change in other adjustments	**958**	**42**

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

From 15 to 16 July 2016 there was a coup attempt in Turkey. The failed military coup in Turkey does not have a significant bearing on the financial situation of the subsidiary X Trade Brokers Menkul Değerler A.Ş. The Management Board currently sees no significant threat or consequences caused by the failed coup in Turkey for the business activities of the subsidiary.

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

30.1 Nominal value of derivatives

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
CFDs			
Index CFDs	860 306	1 140 266	972 100
Currency CFDs	734 614	1 065 917	1 015 092
Commodity CFDs	283 379	267 666	240 702
Stock CFDs	48 822	92 934	52 006
Bond CFDs	29 769	9 308	8 731
Total derivatives	**1 956 890**	**2 576 091**	**2 288 631**

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 30 June 2016, transactions with brokers represent 2% of the total nominal value of instruments (as at 31 December 2015: 12% of the total nominal value of instruments, as at 30 June 2015: 6% 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)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	221	221	186
Other securities registered in customers' securities accounts	340	341	259
Total customers' financial instruments	**561**	**562**	**445**

31. Items regarding the compensation scheme

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016 (UNAUDITED)	30.06.2015 (UNAUDITED)
1. Contributions made to the compensation scheme		
a) opening balance	2 204	1 733
- increases	*224*	*238*
b) closing balance	2 428	1 971
2. XTB's share in the profits from the compensation scheme	**164**	**136**

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 27 September 2012 on defining detailed technical and organisational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2012, item 1072, as amended).

The principles of calculation of own funds are established in the "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 half-year condensed financial statements the Company was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
The Company's own funds	**231 944**	**213 911**	**207 659**
Tier I Capital	231 944	213 911	207 659
Common Equity Tier I capital	231 944	213 911	207 659
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total risk exposure	**1 567 663**	**1 612 615**	**1 251 662**
Capital conservation buffer	19 596	N/A	N/A
Countercyclical capital buffer	774	N/A	N/A
Combined buffer requirement	**20 370**	**N/A**	**N/A**

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 30.06.2016 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD (UNAUDITED)	AS AT 31.12.2015 (AUDITED)	AS AT 30.06.2015 (UNAUDITED)
1. Capital/Own funds	231 944	225 588	213 911	207 659
1.1. Base capital/Common Equity Tier I without deductions	289 429	278 786	266 632	262 797
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(57 485)	(53 198)	(52 721)	(55 138)
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	**231 944**	**225 588**	**213 911**	**207 659**
1. Market risk	61 841	71 618	65 623	45 987
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	3 595	3 770	4 040	3 698
3. Credit risk	26 284	28 029	25 653	21 871
4. Operating risk	33 693	33 142	33 693	28 577
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	**125 413**	**136 559**	**129 009**	**100 133**
IIb. Total risk exposure	**1 567 663**	**1 706 992**	**1 612 615**	**1 251 662**
Capital conservation buffer	19 596	21 337	N/A	N/A
Countercyclical capital buffer	774	469	N/A	N/A
Combined buffer requirement	**20 370**	**21 806**	N/A	N/A

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

There were no changes in the risk management system in the periods covered by the half-year condensed financial statements.

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, including procedures for internal capital estimation, capital management and planning.

33.1 Fair value

33.1.1 Carrying amount and fair value

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

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

33.1.2 Fair value hierarchy

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

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

(IN PLN'000)	30.06.2016 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	57 986	–	**57 986**
Total assets	**–**	**57 986**	**–**	**57 986**
Financial liabilities				
Financial liabilities held for trading	–	9 756	–	**9 756**
Total liabilities	**–**	**9 756**	**–**	**9 756**

(IN PLN'000)	31.12.2015 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	62 452	–	**62 452**
Total assets	**–**	**62 452**	**–**	**62 452**
Financial liabilities				
Financial liabilities held for trading	–	9 686	–	**9 686**
Total liabilities	**–**	**9 686**	**–**	**9 686**

(IN PLN'000)		30.06.2015 (UNAUDITED)		
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	60 179	–	**60 179**
Total assets	**–**	**60 179**	**–**	**60 179**
Financial liabilities				
Financial liabilities held for trading	–	12 150	–	**12 150**
Total liabilities	**–**	**12 150**	**–**	**12 150**

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

There were no changes in the market risk management system in the periods covered by the half-year condensed financial statements.

In the period covered by these half-year condensed 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:

The Management Board defines in the investment strategy short-, medium-, and long-term investment objectives, rules of establishment and methods of management of an investment portfolio, amount of funds to be invested, as well as the rules and mechanisms for hedging against excesses of the permitted exposure concentration limits and large exposures. The resolution is approved by the Supervisory Board. 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 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 2016 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN									CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	OTHER CURRENCIES	TOTAL	
Assets										
Own cash and cash equivalents	47 989	94 882	1 960	24 138	4 052	3 581	7 648	–	184 250	193 995
Customers' cash and cash equivalents	11 890	155 285	12	31 026	3 727	4 549	249	–	206 738	295 814
Financial assets held for trading	2 792	25 050	109	4 135	1 134	975	1 523	20	35 738	57 986
Investments in subsidiaries	–	–	–	–	–	–	–	–	–	66 095
Income tax receivables	–	30	–	2 554	–	–	–	–	2 584	8 215
Loans granted and other receivables	3 513	3 614	395	162	–	77	3 690	263	11 714	12 123
Prepayments and deferred costs	–	187	–	143	–	3	–	–	333	3 453
Intangible assets	–	43	–	35	–	2	–	–	80	5 387
Property, plant and equipment	–	617	–	440	–	24	–	–	1 081	3 122
Deferred income tax assets	–	9 182	–	11	–	–	–	–	9 193	9 193
Total assets	**66 184**	**288 890**	**2 476**	**62 644**	**8 913**	**9 211**	**13 110**	**283**	**451 711**	**655 383**
Liabilities										
Amounts due to customers	13 500	156 025	8	31 327	3 899	4 621	3 931	–	213 311	303 546
Financial liabilities held for trading	497	3 892	16	547	105	628	65	10	5 760	9 756
Income tax liabilities	–	299	–	–	–	–	–	–	299	2 317
Other liabilities	293	6 694	1 969	1 590	–	273	1 164	–	11 983	20 842
Provisions for liabilities	–	–	–	–	–	778	–	–	778	1 162
Deferred income tax provision	–	–	–	–	–	–	–	–	–	6 552
Total liabilities	**14 290**	**166 910**	**1 993**	**33 464**	**4 004**	**6 300**	**5 160**	**10**	**232 131**	**344 175**

Assets and liabilities denominated in foreign currencies as at 31 December 2015 (audited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	TOTAL	
Assets									
Own cash and cash equivalents	67 637	132 088	3 924	32 734	7 967	2 620	8 769	255 739	275 592
Customers' cash and cash equivalents	23 305	146 290	1	25 558	2 337	4 066	88	201 645	282 793
Financial assets held for trading	3 025	27 224	226	4 435	779	1 394	1 211	38 294	62 452
Investments in subsidiaries	–	–	–	–	–	–	–	–	63 447
Income tax receivables	–	630	–	1 567	–	–	–	2 197	2 198
Loans granted and other receivables	5 408	2 599	718	141	77	101	4 540	13 584	13 930
Prepayments and deferred costs	–	221	–	143	–	6	–	370	2 181
Intangible assets	–	53	–	42	–	5	–	100	6 626
Property, plant and equipment	–	617	–	454	–	27	–	1 098	3 457
Deferred income tax assets	–	8 943	–	22	–	–	–	8 965	8 966
Total assets	**99 375**	**318 665**	**4 869**	**65 096**	**11 160**	**8 219**	**14 608**	**521 992**	**721 642**
Liabilities									
Amounts due to customers	25 034	146 149	8	25 527	2 338	4 127	4 550	207 733	289 285
Financial liabilities held for trading	694	4 431	233	363	33	562	23	6 339	9 686
Income tax liabilities	–	106	–	–	–	–	–	106	4 561
Other liabilities	200	7 687	3 214	1 611	75	425	1 753	14 965	26 015
Provisions for liabilities	–	–	–	–	–	748	–	748	831
Deferred income tax provision	–	–	–	–	–	–	–	–	9 638
Total liabilities	**25 928**	**158 373**	**3 455**	**27 501**	**2 446**	**5 862**	**6 326**	**229 891**	**340 016**

Assets and liabilities denominated in foreign currencies as at 30 June 2015 (unaudited)

(IN PLN'000)	VALUE IN FOREIGN CURRENCIES CONVERTED TO PLN								CARRYING AMOUNT
	USD	EUR	GBP	CZK	HUF	RON	TRY	TOTAL	
Assets									
Own cash and cash equivalents	28 313	85 648	3 550	18 902	5 832	3 195	7 962	153 402	208 421
Customers' cash and cash equivalents	17 277	148 354	197	26 718	3 749	4 271	250	200 816	278 805
Financial assets held for trading	1 774	28 842	27	4 431	1 591	1 014	1 193	38 872	60 179
Investments in subsidiaries	–	–	–	–	–	–	–	–	63 447
Income tax receivables	–	232	–	686	–	–	–	918	1 270
Loans granted and other receivables	2 341	1 289	233	270	98	121	6 090	10 442	11 017
Prepayments and deferred costs	–	281	–	189	–	3	–	473	1 822
Intangible assets	–	36	–	81	–	9	–	126	8 810
Property, plant and equipment	–	557	–	436	–	36	–	1 029	3 715
Deferred income tax assets	–	8 986	–	95	–	–	–	9 081	9 081
Total assets	**49 705**	**274 225**	**4 007**	**51 808**	**11 270**	**8 649**	**15 495**	**415 159**	**646 567**
Liabilities									
Amounts due to customers	19 062	146 425	114	26 943	3 867	4 800	5 358	206 569	283 809
Financial liabilities held for trading	1 868	5 584	5	1 022	38	261	25	8 803	12 150
Income tax liabilities	–	1 905	–	–	–	–	–	1 905	3 924
Other liabilities	49	6 318	2 580	1 386	–	439	1 125	11 897	20 530
Provisions for liabilities	–	–	–	–	–	443	–	443	516
Deferred income tax provision	–	–	–	–	–	–	–	–	9 376
Total liabilities	**20 979**	**160 232**	**2 699**	**29 351**	**3 905**	**5 943**	**6 508**	**229 617**	**330 305**

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)	30.06.2016 (UNAUDITED)		30.06.2015 (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	7 902	(7 902)	9 470	(9 470)
Equity, of which:	1 413	(1 413)	1 362	(1 362)
Foreign exchange differences on translation	1 413	(1 413)	1 362	(1 362)

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)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Financial assets			
Cash and cash equivalents	489 809	558 385	487 226
Total financial assets	**489 809**	**558 385**	**487 226**
Financial liabilities			
Amounts due to customers	100 099	62 132	65 290
Other liabilities	345	375	425
Total financial liabilities	**100 444**	**62 507**	**65 715**

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 first quarter of 2016 and 2015, using the average 1M interest rate in a given market.

(IN PLN'000)	30.06.2016 (UNAUDITED)		30.06.2015 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit (loss) before tax	2 716	(2 716)	2 577	(2 577)

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 unfavorable 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)	30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Financial assets held for trading			
Commodity CFDs			
Precious metals	2 573	3 146	1 959
Base metals	157	335	138
Other	5 589	8 322	6 570
Total commodity CFDs	**8 319**	**11 803**	**8 667**
Equity instruments			
Stocks	2 161	2 237	1 856
Indicies	36 020	35 376	33 781
Total equity instruments	**38 181**	**37 613**	**35 637**
Debt instruments	**664**	**55**	**104**
Total financial assets held for trading	**47 164**	**49 471**	**44 408**
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	1 430	200	165
Base metals	71	17	14
Other	1 058	895	647
Total commodity CFDs	**2 559**	**1 112**	**826**
Equity instruments			
Stocks	716	764	350
Indicies	4 459	5 526	7 342
Total equity instruments	**5 175**	**6 290**	**7 692**
Debt instruments	**23**	**16**	**8**
Total financial liabilities held for trading	**7 757**	**7 418**	**8 526**

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

(IN PLN'000)	30.06.2016 (UNAUDITED) INCREASE BY 5%	DECREASE BY 5%	30.06.2015 (UNAUDITED) INCREASE BY 5%	DECREASE BY 5%
Income (expenses) of the period				
Commodity CFDs				
Precious metals	1 889	(1 889)	(5 038)	5 038
Base metals	(119)	119	(102)	102
Other	(176)	176	(819)	819
Total commodity CFDs	**1 594**	**(1 594)**	**(5 959)**	**5 959**
Equity instruments				
Stocks	10	(10)	(1 752)	1 752
Indicies	6 814	(6 814)	(9 414)	9 414
Total equity instruments	**6 824**	**(6 824)**	**(11 166)**	**11 166**
Debt instruments	**1 316**	**(1 316)**	**262**	**(262)**
Total income (expenses) for the period	**9 734**	**(9 734)**	**(16 863)**	**16 863**

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 described in the procedure for the management of own cash and cash equivalents. The essence of the model 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 Trading Department. Trading 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. Selected accounts are monitored on a daily basis.

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 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 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 2016 (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	489 809	489 809	489 809	–	–	–	–
Financial assets held for trading							
CFDs	57 986	57 986	57 986	–	–	–	–
Total financial assets held for trading	57 986	57 986	57 986	–	–	–	–
Investments in subsidiaries	66 095	66 095	–	–	–	–	66 095
Loans granted and other receivables	12 123	12 123	11 120	42	797	164	–
Total financial assets	**626 013**	**626 013**	**558 915**	**42**	**797**	**164**	**66 095**
Financial liabilities							
Amounts due to customers	303 546	303 546	303 546	–	–	–	–
Financial liabilities held for trading							
CFDs	9 756	9 756	9 756	–	–	–	–
Total financial liabilities held for trading	9 756	9 756	9 756	–	–	–	–
Other liabilities	20 842	20 842	13 095	7 558	189	–	–
Total financial liabilities	**334 144**	**334 144**	**326 397**	**7 558**	**189**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			232 518	(7 516)	608	164	66 095
Contractual cumulative liquidity gap			232 518	225 002	225 610	225 774	291 869

Contractual payment periods of financial assets and liabilities as at 31 December 2015 (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	558 385	558 385	558 385	–	–	–	–
Financial assets held for trading							
CFDs	62 452	62 452	62 452	–	–	–	–
Total financial assets held for trading	62 452	62 452	62 452	–	–	–	–
Investments in subsidiaries	63 447	63 447	–	–	–	–	63 447
Loans granted and other receivables	13 930	13 930	12 760	–	1 170	–	–
Total financial assets	**698 214**	**698 214**	**633 597**	**–**	**1 170**	**–**	**63 447**
Financial liabilities							
Amounts due to customers	289 285	289 285	289 285	–	–	–	–
Financial liabilities held for trading							
CFDs	9 686	9 686	9 686	–	–	–	–
Total financial liabilities held for trading	9 686	9 686	9 686	–	–	–	–
Other liabilities	26 015	26 015	12 753	13 013	249	–	–
Total financial liabilities	**324 986**	**324 986**	**311 724**	**13 013**	**249**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			321 873	(13 013)	921	–	63 447
Contractual cumulative liquidity gap			321 873	308 860	309 781	309 781	373 228

Contractual payment periods of financial assets and liabilities as at 30 June 2015 (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	487 226	487 226	487 226	–	–	–	–
Financial assets held for trading							
CFDs	60 179	60 179	60 179	–	–	–	–
Total financial assets held for trading	60 179	60 179	60 179	–	–	–	–
Investments in subsidiaries	63 447	63 447	–	–	–	–	63 447
Loans granted and other receivables	11 017	11 017	10 093	4	735	101	84
Total financial assets	**621 869**	**621 869**	**557 498**	**4**	**735**	**101**	**63 531**
Financial liabilities							
Amounts due to customers	283 809	283 809	283 809	–	–	–	–
Financial liabilities held for trading							
CFDs	12 150	12 150	12 150	–	–	–	–
Total financial liabilities held for trading	12 150	12 150	12 150	–	–	–	–
Other liabilities	20 530	20 530	10 364	9 859	307	–	–
Total financial liabilities	**316 489**	**316 489**	**306 323**	**9 859**	**307**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			251 175	(9 855)	428	101	63 531
Contractual cumulative liquidity gap			251 175	241 320	241 748	241 849	305 380

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

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)	30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (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	489 809	489 809	558 385	558 385	487 226	487 226
Financial assets held for trading *	57 986	3 004	62 452	3 266	60 179	4 783
Financial assets available for sale	66 095	66 095	63 447	63 447	63 447	63 447
Loans granted and other receivables	12 123	12 123	13 930	13 776	11 017	17 861
Total financial assets	**626 013**	**571 031**	**698 214**	**638 874**	**621 869**	**573 317**

** As at 30 June 2016, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 57 986 thousand (as at 31 December 2015: PLN 62 452 thousand, as at 30 June 2015: PLN 60 179 thousand). This exposure was collateralised with customers' cash, which, as at 30 June 2016, covered the amount of PLN 54 982 thousand (as at 31 December 2105: PLN 59 186 thousand, as at 30 June 2015: PLN 55 396 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 – F2
- Standard & Poor's Ratings Services - from A-1 to A-3
- Moody's – from P-1 to P-3

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 2016, the Company had deposit accounts in 26 banks and institutions (as at 31 December 2015: in 27 banks and institutions, as at 30 June 2015: in 28 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period):

30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (UNAUDITED)	
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	93 519	Bank 1	96 946	Bank 1	85 439
Bank 2	69 068	Bank 2	71 254	Bank 2	57 898
Bank 3	67 491	Bank 3	62 549	Bank 3	52 374
Bank 4	60 614	Bank 4	60 058	Bank 4	51 510
Bank 5	32 311	Bank 5	46 973	Bank 5	33 844
Bank 6	29 671	Bank 6	36 647	Bank 6	32 844
Bank 7	25 017	Bank 7	26 786	Bank 7	26 143
Bank 8	21 750	Bank 8	26 265	Bank 8	19 847
Bank 9	21 450	Bank 9	25 213	Bank 9	19 735
Bank 10	12 431	Bank 10	24 201	Bank 10	16 586
Other	56 487	Other	81 493	Other	91 006
Total	**489 809**	**Total**	**558 385**	**Total**	**487 226**

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.

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000) 30.06.2016 (UNAUDITED)	31.12.2015 (AUDITED)	30.06.2015 (UNAUDITED)
Cash and cash equivalents			
Step 1	201 079	216 417	280 792
Step 2	263 893	313 330	161 757
Step 3	24 837	28 638	44 677
Step 4	–	–	–
Step 5	–	–	–
Step 6	–	–	–
Total	**489 809**	**558 385**	**487 226**

Financial assets held for trading

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

Credit risk involving financial assets held for trading is connected with the risk of customer or counterparty insolvency. With regard to OTC transactions with customers, the 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 30% 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.

Transactions executed by customers on a regulated market practically did not carry significant credit risks, as instructions are covered with funds in cash accounts or securities in securities accounts. The Company's hedging methods and conditions for accepting orders comply with the applicable regulations.

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

The 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):

30.06.2016 (UNAUDITED)		31.12.2015 (AUDITED)		30.06.2015 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	315	Entity 1	1103	Entity 1	1006
Entity 2	288	Entity 2	376	Entity 2	583
Entity 3	260	Entity 3	299	Entity 3	196
Entity 4	232	Entity 4	211	Entity 4	195
Entity 5	161	Entity 5	172	Entity 5	178
Entity 6	158	Entity 6	131	Entity 6	166
Entity 7	108	Entity 7	100	Entity 7	148
Entity 8	102	Entity 8	90	Entity 8	144
Entity 9	87	Entity 9	78	Entity 9	131
Entity 10	86	Entity 10	56	Entity 10	130
Total	**1 797**	**Total**	**2 616**	**Total**	**2 877**

Financial assets held to maturity

In the period covered with these half-year condensed financial statements there were no financial assets held to maturity.

Other receivables

Other receivables do not show a significant concentration, and they arose in the normal course of the 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, 25 August 2016

Jakub Malý President of the Management Board	Paweł Frańczak Member of the Management Board
Paweł Szejko Member of the Management Board	Ewa Stefaniak Person responsible for bookkeeping

xtb
online trading

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE GROUP

1. President's letter

Dear Shareholders,

Unlike the 2015 Swiss Franc depegging, this year's first six months have not been influenced by unexpected market events. Regardless, results for first quarter of 2016 has remained at appropriately high level. It is the second quarter of 2016 that brought attention to the increasing complexity of client vs. market correlations.

In the first three months the Group has accomplished the expected level of key performance indicators (KPI). In the institutional segment new liquidity contracts have been put into action and the spectrum of business customers enlarged. On the retail side, the performance remained at similar levels compared to the previous year.

In the second quarter of 2016 the Group's results have been influenced by the range trading, growth of markets supported by low interest rates commitment. Combination of all these factors have resulted not only in the drop of financial instruments volume traded in lots, but also in lower responsiveness to marketing activities.

Growth, compared to the first half of 2015, has been 10,1% in case of active accounts and the total amount of open accounts has hit 25,6% increase. Despite this, the volume traded among our retail and business partners has dropped by 15,8%, and resulted in 6,3% decrease in total deposits.

According to our retail marketing communication strategy, we have engaged in global branding campaign using an actor, Mads Mikkelsen. Admittedly, the creation of such campaign has resulted in significant increase of marketing expenses. However, as we now can see, thanks to quantitative marketing approach, brand is a very essential part of the market mix and we believe that it will bring effects in the upcoming quarters. Hence, we have to take into consideration client acquisition delay.

What is more, in the second quarter of 2016 we have all witnessed historical vote of the United Kingdom, placing it onto the road of leaving the European Union. Brexit has been a very well covered and expected event on the markets, followed by the whole world, causing a market stir, but didn't follow the same scenario as we have seen in January last year.

In relation to results generated for the second quarter intensified activities have been undertaken in order to accomplish our goals. We are convinced that the increasing number of active accounts as well as strong brand are solid foundations for future growth.

Yours sincerely,
Jakub Malý

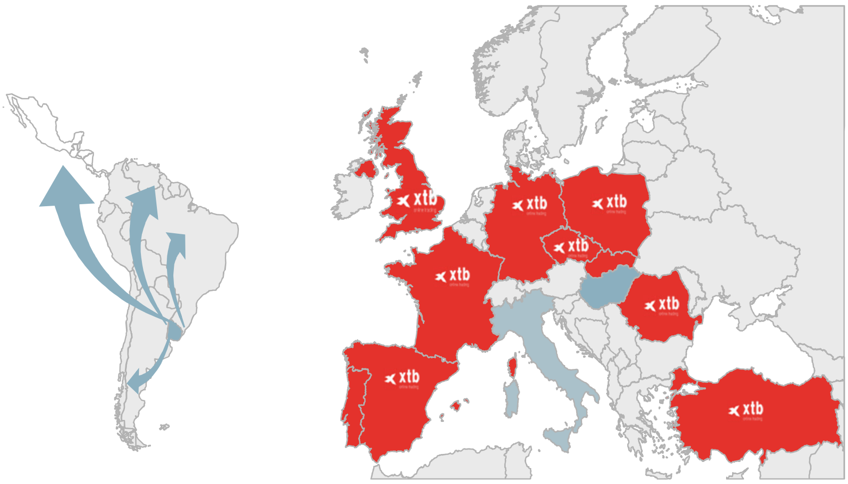
2. Basic information

General information

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

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

The Group operates on the basis of licences granted by regulators in Poland, the UK, Turkey, Cyprus and Uruguay. 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, Turkey, Portugal, France and Germany and has prioritised Latin America as a region for future development.



In the 1st half of 2016, the Group's total operating income, EBITDA and net profit amounted to PLN 113,8 million, PLN 21,4 million and PLN 23,0 million, respectively. In the 1st half of 2015, the Group's total operating income, EBITDA and net profit amounted to PLN 129,5 million, PLN 67,5 million and PLN 51,6 million, respectively.

Interim condensed financial statements for the 1st half of 2016 (separate and consolidated, respectively) have been prepared according to the International Accounting Standard 34 'Interim Financial Reporting' approved by the European Union. Other standards, amendments to the binding standards and interpretations of the International Financial Reporting Interpretations Committee which have been recently adopted or are expected to be adopted have no impact on the Group's operations or their impact would be immaterial. Detailed description of basis of preparation of the above mentioned financial statements has been presented in section 2 of the Half-year Condensed Consolidated Financial Statements and Half-year Condensed Financial Statements.

Products and services

The Group is an international provider of trading and investment products, services and solutions, specialising in OTC markets with a particular focus on CFDs, which are investment products with returns linked to the changes in the prices and values of underlying instruments and assets.

The Group offers two main trading platforms to both retail clients and institutional clients: (i) xStation; and (ii) MetaTrader 4 (MT4), which are supported by the Group's sophisticated, 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 online 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.

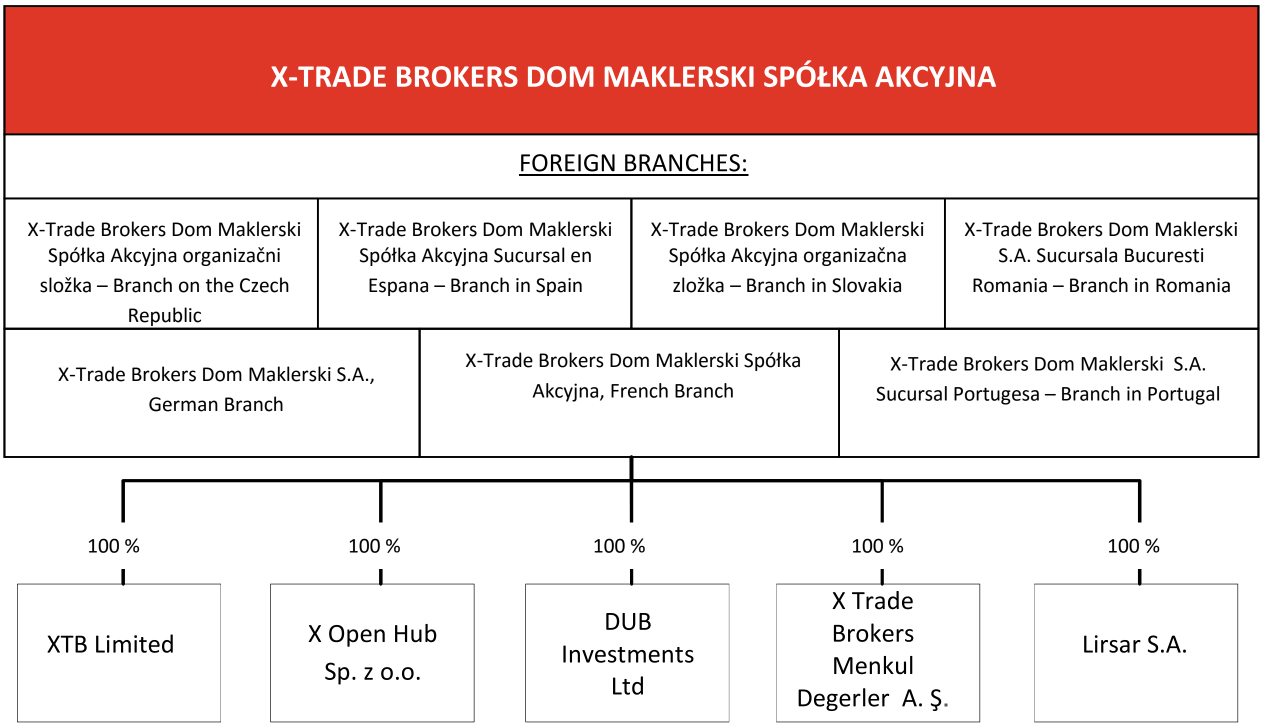
As at the end of the 1st half of 2016, the Group offered more than 1 500 CFDs with leverage, including approximately 50 instruments based on currency pairs, approximately 20 based on commodities, approximately 25 based on indices, approximately 1 400 based on shares of companies listed on stock exchanges in 12 countries and approximately 60 based on American and European ETFs. Additionally, in April 2016 the Group introduced to its portfolio CFD derivatives without leverage based on shares from international stock exchanges (so-called synthetic shares). Taking into account the synthetic shares, as at the end of the 1st half 2016, the Group increased its financial instruments portfolio to over 3 000.

The Group offers to its clients also an access to a social trading platform xSocial, which is fully integrated with xStation. This platform enables clients to select investors and copy their trades or place opposite trades (a user can select an investor who has disclosed his/her trades, applied risk management and hedging methods). Institutional client may also use the xRisk platform, which provides a complete risk management system.

3. Description of the Group's organization

As at the submission date of the foregoing report the Group comprised 5 subsidiaries. The Company has 7 foreign branches.

The chart below presents the corporate structure of the Group, including subsidiaries, together with the share in the share capital/in the number of votes at the general meeting or the meeting of shareholders which may be exercised by a given shareholder.



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

Neither the Parent company nor any Group Company holds any shares in other undertakings which could materially impact the assessment of its assets and liabilities, financial condition and profits and losses.

Subsidiaries

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

XTB Limited

XTB Limited business comprises, among other things, the following types of operations: (i) arranging (bringing about) investment deals; (ii) dealing in investments as an agent; and (iii) dealing in investments as the principal.

X Open Hub sp. z o.o.

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

DUB Investments Ltd

DUB Investments Ltd business comprises: (i) accepting and forwarding orders relating to one or more financial instruments; and (ii) managing share packages.

On 12 July 2016 Cypriot Securities and Exchange Commission "CySEC" approved to expand the brokerage licence of the company by the following investment services: (i) execution of orders on behalf of clients, (ii) dealing on own account and following ancillary services (i) safekeeping and administration of financial instruments on behalf of clients, including custodianship and related services such as cash/collateral management, (ii) granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction, and (iii) foreign exchange services where these are connected to the provision of investment services. Expanding of the brokerage license includes all financial instruments listed in Section C of the Annex 1 of MiFiD Directive.

X Trade Brokers Menkul Değerler A.Ş.

X Trade Brokers Menkul Değerler A.Ş. business encompasses among others: (i) investment consulting, (ii) trading in derivatives, (iii) leveraged trading on the forex market and (iv) trading intermediation.

Lirsar S.A.

Lirsar S.A. business comprises conducting operations within the scope of investment consulting.

In the period from 1 January 2016 to 30 June 2016 and as at the submission date of the foregoing report there were no changes in the X-Trade Brokers Dom Maklerski S.A. Group's structure.

4. Company's authorities

Management Board

In the reporting period the Management Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	DATE OF APPOINTMENT	EXIRATION DATE OF THE CURRENT TERM
Jakub Malý	Chairman of the Management Board	25.03.2014	29.06.2019
Paweł Frańczak	Board Member	31.08.2012	29.06.2019
Paweł Szejko	Board Member	28.01.2015	29.06.2019

In connection with the expiry of the term of office of the Management Board of the Company on 28 June 2016, acting pursuant to § 11 Section 3 - 5 of the Company's Articles of Association, the Issuer's Supervisory Board appointed on

23 June 2016 the Management Board of the Company for the common three year term of office, i.e. from 29 June 2016 till the end of 29 June 2019.

In the reporting period and till the submission date of this report there were no changes, apart from the changes described above, in the composition of the Management Board of the Parent Company.

Supervisory Board

As at 30 June 2016 and as at the submission date of this report, the Supervisory Board was composed of the following persons:

NAME AND SURNAME	FUNCTION	START DATE OF THE CURRENT TERM	EXIRATION DATE OF THE CURRENT TERM
Jakub Leonkiewicz	Chairman of the Supervisory Board	9.11.2015	9.11.2018
Łukasz Baszczyński	Board Member	9.11.2015	9.11.2018
Jarosław Jasik	Board Member	9.11.2015	9.11.2018
Michał Kędzia	Board Member	9.11.2015	9.11.2018
Bartosz Zabłocki	Board Member	9.11.2015	9.11.2018

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

5. The Group's operations

The Group's strategy is to strengthen its position as a technology driven international provider of trading and investment products, services and solutions in the EU, Turkey and Latin America by increasing its brand awareness, attracting more clients to its trading platforms and increasing clients' long-term investment profiles and loyalty. The Group's strategic plan is to enhance its growth through expansion into new markets, to continue penetrating existing markets, to expand the product and service offer of the Group, as well as growth of the institutional arm of the business (X Open Hub).

The Management Board believes that the Group has developed a strong foundation from which it is well positioned to generate future profitable growth.

In the 1st half of 2016, the Group consistently pursued its strategic objectives and introduced new instruments in the CFD EQUITY DMA. Several hundred new leveraged instruments based on underlying assets listed on global stock exchanges were prepared. In addition, the Group expanded the instruments portfolio with derivatives CFD without leverage based on shares from the international stock exchanges (i.e. the synthetic shares). Taking into account the synthetic shares, as at the end of the 1st half of the year, the Group increased total number of financial instruments portfolio to more than 3 000.

The Group consistently implement in its branches the modern tools for the comprehensive management of customer relations from the first contact through further service stages to signing the agreement and maintaining post-sale relations. The tools allow reporting and performing real-time analyses at every level of detail. It gives a better understanding of users and customers, which helps optimize the costs of obtaining and retaining customers and allows preparing an offer that better suits customers' needs and results in more effective realization of client's instructions.

In order to increase the quality and competitiveness of the services provided, the servers located in Germany were modernized in the 1st half of 2016, resulting in an even faster execution of the customers' orders.

In the 1st half of 2016 also xStation for SmartWatch and a new, improved version of xStation for Android were released.

The 1st half of 2016 was also a period of increased marketing and sales activity of the Group on selected markets. In the 2nd quarter, the Group launched a global branding campaign with actor Mads Mikkelsen.

The Group was also actively engaged in the process of investor education through the organization of free workshops and conferences, and providing access to educational materials for both beginners and more experienced investors. An educational project with the participation of football player Grzegorz Krychowiak was launched which allows the beginners to acquire the necessary knowledge on financial instruments, the possibilities offered by the capital market, but also the risks associated with it, so that they can smoothly enter the world of investments.

In order to develop the institutional arm of the Group's business and to increase its share in the total Group revenues, in the 1st quarter of 2016 new liquidity contracts have been put into action and the spectrum of business customers enlarged. As a result, in the 1st half of 2016 the institutional segment generated 7,1% of the Group's operating income, while in the same period of the previous year it accounted for 1,7% of operating income.

The Group continues to closely monitor all investment opportunities in companies providing similar products and services in the markets in which the Group operates that could complement the product and service offering of the Group.

6. Financial situation

The Group's operating and financial results are mainly affected by: (i) the number of active accounts, transaction volumes and deposit amounts; (ii) volatility on financial and commodity markets; (iii) general market, geopolitical and economic conditions; (iv) competition on the FX/CFD market; and (v) regulatory environment.

The key factors affecting the Group's financial and operating results in the 6 month period ended 30.06.2016 are discussed below. The Management Board believes that these factors had and may continue to have an effect on the business activities, operating and financial results, financial condition and development perspectives of the Group.

Discussion of the Group's results for the 1st half of 2016

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED		CHANGE
	30.06.2016	30.06.2015	(%)
Result of operations on financial instruments	111 094	126 460	(12,2)
Income from fees and commissions	2 698	2 955	(8,7)
Other income	23	78	(70,5)
Total operating income	**113 815**	**129 493**	**(12,1)**
Salaries and employee benefits	(38 534)	(33 188)	16,1
Marketing	(32 300)	(11 370)	184,1
Other external services	(10 816)	(7 740)	39,7
Costs of maintenance and lease of buildings	(4 481)	(3 607)	24,2
Amortisation and depreciation	(2 777)	(2 870)	(3,2)
Taxes and fees	(890)	(847)	5,1
Commission expense	(2 311)	(1 955)	18,2
Other expenses	(3 085)	(3 315)	(6,9)
Total operating expenses	**(95 194)**	**(64 892)**	**46,7**
Operating profit	**18 621**	**64 601**	**(71,2)**
Finance income	9 673	2 675	261,6
Finance costs	(3 326)	(2 749)	21,0
Profit before tax	**24 968**	**64 527**	**(61,3)**
Income tax	(1 921)	(12 935)	(85,1)
Net profit	**23 047**	**51 592**	**(55,3)**

Operating income

The Group's income is primarily derived from its retail activities and consists of: (i) spreads (the difference between the offer price and the bid price); (ii) net result (profits offset by losses) from the Group's market making activities; (iii) fees and commissions charged by the Group to its clients; and (iv) swap points charged by the Group (being the difference between the notional forward rate and the spot rate of a given financial instrument).

In the 1st half of 2016, the retail operations segment generated approximately 90% of the total turnover of the Group, and the institutional operations segment generated approximately 10%.

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

	SIX-MONTH PERIOD ENDED			
	30.06.2016		30.06.2015	
	PLN'000	(%)	PLN'000	(%)
Result of operations on financial instruments	111 094	97,6	126 460	97,7
Income from fees and charges	2 698	2,4	2 955	2,3
Other income	23	0,0	78	0,0
Total operating income	**113 815**	**100,0**	**129 493**	**100,0**

The Group's operating income is mainly determined by the result of operations on financial instruments representing 97,6% and 97,7% of the total operating income in the 1st half of 2016 and 2015, respectively. Three classes of products have the largest share in the result of operations on financial instruments: index CFDs, currency CFDs and commodity CFDs that constituted 55,2%, 24,4% and 16,9% respectively of the result of operations on financial instruments in the 1st half of 2016 (32,9%, 44,2% and 21,6% in the 1st half of 2015, respectively). Other products, such as bond CFDs and equity CFDs, and option derivatives constituted 3,5% and 1,3%, respectively, of the result of operations on financial instruments in the described periods.

The result of operations on financial instruments

(IN PLN'000)	SIX-MONTH PERIOD ENDED 30.06.2016	SIX-MONTH PERIOD ENDED 30.06.2015	CHANGE (%)
CFDs			
Index CFDs	63 668	43 520	46,3
Currency CFDs	28 143	58 409	(51,8)
Commodity CFDs	19 438	28 552	(31,9)
Bond CFDs	1 238	186	565,6
Equity CFDs	555	142	290,8
Total CFDs	113 042	130 809	(13,6)
Option derivatives	2 238	1 316	70,1
Gross result of operations on financial instruments	**115 280**	**132 125**	**(12,7)**
Bonuses and discounts paid to clients	(2 100)	(3 585)	(41,4)
Commissions paid to cooperating brokers	(2 086)	(2 080)	0,3
Net result of operations on financial instruments	**111 094**	**126 460**	**(12,2)**

In the first months of 2016 high volatility was recorded on the markets, which contributed to the Company's good results. Starting from March, significantly lower volatility made the Group's revenue become flatter, which significantly impacted the result for the 1st quarter of 2016. In the 2nd quarter of 2016 volatility in limited range was observed, with no clear downward or upward trends. Range trading, growth of markets supported by low interest rates commitment have resulted not only in the drop of financial instruments volume traded in lots, but also in lower revenues generated by the Group in the 2nd quarter.

An important event in the 2nd quarter of 2016 was Brexit, i.e. voting of Great Britain on possible exit or remaining of the country within the European Union. Thanks to the precautionary actions undertaken by the financial markets, volatility on the markets caused by the referendum did not repeat the scenario from January last year, when excessive market volatility was recorded as a result of an unexpected SNB decision to discontinue the policy of defending the CHF exchange rate. Preparing to the voting, the Group raised minimal deposits on instruments exposed to sharp movements (currency pairs with GBP, European indices). This action was undertaken in order to limit the clients' exposure to the above mentioned instruments and this goal was achieved.

Regardless of the limited volatility recorded in the 2nd quarter, in the 1st half of 2016 the Group recorded significant increase in income from index CFDs (by 46,3% i.e. PLN 20,1 million). Higher income from index CFDs is mainly an effect of relevant drops on stock market indices at the beginning of 2016. Relevant trends in stock market indices at the beginning of 2016 contributed to significantly higher volume traded on instruments based on indices and higher revenues generated by the Group on this class of instruments.

The decrease in income from commodity CFDs (31,9% i.e. PLN 9,1 million y/y) resulted mainly from nearly 50% oil price correction that took place since the beginning of the year and has negative impact on the Group's global position on those instruments.

Operating expenses

In the 1st half of 2016 operating costs increased by PLN 30,3 million, i.e. 46,7% y/y. It resulted mainly from the increase of marketing expenses by PLN 20,9 million, costs of salaries and employee benefits by PLN 5,3 million and other external services by PLN 3,1 million.

Higher marketing expenses were mainly a result of implementing the Group's strategy of increased marketing and sales activities on particular markets. In the 2nd quarter the Group has engaged in the global branding campaign and launched communication across all markets using an actor, Mads Mikkelsen, which significantly increased marketing costs in the period.

Higher costs of salaries and employee benefits was mainly due to an increase in the average employment level in the Group in the 1st half of 2016 by 20,5% y/y. The average employment in the 1st half of 2016 was 411 persons, and 341 persons in the corresponding period of the year 2015, whereas the increase was related mainly to Poland (approx. 25 persons, mainly in marketing and IT development departments) and Latin America and Turkey region (approx. 26 persons). The average monthly cost of salaries and employee benefits per employee in the Group was PLN 16 thousand in the 1st half of 2016 and remained at the same level compared to the 1st half of the previous year.

Increase in other external services y/y is mainly connected with the public offering of the Offer Shares and preparation and conduct of the offer which took place in the 1st half of 2016. Costs of the public offering which impact the Company's 2016 result amounted to approx. PLN 2,5 million.

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

	SIX-MONTH PERIOD ENDED	
	30.06.2016	**30.06.2015**
EBITDA (in PLN'000) [1]	21 398	67 471
EBITDA margin (%)[2]	18,8	52,1
Net profit margin (%)[3]	20,2	39,8
Return on equity –ROE (%)[4]	13,5	32,0
Return on assets – ROA (%)[5]	6,6	15,8
Aggregate capital adequacy ratio (%)[6]	15,9	18,3

[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; ratios for 6-months periods were annualized).*
[5]*) Calculated as the quotient of net profit and average balance of total assets (calculated as the arithmetic mean of the total assets as at the end of the prior period and as at the end of the current reporting period; ratios for 6-months periods were annualized).*
[6]*) Calculated as the quotient of equity and total risk exposure.*

The table below presents: (i) the number of new accounts opened by the Group's clients in individual periods; (ii) the number of active accounts; (iii) the aggregate number of accounts; (iv) the amount of net deposits in the individual periods; (v) average operating income per one active account; and (vi) the transaction volume in lots; and (vii) profitability per lot. The information presented in the table below is related to the aggregate operations in the retail and institutional operations segments.

	SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015
New accounts[1]	13 616	16 228
Average number of active accounts[2]	16 305	14 806
Accounts in total	139 209	110 787
Net deposits (in PLN'000)[3]	136 569	145 818
Average operating income per active account (in PLN'000)[4]	7,0	8,7
Transaction volume in CFD instruments in lots[5]	1 058 309	1 257 502
Profitability per lot (in PLN)[6]	108	103

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

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

	SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015
Retail operations segment	**948 736**	**1 061 621**
Central and Eastern Europe	509 242	593 237
Western Europe	322 222	344 438
Latin America and Turkey	117 272	123 946
Institutional operations segment	**109 573**	**195 881**
Total	**1 058 309**	**1 257 502**

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

(IN PLN'000)	SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015
Gain on transactions in financial instruments:	**111 094**	**126 460**
Central and Eastern Europe	45 177	75 370
Western Europe	57 463	37 835
Latin America and Turkey	8 454	13 255
Fee and commission income:	**2 699**	**2 955**
Central and Eastern Europe	1 774	1 315
Western Europe	898	1 546
Latin America and Turkey	27	93
Other income:	**22**	**79**
Central and Eastern Europe	22	79
Western Europe	-	-
Latin America and Turkey	-	-
Total operating income[1]:	**113 815**	**129 493**
Central and Eastern Europe, including:	46 973	76 764
- Poland[2]	26 621	53 450
Western Europe, including:	58 361	39 381
- Spain[2]	28 981	11 188
Latin America and Turkey	8 481	13 348

[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 therein.

	SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015
New accounts[1]	13 613	16 220
Average number of active accounts[2]	16 270	14 770
Accounts in total	139 134	110 697
Number of transactions[3]	13 803 929	10 797 030
Transaction volume in CFD instruments in lots[4]	948 736	1 061 621
Net deposits (in PLN'000)[5]	150 272	135 000
Average operating income per active account (in PLN'000)[6]	6,5	8,6
Average cost of obtaining an account (in PLN'000)[7]	2,3	0,7
Profitability per lot (in PLN)[8]	111	120

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

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

	SIX-MONTH PERIOD ENDED			
		30.06.2016		30.06.2015
Central and Eastern Europe	9 904	60,9%	9 103	61,6%
Western Europe	5 181	31,8%	4 812	32,6%
Latin America and Turkey	1 186	7,3%	855	5,8%
Razem	**16 270**	**100,0%**	**14 770**	**100%**

Institutional operations segment

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

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

	SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015
Average number of active accounts	35	36
Accounts in total	75	90

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

	SIX-MONTH PERIOD ENDED	
	30.06.2016	30.06.2015
Trading in CFD derivatives (in lots)	109 573	195 881

7. Other information

Equity

As at 30 June 2016 and as at the submission date of the foregoing 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.

Shares in the free float

On 13 April 2016 the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) (the "PFSA") approved the Prospectus prepared in relation to the initial public offering of the Company's shares sold by the key shareholder.

On 26 April 2016 the final number of shares (16 433 709) and final share's price (PLN 11,50) in the initial public offering was set.

On 26 April 2016 the Central Securities Depository of Poland (KDPW) adopted a resolution on dematerialization of 16 433 709 shares of the Company subject to the public offering and contingent dematerialization of other shares, i.e. 100 949 926 shares of the Company.

On 29 April 2016 the final allotment of 16 433 709 ordinary bearer shares was made under the offering. In connection with the final allotment of the offer shares, 1 644 000 of the offer shares were allotted to individual investors, whereas 14 789 709 of the offer shares were allotted to institutional investors.

On 4 May 2016 the Management Board of the WSE adopted a resolution regarding the admission of the Company's offer shares to exchange trading on the main market of the WSE. The Resolution came into force as of the day of its adoption. On 5 May 2016 the Management Board of the WSE adopted a resolution to introduce the Company's shares, as of 6 May 2016, to regular exchange trading on the main market.

On 6 June 2016 X-Trade Brokers Dom Maklerski S.A. received a letter from Pekao Investment Banking S.A., which was serving as a stabilisation manager, in the meaning ascribed thereto in the Company's prospectus, that in the stabilisation period, i.e. in the period from the date of the first quotation of shares in the Company on the regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A. (i.e. from 6 May 2016) to the end of the stabilization period (i.e. 5 June 2016) no actions aimed at stabilizing the shares were undertaken, and that the Stabilisation Manager did not acquire any of the shares in the Company for the purpose of stabilizing the price thereof in accordance with the stabilization agreement, in the meaning ascribed thereto in the Prospectus.

The value of the completed public offering of the sale of 16 433 709 Offer Shares was PLN 189,0 million.

Total costs connected with the public offering of the Offer Shares incurred by the Company amounted to PLN 5,1 million, of which:
- the cost of the preparation and conduct of the offer: PLN 1,5 million;
- the cost of preparation of the prospectus, including advisory costs: PLN 3,4 million;
- the cost of promotion of the offer: PLN 0,2 million.

Aforementioned costs in the amount of PLN 5,1 million impact the Company's result and were recognised in the financial statements in operating expenses, out of which PLN 2,5 million was recognized in 2016 result and the remaining part was recognized in the costs in the previous year.

Average cost per Offer Share was PLN 0,31.

Shareholding structure

In the reporting period the initial public offering was conducted, in which the key shareholder sold 16 433 709 shares in the Company. On 29 April 2016 the allotment of the offer shares was made under the offering. After the allotment, the

Company received a notification from one of its shareholders, XXZW Investment Group S.A., with its registered office in Luxembourg, in accordance with Article 69 of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, informing that following the sale of 16 433 709 A-series ordinary shares in the Company, the shareholder holds 78 446 216 shares/votes representing 66,83% share in the share capital/overall number of votes at the General Meeting of Shareholders. Detailed information concerning the above mentioned notification was submitted in the current report No. 8/2016 dated 6 May 2016.

To the best of the Company's Management Board knowledge, as at the submission date of the report for the 1st quarter and as at the submission date of the foregoing report, the shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting were as follows:

	NUMBER OF SHARES	SHARE (%)
XXZW Investment Group S.A. [1]	78 446 216	66,83%
Systexan SARL[2]	22 302 960	19,00%
Other shareholders	16 634 459	14,17%
Total	**117 383 635**	**100,00%**

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

Percentage share in the share capital of the Parent Company of the above mentioned shareholders is equal to the percentage share in total votes at the General Shareholders' Meeting.

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

In the reporting period and as at the submission date of the foregoing report the supervising persons held no shares or options authorising them to acquire the shares of the Parent Company.

Under the Incentive Plan, three persons authorized to participate in the Incentive Plan acquired options authorizing them to acquire or subscribe for total of 341 640 shares in the Company, with Jakub Malý subscribing for 219 507 shares in the Company and Paweł Frańczak subscribing for 37 328 shares in the Company.

Mr. Paweł Szejko holds no options authorising him to acquire or subscribe for shares in the Company.

The managing persons hold no shares in the Company.

Related party transactions

In the 6 month period ended 30 June 2016 and 30 June 2015 there were no related parties 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)	30.06.2016 REVENUE	30.06.2016 RECEIVABLES	30.06.2015 REVENUE	31.12.2015 RECEIVABLES	30.06.2015 RECEIVABLES
Shareholders	–	–	–	–	4
Subsidiaries:					
XTB Limited	7 412	1 934	3 108	5 543	1 692
Dub Investments	79	13	74	13	13
X Open Hub Sp. z o.o.	689	647	585	468	275
X-Trade Brokers Menkul Degerler A.S	8 666	4 747	16 228	4 885	6 267
Lirsar S.A.	10	689	4	658	635

(IN PLN'000)	30.06.2016 COSTS	30.06.2016 LIABILITIES	30.06.2015 COSTS	31.12.2015 LIABILITIES	30.06.2015 LIABILITIES
Subsidiaries:					
XTB Limited	(14 170)	4 123	(9 691)	3 849	3 947
Dub Investments	(604)	197	(518)	49	82
X Open Hub Sp. z o.o.	(61)	28	(152)	34	26
X-Trade Brokers Menkul	(8 729)	6 105	(6 917)	6 574	6 741
Lirsar S.A.	–	–	–	–	–

Information on loan sureties or guarantees of at least 10% of the Parent Company's equity granted by the Parent Company or its subsidiaries to one entity or its subsidiary

As at 30 June 2016 and in the reporting period, i.e. from 1 January 2016 to 30 June 2016, 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 would amount to at least 10% of the Parent Company's equity.

The Management Board's position concerning the realization of previously published forecasts of the results for the current year

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2016.

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

As at 30 June 2016 and as at the submission date of this report the Parent company and its subsidiaries were not a party to the proceedings pending before court, , arbitration authority or public administration authority, the value of which could constitute at least 10% of the Issuer's equity.

Court proceedings

The Company and the Group Companies are party to several court proceedings related to the Group's business. The proceedings in which the Company and the Group Companies act as plaintiffs relate mostly to employee and client claims. As at 30 June 2016, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 5 million, of which suits brought by the employees pending before court four proceedings where the total value of claims was PLN 4,6 million and three suits brought by clients with the total value of claims of PLN 0,4 million. Below the most significant, in the Company's view, were presented.

As at the submission date of this report, the Company is party to proceedings initiated by a former employee of the Company's branch in France. The matter was brought to court on 21 December 2012. Under the Court judgement of 4 November 2014 the sum adjudicated in favour of the former employee is the equivalent of PLN 100 000. On 14 December 2014, the plaintiff submitted an appeal. Although the judgement issued in the first instance was favourable to the Company, there is still a risk that the Company will lose the dispute. In view of the complex nature of the dispute and the claim, as at the submission date of this report it is difficult to reliably assess the risks involved in the case. The original value of the claim was set at PLN 2,2 million. However, based on the representation of the law firm that is conducting the case, it should be theoretically assumed that the value of the claim may increase until it is finally settled by approximately EUR 20 000 per month. In view of the above, as at 30 June 2016, the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 4,2 million.

The Company is also a party of a proceeding against XFR Financial Ltd. The Company filed suit against XFR Financial Ltd., with its registered office in Cyprus ("XFR"), requesting the discontinuation of a breach of a trademark registered by the Company. The Company requested the Regional Court in Warsaw to secure its claim against XFR by: (i) prohibiting XFR from using the verbal and figurative mark "XTRADE"; and (ii) prohibiting XFR from using the verbal mark "XTRADE" in internet domain names. XFR conducts competitive business with respect to the Company and abuses, in the opinion of the Company, the significant recognition of the Company's brand in European countries, thus misleading the Group's existing and potential clients. The Company was notified that the request for protection of his claim against the XFR was dismissed therefore the Company filed a complaint against this decision. The company has also launched a German court proceedings aimed at cessation of infringement of the Company trademark by XFR.

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.

The PFSA, within the scope of its supervisory powers with respect to the Company, is in the process of reviewing the Company's compliance with the law and internal regulations in terms of, inter alia: (i) the rendering of specific brokerage services; (ii) the terms and conditions of rendering client services; (iii) the organization and operation of its internal control system, compliance system and internal audit system; and (iv) the technical and organizational conditions of conducting brokerage activities. No assurance may be given that if any breach or irregularities in the implementation of prevailing laws and regulations by the Company are identified in the course of the above-mentioned inspection that the PFSA will not, inter alia: (i) issue recommendations requiring the Company to implement relevant measures to remedy a breach; (ii) restrict or withdraw the Company's permit to conduct brokerage activities; or (iii) impose a cash penalty of up to 10% of the revenue shown in the Company's last audited financial statements. The Company expected that completion of the PFSA's inspection will take place in July 2016, PFSA prolonged the inspection to mid-September 2016.

As at 30 June 2016 the Company is in the process of obtaining the PFSA's authorization to use a delta ratio calculated based on the Company's own valuation model. This proceedings were initiated by the Company in March 2014, then suspended and resumed by the Company on 5 March 2015. The Company introduced to its offer the Up&Down options in 2012 relying on certain exemptions and provisions under the Polish Regulation on Capital Requirements, on the basis of which offering the Up&Down options did not require an authorization granted by PFSA. With the CRR Regulation entering into force from 1 January 2014, repealing Polish Regulation of the Capital Requirements there is a risk that the Up&Down options without required authorization from PFSA, therefore PFSA may impose the penalty in this virtue.

With relation to an order dated 21 January 2016 concerning a breach by the Company certain reporting and information requirements applicable to the Company with respect to transactions executed thereby and orders submitted by the clients of the Czech branch of the Company, on 7 April 2016 the Company submitted notification with regard to the remedies applied and meet the recommendations specified in the order. As at 30 June 2016 the Company is in the process of implementing additional recommendations and restrictions of Ceska Narodni Banka. In addition, according to the Czech Act on the obligations on the capital markets when the measures adopted by the Company will not cause the irregularities and shortcomings in fulfilling the Company's obligations reporting are removed, Ceska Narodni Banka, after informing the regulatory authority of the home country of the Company will be able to take other supervisory measures, sanctions or penalties, including imposing a fine of up to CZK 20 million (equivalent to approx. PLN 3,3 million according to the average exchange rate of CZK to PLN announced by the National Bank of Poland on 30 June 2016).

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 m.in .: (i) sales practices, including customer acquisition and marketing activities; (ii) maintaining the capital at a certain level; (iii) practices applied in the scope of preventing money laundering and terrorist financing and procedures for customer identification (KYC); (iv) reporting duties to the regulatory authorities and reporting to the trade repository; (v) the obligations regarding the protection of personal data and professional secrecy; (vi) protection obligations in the scope of investors protection and communicating of relevant information on the risks associated with the brokerage services; (vii) supervision over the Group's activity; (viii) inside information and insider dealing, preventing the unlawful disclosure of inside information, preventing market manipulation, and (ix) providing information to the public as the issuer.

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

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

The deadline for the entry into force of the MiFID II Directive and MIFIR Regulation (the "MiFID/MiFIR package") was postponed to 3 January 2018. The deadline for transposing the MiFID II Directive into the national law by the particular

Member States was postponed to 3 July 2017. The principal assumptions of the MiFID II/MiFIR Package include, inter alia: (i) increasing the powers of supervision authorities; (ii) extending the information requirements of investment firms; (iii) the introduction of additional requirements in terms of managing conflicts of interest and stricter requirements in terms of incentives applied; (iv) the introduction of additional requirements within the scope of trading in derivative instruments in connection with the EMIR Regulations; (v) stricter risk management and internal audit requirements, including the greater role of the compliance department (compliance officer); (vi) the introduction of periodic verification of the appropriateness of a given product for a given client; (vii) the introduction of the obligation to register all client communications in terms of client transactions and providing access to the recordings of conversations and email correspondence (or confirmations) with clients in specific circumstances; and (viii) the introduction of a new category of OTF (organized trading facility) market.

As a result of the implementation of the MiFID II/MiFIR Package, investment firms will need to adjust their operations to the requirements specified in the MiFID II/MiFIR Package, which may involve costs and result in a significant restriction of the existing operations of investment firms.

- **Changes in the scope of the prevention of market abuse from the MAR Regulations (market abuse regulation) and the MAD Directive (the directive on criminal sanctions for market abuse)**

The MAR Regulation will be directly applicable in its entirety in all EU Member States since 3 July 2016. The MAD Directive was due to be transposed to the Polish legal system by 3 July 2016. New regulations provide many requirements primarily in the scope of prevention of fraud and market manipulation, and publication of investment recommendation and statistics. In case of breach of obligations in the scope of prevention of market manipulation and drawing-up and distribution of the recommendation, as well as other information PFSA may apply administrative sanctions and other administrative measures including i.a. an order requiring the person responsible for the breach to cease specific conduct and to refrain from repetition of that conduct, a withdrawal or suspension of an authorization for an investment firm and fines in the amount specified in the he Act on Trading in Financial Instruments.

The Company took measures to adjust to the new requirements of the MAR Regulations in due time.

- **Forced restructuring of the brokerage house**

The BRRD states that the resolution framework should provide for the timely resolution before a credit institution or an investment firm is balance-sheet insolvent and before all equity has been fully wiped out. Therefore, the principal condition for resolution is the determination that a credit or an investment firm, respectively, is failing or likely to fail. Under the BRRD, a failing institution should be maintained through the use of resolution tools as a going concern with the use, to the extent possible, of private funds. The costs of resolution should be covered by the financial industry. The EU member states were required to establish their own financial solutions to be financed with contributions paid by banks and investment firms on a pro rata basis in terms of their liabilities and risk profile (by 31 December 2024) the target level of financing at least 1% of the covered deposits of all the institutions authorized in the territory of a relevant EU member state. If the ex ante financial instruments are not sufficient to cover the resolution of financial institutions, extraordinary ex post contributions may be raised to cover the additional costs, losses or expenses.

Act of 10 June 2016 on the Banking Guarantee Fund, the system of guarantees for deposits and mandatory recovery and resolution implementing the BRRD on 30 June 2016 was signed by President and will enter into force on 9 October 2016. Amongst the main assumptions of the act include: (i) awarding the Bank Guarantee Fund a role of an authority of obligatory restructuring, (ii) introduction of provisions governing conditions for use of bail-in tool, (iii) conferring to the Bank Guarantee Fund power to suspense during mandatory recovery and resolution proceedings i.a. the brokerage activities conducted by an investment firm, (iv) addition of unit 2c in the Act on Trading in Financial Instruments "Recovery plans and rules governing early intervention for some of the brokerage houses." Some of the main obligations are in particular the obligation of preparing a recovery and resolution plan (and a group recovery and resolution plan ensuring the coordination of recovery and resolution with respect to the dominant entity, its subsidiaries and significant branches), which is an element of the management system, and the requirement for that plan to be approved by a relevant authority. In terms of the measures applied, the Bank Guarantee Fund may, in certain circumstances, issue guidelines applicable to an entity subject to recovery and resolution. In particular, such guidelines may relate to: (i) the imposition of additional information requirements; (ii) the sale of an entity's assets; (iii) a restriction on or discontinuation of the conduct of specific business by an entity; (iv) a restriction on the introduction and development of new products or business lines; and (v) changes in the organizational and legal structure to simplify the structure or separate types of business activity. In addition, domestic entities are required to maintain their own funds and liabilities, subject to cancellation or conversion at a certain minimum level. In addition PFSA will be granted additional powers in terms of early intervention measures, which include the powers of, inter alia, demanding: (i) the implementation of a recovery and resolution plan, including taking specific action set out in the plan; (ii) the convocation of an extraordinary general meeting to review the circumstances that a company is in, or the introduction of certain matters requested by the PFSA to the agenda of a general meeting; (iii) the development of and agreeing on the restructuring of receivables or other debts with the company's creditors, in accordance with a recovery and resolution plan; (iv) the introduction of changes to the company's strategy; (v) the introduction of changes to the articles of association, or management structure, including to the organizational structure; (vi) the dismissal of a member of the management board whose actions or omissions resulted in a situation that necessitates the application of early intervention measures, where the applied early intervention measures proved ineffective or insufficient; and (vii) the suspension of a member of the management board in his duties until a resolution on his dismissal is adopted.

At the date of submitting this report it is not possible to assess the impact of measures with regard to the forced restructuring on the Group's operations, and there is no assurance, whether that implement or taking any actions currently provide in the Act implementing BRRD will not have a material adverse impact on the business, financial condition or results of the Group, as well as the price of the Shares.

- **Guidelines for the brokerage services on the OTC derivatives market**

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

Currently, the Company works on implementing of PFSA Guidelines. The PFSA Guidelines are to be implemented by investment firms by 30 September 2016. The company anticipates that the implementation of all of the PFSA Guidelines will be provided within the period fixed by PFSA. The Company believes that majority of requirements entailed by the PFSA Guidelines were satisfied. However, it is possible that the Group's approach to particular guideline will be interpreted not in line with PFSA approach and that in practice Group's application of PFSA Guidelines will incur additional material financial expenses and significant organizational changes.

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

The purpose of these guidelines is to present investment firms with supervisory expectations concerning prudent and stable management of the IT and ICT environment, including specifically the risk associated therewith. The PFSA expects that the standards specified in the above-mentioned guidelines will be implemented by the investment firms no later than by 31 December 2016. The guidelines should be applied on a 'comply or explain' basis in terms of the manner of implementation of the specific guidelines, subject to prudential approach, acceptable risk levels and the need to comply with applicable law.

Currently the Company is working on the full implementation of the guidelines.

- **The ESMA Guidelines on the offering retail clients CFDs and other instruments of a speculative nature under the MiFID Directive**

On 8 April 2016 the ESMA Guidelines were published „Questions and Answers Relating to the provision of CFDs and other speculative products to retail investors under MiFID" („The ESMA Guidelines") for the application of the MiFID Directive, which lays down the requirements on provision of services by the investment firms, including the Group, as well as the

MiFID II/MiFIR Package after its entering into force with regard to advertising and offering to retail clients the derivatives. The ESMA Guidelines pertain the two issues: (i) issuing by competent national authorities the authorizations to the entities offering derivatives online; and (ii) a conflict of interest arising as a result of the nature of a business model, on the basis of which given entity, offering derivatives operates. The first issue provides description for specific rules and requirements with which given entity should comply with in the respect of their operations, in order to the authorization could be issued in accordance with the MiFID Directive. With regard to conflicts of interest where however the examples of the elements of a business model which exceed the risk of potential conflict of interest of the entity offering certain instruments and the interests of clients and the ways of managing them by the investment firm. On 1 June 2016 and 25 July 2016 ESMA published further guidelines under the form of questions and answers indicating specific answers for the example questions. Following the entry into force of the MiFID II Package ESMA announced that it will also work on the guidelines resulting from the Package of MiFID II. It cannot be ruled out that there will be more ESMA guidelines on the application of the MiFID Directive and the MiFID II Package.

Despite the fact that on the date of this report, in the opinion of the Company, the Group complied with most of the requirements specified in the ESMA Guidelines, the Group may be required to verify or change already introduced solutions and procedures, especially in the scope of management and prevention of the conflicts of interest. In addition, because the interpretation of the part of the ESMA Guidelines is not clear, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with ESMA approach. Implementation of the ESMA Guidelines, in the practice of Group's operations may require incurring significant financial outlays, implementation of the significant organizational changes and negatively affect the competitive position of the Group.

- **France**

In France until 30 September 2016 there is an ongoing consultation on the introduction of restrictions on promoting the services in the scope of i.a. derivatives on the OTC market. Introduction of the limitations is one of the assumptions in the draft amendments to the French Monetary and Financial Code, presented to the French government on 30 March 2016. The draft introduces 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 in respect of which the client is unable to estimate maximum exposure to the 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 draft is currently under the parliamentary work and at this stage it is uncertain what will be the final shape and therefore it is difficult to assess whether the changes will have a significant impact on the results and thus the price of the Company's shares.

- **Turkey**

On 14 January 2016 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. The amendments entered into force on the date of its publication. Key assumptions include applying rules of the consumer's law to promote transactions with the use of leverage, in particular the provisions of the Regulations on commercial advertising and unfair market practices. According to the legislative changes from 15 April 2016 the requirements for opening the new investments accounts were introduced. Before a customer opens an investment account which enables the use of the leverage, he is obliged to open a demo account. In addition, in relation to the demo account the customer must meet certain requirements (i) use the account for at least 6 days, and (ii) make at least 50 trades. Financial institutions are required to record and archive data on the above-mentioned process.

The Group company - X Trade Brokers Menkul Değerler has taken steps to adapt the process of opening new investment accounts to implement requirements.

- **Financial transaction tax**

At 30 June 2016 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. As at 30 June 2016 there is no clear information regarding the timing of imposing such new tax. 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. It was stated in the document that the other issues, including the tax rates, should be agreed by the end of June 2016 but during the meeting of Economic and Financial Affairs Council on 17 June 2016 further work on draft was delayed for the second half of 2016.

Factors which in the Management's Board belief may impact the Group's operations for at least next quarter

The Management Board believes that the following trends have impacted and will maintain and continue to impact the Group's operations until the end of 2016 and in some cases also longer:

- The Group's revenue depends directly on the volume of transactions concluded by the Group's clients which in turn is correlated with the general level of transaction activity on the FX/CFD market. In principle, the level of Group's revenue is positively affected by higher volatility on the FX/CFD market due to the fact that in the periods of increased volatility on financial and commodity markets, a higher level of transactions concluded by the Group's clients is observed. As a result, high volatility on financial and commodity markets, in principle, leads to an increased volume of transactions on the Group's trading platforms. On the other hand, lower volatility on financial and commodity markets and the related drop in transaction activity of the Group's clients, in principle, leads to a drop in the Group's operating income. In view of the above, the Group's operating income and profitability may drop in the periods of low volatility on financial and commodity markets and lower transaction activity on these markets. Moreover, a more predictable trend may appear whereby the market is moving within a limited price range. This leads to market trends that may be predicted with higher probability than in the case of higher volatility on the markets, which creates favourable conditions for range trading. In such case, a higher number of transactions are observed that bring profits to clients, which leads to a drop in the Group's market making results.

  The volatility on FX/CFD markets may significantly influence revenues generated by the Group in subsequent quarters. This is typical for Group's business model. To illustrate this, historical quarterly financial results of the Group were presented below:

(IN PLN'000)	THREE-MONTH PERIOD ENDED					
	31.03.2015	30.06.2015	30.09.2015	31.12.2015	31.03.2016	30.06.2016
Total operating income	95 510	33 983	95 695	57 354	82 765	31 050
Total operating expenses	(31 548)	(33 344)	(34 745)	(41 835)	(40 464)	(54 730)
Operating profit (loss)	63 962	639	60 950	15 519	42 301	(23 680)
Net profit (loss)	49 842	1 750	50 939	16 504	31 859	(8 812)

- According to our retail marketing communication strategy, in the 2nd quarter of 2016 the Group has engaged in global branding campaign using an actor, Mads Mikkelsen. Admittedly, the creation of such campaign has resulted in significant increase of marketing expenses. The Management Board expects marketing expenses for the 2nd half of 2016 to decrease by approx. 20% as compared to the 1st half of the current year. Final level of marketing expenses will depend on the evaluation of their impact on the Group's results and profitability and the degree of clients' responsiveness to undertaken marketing activities.

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

Risks factors:

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

As at 30 June 2016 and as at the submission 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:
- the 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 Group 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 a material, negative impact on its operations.

Risks associated with the regulatory environment:
- the Group operates in a heavily regulated environment and may fail to comply with the rapidly changing laws and regulations;
- the Group may be 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 may be 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;
- 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;
- risk related to the implementation into the Polish legal system of the EU regulations concerning the recovery and resolution of financial institutions;
- the Group will be required to adjust its business and to comply with the requirements of the MAD Directive after its implementation into the Polish legal order and the requirements of the MAR Regulation after its entry into force, which may be expensive and time-consuming, and it cannot be excluded that this will lead to substantial restrictions the manner and extent of offering their products and services by the Group.

Risk management

There were no changes in the risk management system in the reporting period.

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 Group's statutory bodies in the area of capital management strategy, risk management policy, risk measurement methods, capital planning and the Group's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Group 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 Group.

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 Group's internal control system.

The Parent Company's Supervisory Board approves risk management system, including procedures for internal capital estimation, capital management and planning.

Detailed information on financial risk and its management was presented in note 32 to the Half-year Condensed Consolidated Financial Statements.

8. Statements of the Management Board

Statement of the Management Board of X-Trade Brokers Dom Maklerski S.A. on the reliability of preparation of the half-year condensed consolidated and separate financial statements

The Management Board of X-Trade Brokers Dom Maklerski S.A. hereby declares that, to the best of its knowledge, the interim condensed consolidated and separate financial statements for the period of 6 months ended 30 June 2016 and comparable data contained therein have been prepared in compliance with the applicable accounting standards, this is with the International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union.

Furthermore, the Management Board declares that the presented data give a true, reliable and fair view of the Group's assets, financial position and financial performance. The report on operations of the Group provides a fair description of the development, achievements and economic position of the Group, inclusive of major risks and threats to its operations.

Statement of the Management Board of X-Trade Brokers Dom Maklerski S.A. on the entity authorized to conduct review of the half-year condensed consolidated and separate financial statements

The Management Board of X-Trade Brokers Dom Maklerski S.A. hereby declares that the entity authorized to review the interim condensed consolidated and separate financial statements for the period of 6 months ended 30 June 2016, namely Ernst & Young Audyt Polska Sp. z o.o. Sp.k., seated in Warsaw, has been chosen in accordance with the provisions of the law in force. This entity as well as certified auditors, who reviewed these financial statements, satisfied the conditions for issuing an impartial and independent report on such review, in line with the applicable regulations and professional standards.

Warsaw, 25 August 2016

Jakub Malý

President of the Management Board

Paweł Frańczak

Member of the Management Board

Paweł Szejko

Member of the Management Board

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www.xtb.pl

Translation of auditors' report originally issued in Polish.
The Polish original should be referred to in matters of interpretation.

Independent Auditor's Report
on review of interim condensed consolidated financial statements
for the 6 month period ended 30 June 2016

To the General Shareholders Meeting
and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of X-Trade Brokers Dom Maklerski S.A**.** Group ('the Group'), for which the holding company is X-Trade Brokers Dom Maklerski S.A**.** ('the Company') located in Warsaw, Ogrodowa 58 Street, as of 30 June 2016 containing the interim condensed consolidated statement of comprehensive income for the period from 1 January 2016 to 30 June 2016, the interim condensed consolidated statement of financial position as at 30 June 2016, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the period from 1 January 2016 to 30 June 2016 and other explanatory notes ('the interim condensed consolidated financial statements').

Management is responsible for the preparation and presentation of accompanying interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board ('standard'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Registration No. 130

Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
No. 10018

Warsaw, 25 August 2016

Independent Auditor's Report
on review of interim condensed financial statements
for the 6 month period ended 30 June 2016

To the General Shareholders Meeting
and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of X-Trade Brokers Dom Maklerski S.A. ('the Company') located in Warsaw, Ogrodowa 58 Street, as of 30 June 2016 containing the interim condensed statement of comprehensive income for the period from 1 January 2016 to 30 June 2016, the interim condensed statement of financial position as at 30 June 2016, the interim condensed statement of changes in equity, the interim condensed statement of cash flows for the period from 1 January 2016 to 30 June 2016 and other explanatory notes ('the interim condensed financial statements').

Management is responsible for the preparation and presentation of accompanying interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed financial statements based on our review.

Scope of review

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Conclusion

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on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
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Key Certified Auditor

(-)

Arkadiusz Krasowski
Certified Auditor
No. 10018

Warsaw, 25 August 2016