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CAPITAL GROUP

X-Trade Brokers DM S.A.

REPORT FOR THE 1ST QUARTER 2017

DISCLAIMER

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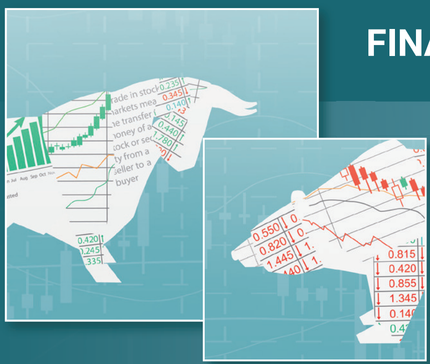

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	IN PLN'000 THREE-MONTH ENDED		IN EUR'000 THREE-MONTH ENDED	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Consolidated comprehensive income statement:				
Total operating income	58 718	82 765	13 690	19 001
Profit on operating activities	22 153	42 301	5 165	9 711
Profit before tax	13 731	39 765	3 201	9 129
Net profit	10 640	31 859	2 481	7 314
Net profit and diluted net profit per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	0,09	0,27	0,02	0,06
Consolidated cash flow statement:				
Net cash from operating activities	(51)	38 125	(12)	8 752
Net cash from investing activities	(944)	(409)	(220)	(94)
Net cash from financing activities	(46)	(72 149)	(11)	(16 564)
Increase/(Decrease) in net cash and cash equivalents	(1 041)	(34 433)	(243)	(7 905)

	IN PLN'000		IN EUR'000	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Consolidated statement of financial position:				
Total assets	848 354	796 753	201 041	180 098
Total liabilities	487 144	440 860	115 442	99 652
Share capital	5 869	5 869	1 391	1 327
Equity	361 210	355 893	85 599	80 446
Number of shares	117 383 635	117 383 635	117 383 635	117 383 635
Carrying amount and diluted carrying amount per share attributable to shareholders of the Parent Company (in PLN/EUR per share)	3,08	3,03	0,73	0,69

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: 4,2891;
  - for the comparative period: 4,3559.
- 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: 4,2198;
  - for the comparative period: 4,4240.

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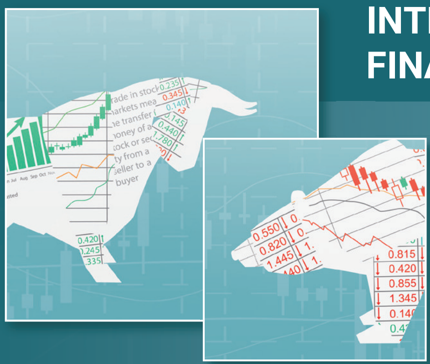


INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Result of operations on financial instruments	6.1	57 650	81 465
Income from fees and charges	6.2	1 052	1 294
Other income		16	6
Total operating income	**6**	**58 718**	**82 765**
Salaries and employee benefits	7	(18 425)	(22 275)
Marketing	8	(7 175)	(7 990)
Other external services	9	(4 351)	(3 960)
Costs of maintenance and lease of buildings		(1 912)	(2 388)
Amortization and depreciation	16,17	(1 330)	(1 389)
Taxes and fees		(1 019)	(313)
Fee expenses	10	(1 499)	(1 109)
Other costs		(854)	(1 040)
Total operating expenses		**(36 565)**	**(40 464)**
Profit on operating activities		**22 153**	**42 301**
Finance income	11	4 501	2 006
Finance costs	11	(12 923)	(4 542)
Profit before tax		**13 731**	**39 765**
Income tax	25	(3 091)	(7 906)
Net profit		**10 640**	**31 859**
Other comprehensive income		**(5 323)**	**(590)**
Items which will be reclassified to profit or loss after meeting specific conditions		(5 323)	(590)
– foreign exchange differences on translation of foreign operations		*(3 691)*	*(690)*
– foreign exchange differences on valuation of separated equity		*(2 015)*	*124*
– deferred income tax		*383*	*(24)*
Total comprehensive income		**5 317**	**31 269**
Net profit attributable to shareholders of the Parent Company		10 640	31 859
Total comprehensive income attributable to shareholders of the Parent Company		5 317	31 269
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	24	0,09	0,27
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	24	0,09	0,27
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	24	0,09	0,27
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	24	0,09	0,27

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	NOTE	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
ASSETS				
Own cash and cash equivalents	13	286 000	290 739	290 116
Customers' cash and cash equivalents	13	406 048	375 642	315 566
Financial assets held for trading	14	114 667	94 903	63 772
Financial assets available for sale		173	190	212
Income tax receivables		3 548	1 016	5 724
Loans granted and other receivables	15	9 302	5 244	5 064
Prepayments and deferred costs		4 361	3 590	8 547
Intangible assets	16	9 901	10 060	12 581
Property, plant and equipment	17	3 419	3 746	3 866
Deferred income tax assets	25	10 935	11 623	11 860
Total assets		**848 354**	**796 753**	**717 308**
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	18	418 384	377 268	319 222
Financial liabilities held for trading	19	28 520	22 645	9 636
Income tax liabilities		2 270	4 262	2 179
Other liabilities	20	22 095	22 693	62 117
Provisions for liabilities	21	922	948	875
Deferred income tax provision	25	14 953	13 044	9 520
Total liabilities		**487 144**	**440 860**	**403 549**
Equity				
Share capital	22	5 869	5 869	5 869
Supplementary capital	22	71 608	71 608	71 608
Other reserves	22	212 554	212 554	212 554
Foreign exchange differences on translation	22	(10 268)	(4 945)	(1 231)
Retained earnings		81 447	70 807	24 959
Equity attributable to the owners of the parent Company		**361 210**	**355 893**	**313 759**
Total equity		**361 210**	**355 893**	**313 759**
Total equity and liabilities		**848 354**	**796 753**	**717 308**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

Consolidated statement of changes in equity for the period from 1 January 2016 to 31 December 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION 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	–	–	–	–	77 707	77 707	**77 707**
Other comprehensive income	–	–	–	(4 304)	–	(4 304)	**(4 304)**
Total comprehensive income for the financial year	**–**	**–**	**–**	**(4 304)**	**77 707**	**73 403**	**73 403**
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 31 December 2016 (audited)	**5 869**	**71 608**	**212 554**	**(4 945)**	**70 807**	**355 893**	**355 893**

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

Interim condensed consolidated statement of changes in equity for the period from 1 January 2016 to 31 March 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION 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	–	–	–	–	31 859	31 859	**31 859**
Other comprehensive income	–	–	–	(590)	–	(590)	**(590)**
Total comprehensive income for the financial year	**–**	**–**	**–**	**(590)**	**31 859**	**31 269**	**31 269**
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 31 March 2016 (unaudited)	**5 869**	**71 608**	**212 554**	**(1 231)**	**24 959**	**313 759**	**313 759**

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(IN PLN'000)	NOTE	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Cash flows from operating activities			
Profit before tax		13 731	39 765
Adjustments:			
(Gain) loss on sale or disposal of items of property, plant and equipment		6	–
Amortization and depreciation		1 330	1 389
Foreign exchange (gains) losses from translation of own cash		3 698	779
Other adjustments	27.2	(5 212)	(568)
Changes			
Change in provisions		(26)	4
Change in balance of financial assets and liabilities held for trading		(13 889)	(97)
Change in balance of restricted cash		(30 406)	(17 428)
Change in balance of loans granted and other receivables		(4 058)	(519)
Change in balance of prepayments and accruals		(771)	(6 034)
Change in balance of amounts due to customers		41 116	18 146
Change in balance of other liabilities	27.1	(554)	15 995
Cash from operating activities		**4 965**	**51 432**
Income tax paid		(5 018)	(13 310)
Interest		2	3
Net cash from operating activities		**(51)**	**38 125**
Cash flow from investing activities			
Expenses relating to payments for property, plant and equipment	17	(228)	(279)
Expenses relating to payments for intangible assets	16	(716)	(130)
Net cash from investing activities		**(944)**	**(409)**
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(44)	(30)
Interest paid under lease		(2)	(3)
Dividend paid to owners		–	(72 116)
Net cash from financing activities		**(46)**	**(72 149)**
Increase (decrease) in net cash and cash equivalents		**(1 041)**	**(34 433)**
Cash and cash equivalents – opening balance		**290 739**	**325 328**
Effect of FX rates fluctuations on balance of cash in foreign currencies		**(3 698)**	**(779)**
Cash and cash equivalents – closing balance	**13**	**286 000**	**290 116**

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

ADDITIONAL EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Parent Company", "Brokerage", "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 interim condensed consolidated financial statements cover the following foreign branches which form the Parent Company:

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

1.2 Composition of the Group

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

COMPANY NAME	COUNTRY OF REGISTERED OFFICE	PERCENTAGE SHARE IN THE CAPITAL		
		31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (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 International	Belize	100%	–	–
XTB Chile SpA	Chile	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.

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

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

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

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

1.3 Composition of the Management Board

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

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

2. Professional judgement and uncertainty of estimates

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made judgements in the scope of classification of lease agreements, period of amortisation of intangible assets and period for settlement of the deferred tax asset. The applied assumptions are consistent with those applied in drafting the annual financial statements for the year ended 31 December 2016.

3. Basis for drafting the financial statements

3.1 Compliance statement

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

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

The interim condensed consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2017 to 31 March 2017 with comparative data for the period from 1 January 2016 to 31 March 2016, as at 31 December 2016 and as at 31 March 2016 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading and financial instruments held for sale which are measured at fair value. The Group's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

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

The interim condensed consolidated financial statements do not cover all information and disclosures required to be presented in annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the X-Trade Brokers Dom Maklerski S.A. Group for the year 2016.

The interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 12 May 2017. Drafting these interim condensed consolidated financial statements, the Parent Company decided that none of the standards would be applied retrospectively.

3.2 Functional currency and reporting currency

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

3.3 Going concern

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

3.4 Comparability of data and consistency of the policies applied

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

3.5 Changes in the accounting policies

The accounting policies 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 ended 31 December 2016, except for the adoption of the below presented standards. The below changes were applied in the interim condensed consolidated financial statements in accordance with their effective date but they did not have material effect on the presented and disclosed financial information, they did not apply to transactions concluded by the Group or the Group decided not to use the new valuation options.

- Amendments arising from IFRS Improvements, 2010-2012 Cycle, including amendments to IFRS 2 Share-Based Payment, amendments to IFRS 3 Business Combinations, amendments to IFRS 8 Operating Segments, amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets, amendments to IFRS 13 Fair Value Measurement, amendments to IAS 24 Related Party Disclosures, amendments to IFRS 7 Financial Instruments: Disclosures and amendments to IAS 19 Employee Benefits
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 1 Disclosure Initiative

- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

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

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

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

- IFRS 9 Financial Instruments (issued on 24 July 2014) – not yet endorsed by EU at the date of approval of these 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 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) - 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;
- IFRS 16 Leases (issued on 13 January 2016) - not yet endorsed by EU at the date of approval of these consolidated financial statements - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) - not yet endorsed by EU at the date of approval of these consolidated financial statements - effective for financial years beginning on or after 1 January 2018;
- 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 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 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 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 consolidated financial statements – effective for financial years beginning on or after 1 January 2018;
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these consolidated financial statements –Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these consolidated financial statements – effective for financial years beginning on or after 1 January 2018.

3.6.1 Implementation of IFRS 15

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. The basic principle of this standard is that the revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently at the stage of the preliminary analysis of the impact of IFRS 15 on its financial statements.

The Group runs homogenous business activity consisting in the sale of derivatives using the trading platforms to its customers. The Group is currently conducting a preliminary assessment of the impact of IFRS 15 on the amount of revenue from contracts with customers.

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice. The Group is currently at the stage of preparing the appropriate systems of internal control tests, policies and procedures necessary to collect and disclose the required information

3.6.2 Implementation of IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group intends to apply the standard for the first time in the financial statements for 2018. The Group is currently at the stage of carrying out a preliminary analysis of the impact of IFRS 9 on its financial statements.

3.6.3 Implementation of other standards and interpretations

IFRS 16 was issued in January 2016. The new standards require lessees to recognize most of the lease contracts in their balance sheets as liabilities under the lease, together with the corresponding components of the asset for its right to use assets.

IFRS 16 is effective for annual periods beginning on January 1, 2019 onwards, with earlier application permitted. With regard to annual periods beginning on January 1, 2019 or later is required to complete retrospective application or modified retrospective application.

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

4. Adopted accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2016, except for the new or amended standards and new interpretations binding for the annual periods starting on or after 1 January 2017.

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)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
CFDs		
Index CFDs	43 249	43 848
Currency CFDs	11 782	22 211
Commodity CFDs	2 831	14 682
Stock CFDs	471	296
Bond CFDs	(123)	867
Total CFDs	**58 210**	**81 904**
Options		
Currency options	1 609	698
Index options	366	355
Commodity options	105	219
Bond options	2	5
Total options	**2 082**	**1 277**
Gross gain on transactions in financial instruments	**60 292**	**83 181**
Bonuses and discounts paid to customers	(797)	(887)
Commission paid to cooperating brokers	(1 845)	(829)
Net gain on transactions in financial instruments	**57 650**	**81 465**

Bonuses paid to customers are related, among others, 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)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Other fees and charges	1 052	1 294
Total income from fees and charges	**1 052**	**1 294**

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)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Operating income		
Central and Eastern Europe	22 893	38 260
- including Poland	*10 610*	*22 534*
Western Europe	30 926	37 292
- including Spain	*13 081*	*21 385*
Latin America and Turkey	4 899	7 213
Total operating income	**58 718**	**82 765**

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

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

7. Salaries and employee benefits

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Salaries	(14 754)	(18 442)
Social insurance and other benefits	(2 957)	(3 326)
Employee benefits	(714)	(507)
Total salaries and employee benefits	**(18 425)**	**(22 275)**

8. Marketing

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Marketing online	(4 750)	(6 356)
Marketing offline	(2 418)	(1 204)
Competitions for customers	(7)	(430)
Total marketing	**(7 175)**	**(7 990)**

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

9. Other external services

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Market data delivery	(1 048)	(457)
Support database systems	(1 030)	(979)
Legal and advisory services	(657)	(827)
Internet and telecommunications	(568)	(630)
Accounting and audit services	(382)	(358)
Recruitment	(227)	(198)
IT services	(162)	(308)
Postal and courier services	(34)	(52)
Other external services	(243)	(151)
Total other external services	**(4 351)**	**(3 960)**

10. Commission expenses

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Stock exchange fees and charges	(755)	(498)
Bank commissions	(650)	(597)
Commissions of foreign brokers	(94)	(14)
Total commission expenses	**(1 499)**	**(1 109)**

11. Finance income and costs

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Interest income		
Interest on own cash	966	1 151
Interest on customers' cash	261	238
Total interest income	**1 227**	**1 389**
Foreign exchange gains	3 272	612
Other finance income	2	5
Total finance income	**4 501**	**2 006**

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Interest expense		
Interest paid to customers	(209)	(231)
Interest paid under lease agreements	(2)	(3)
Other interest	(66)	(47)
Total interest expense	**(277)**	**(281)**
Foreign exchange losses	(12 646)	(4 256)
Other finance costs	–	(5)
Total finance costs	**(12 923)**	**(4 542)**

Result on foreign exchange relates to 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.

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

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT THREE-MONTH PERIOD ENDED 31.03.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
Net result on transactions in financial instruments	71 163	10 302	81 465	81 465
CFDs				
Index CFDs	36 719	7 129	43 848	43 848
Commodity CFDs	13 524	1 158	14 682	14 682
Currency CFDs	20 270	1 941	22 211	22 211
Stock CFDs	167	129	296	296
Bond CFDs	829	38	867	867
Options				
Currency options	694	4	698	698
Index options	354	1	355	355
Commodity options	216	3	219	219
Bond options	5	–	5	5
Bonuses and discounts paid to customers	(887)	–	(887)	(887)
Commissions paid to cooperating brokers	(728)	(101)	(829)	(829)
Fee and commission income	378	916	1 294	1 294
Other income	6	–	6	6
Total operating income	**71 547**	**11 218**	**82 765**	**82 765**
Salaries and employee benefits	(21 497)	(778)	(22 275)	(22 275)
Marketing	(7 938)	(52)	(7 990)	(7 990)
Other external services	(3 628)	(332)	(3 960)	(3 960)
Costs of maintenance and lease of buildings	(2 287)	(101)	(2 388)	(2 388)
Amortization and depreciation	(1 372)	(17)	(1 389)	(1 389)
Taxes and fees	(310)	(3)	(313)	(313)
Commission expense	(1 088)	(21)	(1 109)	(1 109)
Other expenses	(929)	(111)	(1 040)	(1 040)
Total operating expenses	**(39 049)**	**(1 415)**	**(40 464)**	**(40 464)**
Operating profit	**32 498**	**9 803**	**42 301**	**42 301**
Finance income	–	–	–	2 006
Finance costs	–	–	–	(4 542)
Profit before tax	–	–	–	**39 765**
Income tax	–	–	–	(7 906)
Net profit	–	–	–	**31 859**

ASSETS AND LIABILITIES AS AT 31.12.2016 (AUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	337 538	38 104	375 642	375 642
Financial assets held for trading	89 325	5 578	94 903	94 903
Other assets	324 947	1 261	326 208	326 208
Total assets	**751 810**	**44 943**	**796 753**	**796 753**
Amounts due to customers	339 164	38 104	377 268	377 268
Financial liabilities held for trading	20 399	2 246	22 645	22 645
Other liabilities	40 541	406	40 947	40 947
Total liabilities	**404 104**	**40 756**	**440 860**	**440 860**

ASSETS AND LIABILITIES AS AT 31.03.2016 (UNAUDITED) (IN PLN'000)	RETAIL OPERATIONS	INSTITUTIONAL OPERATIONS	TOTAL REPORTING SEGMENTS	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Customers' cash and cash equivalents	251 749	63 817	315 566	315 566
Financial assets held for trading	61 337	2 435	63 772	63 772
Other assets	337 970	–	337 970	337 970
Total assets	**651 056**	**66 252**	**717 308**	**717 308**
Amounts due to customers	255 405	63 817	319 222	319 222
Financial liabilities held for trading	9 272	364	9 636	9 636
Other liabilities	74 691	–	74 691	74 691
Total liabilities	**339 368**	**64 181**	**403 549**	**403 549**

13. Cash and cash equivalents

Broken down by type

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
In hand	30	33	26
In current bank accounts	690 618	662 070	586 803
Short-term bank deposits	1 400	4 278	18 853
Cash and cash equivalents in total	**692 048**	**666 381**	**605 682**

Restricted own and customers' cash

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Customers' cash and other monetary assets	406 048	375 642	315 566
Own cash and other monetary assets	286 000	290 739	290 116
Cash and other monetary assets in total	**692 048**	**666 381**	**605 682**

14. Financial assets held for trading

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
CFDs			
Index CFDs	80 081	58 200	37 699
Currency CFDs	20 235	20 774	14 173
Commodity CFDs	10 580	13 168	9 688
Stock CFDs	3 620	2 377	1 739
Bond CFDs	151	384	473
Total financial assets held for trading	**114 667**	**94 903**	**63 772**

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

15. Loans and other receivables

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Gross amounts due from customers	2 707	3 791	2 286
Impairment write–downs of receivables	(2 365)	(2 539)	(1 381)
Total amounts due from customers	**342**	**1 252**	**905**
Trade receivables	6 392	1 775	2 179
Deposits	1 866	1 772	1 561
Statutory receivables	1 305	1 013	710
Receivables from the Central Securities Depository of Poland	–	–	83
Impairment write-downs of receivables	(603)	(568)	(374)
Total other receivables	**9 302**	**5 244**	**5 064**

Movements in impairment write-downs of receivables

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Impairment write-downs of receivables – at the beginning of the reporting period	**(3 107)**	**(1 430)**	**(1 430)**
write-downs recorded	(243)	(2 348)	(472)
write-downs reversed	287	282	133
write-downs utilized	95	389	14
Impairment write-downs of receivables – at the end of the reporting period	**(2 968)**	**(3 107)**	**(1 755)**

Write-downs of receivables created in 2017 and 2016 result from the debit balances which arose in customers' accounts in those periods.

16. Intangible assets

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

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

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

Intangible assets in the period from 1 January 2016 to 31 December 2016 (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 2016	**4 949**	**10 792**	**8 017**	**–**	**23 758**
Additions	230	–	–	–	230
Sale and scrapping	(4)	–	–	–	(4)
Net foreign exchange differences	15	–	–	–	15
Gross value as at 31 December 2016	**5 190**	**10 792**	**8 017**	–	**23 999**
Accumulated amortization as at 1 January 2016	**(3 790)**	**(5 292)**	**(1 336)**	**–**	**(10 418)**
Amortization for the current period	(551)	(2 159)	(802)	–	(3 512)
Sale and scrapping	2	–	–		2
Net foreign exchange differences	(11)	–	–	–	(11)
Accumulated amortization as at 31 December 2016	**(4 350)**	**(7 451)**	**(2 138)**	–	**(13 939)**
Net book value as at 1 January 2016	**1 159**	**5 500**	**6 681**	**–**	**13 340**
Net book value as at 31 December 2016	**840**	**3 341**	**5 879**	–	**10 060**

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 2016 to 31 March 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	130	–	–	–	130
Net foreign exchange differences	1	–	–	–	1
Gross value as at 31 March 2016	**5 080**	**10 792**	**8 017**	**–**	**23 889**
Accumulated amortization as at 1 January 2016	**(3 790)**	**(5 292)**	**(1 336)**	**–**	**(10 418)**
Amortization for the current period	(150)	(540)	(200)	–	(890)
Accumulated amortization as at 31 March 2016	**(3 940)**	**(5 832)**	**(1 536)**	**–**	**(11 308)**
Net book value as at 1 January 2016	**1 159**	**5 500**	**6 681**	**–**	**13 340**
Net book value as at 31 March 2016	**1 140**	**4 960**	**6 481**	**–**	**12 581**

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

17. Property, plant and equipment

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

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

Property, plant and equipment in the period from 1 January 2016 to 31 December 2016 (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 2016	**8 407**	**7 601**	**141**	**–**	**16 149**
Additions	1 342	212	–	–	1 554
Sale and scrapping	(190)	(602)	–	–	(792)
Net foreign exchange differences	(25)	(49)	2	–	(72)
Gross value as at 31 December 2016	**9 534**	**7 162**	**143**	–	**16 839**
Accumulated amortization as at 1 January 2016	**(6 638)**	**(5 404)**	**–**	**–**	**(12 042)**
Amortization for the current period	(1 094)	(817)	–	–	(1 911)
Sale and scrapping	185	602	–	–	787
Net foreign exchange differences	17	56	–	–	73
Accumulated amortization as at 31 December 2016	**(7 530)**	**(5 563)**	–	–	**(13 093)**
Net book value as at 1 January 2016	**1 769**	**2 197**	**141**	**–**	**4 107**
Net book value as at 31 December 2016	**2 004**	**1 599**	**143**	–	**3 746**

Property, plant and equipment in the period from 1 January 2016 to 31 March 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	315	52	(87)	–	280
Sale and scrapping	(18)	(6)	–	–	(24)
Net foreign exchange differences	(15)	(36)	–	–	(51)
Gross value as at 31 March 2016	**8 689**	**7 611**	**54**	**–**	**16 354**
Accumulated amortization as at 1 January 2016	**(6 638)**	**(5 404)**	**–**	**–**	**(12 042)**
Amortization for the current period	(288)	(211)	–	–	(499)
Sale and scrapping	18	6	–	–	24
Net foreign exchange differences	10	19	–	–	29
Accumulated amortization as at 31 March 2016	**(6 898)**	**(5 590)**	**–**	**–**	**(12 488)**
Net book value as at 1 January 2016	**1 769**	**2 197**	**141**	**–**	**4 107**
Net book value as at 31 March 2016	**1 791**	**2 021**	**54**	**–**	**3 866**

Non-current assets by geographical area

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Non-current assets			
Central and Eastern Europe	6 440	6 802	8 750
- including Poland	*5 990*	*6 289*	*8 118*
Western Europe	487	583	777
- including Spain	*175*	*212*	*297*
Latin America and Turkey	6 393	6 421	6 920
Total non-current assets	**13 320**	**13 806**	**16 447**

18. Amounts due to customers

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Amounts due to retail customers	381 468	339 164	255 405
Amounts due to institutional customers	36 916	38 104	63 817
Total amounts due to customers	**418 384**	**377 268**	**319 222**

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

19. Financial liabilities held for trading

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
CFDs			
Index CFDs	18 676	14 081	5 522
Commodity CFDs	3 598	3 574	1 226
Currency CFDs	3 472	3 575	2 135
Stock CFDs	2 727	1 369	731
Bond CFDs	47	46	22
Financial liabilities held for trading in total	**28 520**	**22 645**	**9 636**

20. Other liabilities

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Trade liabilities	7 642	6 433	6 607
Provisions for other employee benefits	7 306	10 894	10 754
Statutory liabilities	5 691	4 287	24 061
Liabilities due to employees	1 183	768	906
Liabilities under finance lease	214	258	345
Amounts due to the Central Securities Depository of Poland	59	53	–
Liabilities due to shareholders	–	–	19 444
Total other liabilities	**22 095**	**22 693**	**62 117**

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 31 March 2017 the provision for variable remuneration elements amounted to PLN 563 thousand, as at 31 December 2016 it amounted to PLN 1 173 thousand and as at 31 March 2016 it amounted to PLN 439 thousand.

21. Provisions for liabilities and contingent liabilities

21.1 Provisions for liabilities

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Provision for retirement benefits	187	177	118
Provision for legal risk	735	771	757
Total provisions	**922**	**948**	**875**

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 interim 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 2017 to 31 March 2017 (unaudited)

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

Movements in provisions in the period from 1 January 2016 to 31 December 2016 (audited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES		VALUE AS AT 31.12.2016
			USE	REVERSAL	
Provision for retirement benefits	123	54	–	–	177
Provision for legal risk	748	309	286	–	771
Total provisions	**871**	**363**	**286**	–	**948**

Movements in provisions in the period from 1 January 2016 to 31 March 2016 (unaudited)

(IN PLN'000)	VALUE AS AT 01.01.2016	INCREASES	DECREASES		VALUE AS AT 31.03.2016
			USE	REVERSAL	
Provision for retirement benefits	123	–	–	5	118
Provision for legal risk	748	9	–	–	757
Total provisions	**871**	**9**	**–**	**5**	**875**

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 31 March 2017, the total value of claims brought against the Parent Company and the Group companies, uncovered with the provisions, amounted to approx. PLN 5,82 million (as at 31 December 2016: PLN 5,79 million and as at 31 March 2016: PLN 4,67 million). Parent Company has not created provisions for the above proceedings. In the assessment of the Parent Company there is low probability of loss in these proceedings.

On 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 UK and PayPal (Europe) Sarl & Cie, SCA based in Luxembourg. The guarantee was granted for the duration of the main contract, which was concluded for an indefinite period.

In 2015 the Parent Company issued a guarantee to secure office lease agreement concluded between subsidiary XTB Limited, based in UK and Canary Wharf Management Limited based in UK. The guarantee is to cover any costs arising from the lease agreement and over the remaining period for which it was concluded, ie. as at the balance sheet date up to the amount of PLN 2,70 million.

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

22. Equity

Share capital structure as at 31 March 2017 (unaudited), 31 December 2016 (audited) and 31 March 2016 (unaudited)

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

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

Shareholding structure of the Parent Company

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

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

On the 4 January 2017 one employee of X-Trade Brokers Dom Maklerski S.A. acquired 85 221 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

To the best Company's knowledge, the shareholding structure of the Parent Company as at 31 December 2016 was as follows:

	NUMBER OF SHARES	NOMINAL VALUE OF SHARES (IN PLN'000)	SHARE
XXZW Investment Group S.A.	78 206 465	3 910	66,62%
Systexan SARL	22 285 876	1 114	18,99%
Other shareholders	16 891 294	845	14,39%
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 Parent 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.

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

The shareholding structure of the Parent Company as at 31 March 2016 was as follows:

	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%**

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 Group'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 Parent Company 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 (10 268) thousand.

23. Profit distribution and dividend

As at 31 March 2017 the profit for 2016 has not been split. The split of 2016 profit was done on 24 April 2017 as described in note 28.

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.

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)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Profit from continuing operations attributable to shareholders of the Parent Company	10 640	31 859
Weighted average number of ordinary shares	117 383 635	117 383 635
Shares causing dilution (share option plan)	–	341 640
Weighted average number of shares including dilution effect	117 383 635	117 725 275
Basic net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,09	0,27
Diluted net profit per share from continuing operations for the year attributable to shareholders of the Parent Company	0,09	0,27

25. Current income tax and deferred income tax

Regulations concerning the tax on goods and services, corporate income tax and the burden of social insurance are subject to frequent changes. These frequent changes result in lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applied. The current regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and companies.

Tax settlements and other areas of activity (for example, customs or foreign exchange) may be subject to inspection by control authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from inspections must be paid together with high interest. These conditions cause that tax risk in Poland is higher than in countries with more mature tax systems.

Consequently, the amounts reported and disclosed in the financial statements may change in the future as a result of a final decision of the tax audit.

On 15 July 2016 changes have been introduced to the Tax Code to take into account the provisions of the General Anti Avoidance Rules (GAAR). GAAR is to prevent the formation and use of artificial legal structures created in order to avoid payment of tax in Poland. GAAR defines tax avoidance operation as an action made primarily in order to achieve a tax advantage being in conflict with the subject and purpose of the provisions of the Tax Act. According to GAAR such activity does not result in the achievement of a tax advantage if the behaviour was artificial. Any occurrence of (i) unjustified sharing operations, (ii) the involvement of intermediaries, despite the lack of economic justification or business, (iii) the elements mutually terminating or compensating, and (iv) other actions with a similar effect to the aforementioned, may be treated as a condition of existence false operations covered by GAAR. The new regulations will require greater judgment when assessing the tax consequences of particular transactions.

GAAR clause should apply to transactions made after its entry into force and to the transactions that were carried out prior to the entry into force of the GAAR clause but for which the benefits have been achieved or are still. The implementation of these regulations will enable the Polish tax authorities to question legal arrangements and agreements carried out by the taxpayers, such as restructuring and group reorganization.

25.1 Income tax

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Income tax – current portion		
Income tax for the reporting period	(111)	(7 670)
Income tax – deferred portion		
Occurrence / reversal of temporary differences	(2 980)	(236)
Income tax disclosed in profit or loss	**(3 091)**	**(7 906)**

Reconciliation of the actual tax burden

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Profit before tax	**13 731**	**39 765**
Income tax based on the applicable tax rate of 19%	**(2 609)**	**(7 555)**
Difference resulting from application of tax rates applicable in other countries	(41)	(74)
Non-taxable revenue	8	2
Non-deductible expenses	(116)	(128)
Realisation of tax losses for the preceding periods	10	12
Other items affecting the tax burden amount	(343)	(163)
Income tax disclosed in profit or loss	**(3 091)**	**(7 906)**

25.2 Deferred income tax

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

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

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

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

Change in the balance of deferred tax for the period from 1 January to 31 December 2016 (audited)

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.12.2016
Deferred income tax assets:			
Property, plant and equipment	124	(24)	100
Loans granted and other receivables	3	42	45
Financial liabilities held for trading	1 840	2 273	4 113
Provisions for liabilities	16	34	50
Prepayments and deferred costs	1 665	(403)	1 262
Other liabilities	20	2	22
Tax losses of previous periods to be settled in future periods	12 112	(819)	11 293
Total deferred income tax assets	**15 780**	**1 105**	**16 885**

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.12.2016
Deferred income tax provision:			
Financial assets held for trading	11 866	5 277	17 143
Other liabilities	–	1	1
Loans granted and other receivables	34	(30)	4
Prepayments	–	21	21
Property, plant and equipment	1 092	(434)	658
Total deferred income tax provision	**12 992**	**4 835**	**17 827**
Deferred tax disclosed in profit or (loss)	**–**	**(3 730)**	**–**

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 31.12.2016
Deferred tax provision included in other comprehensive income:			
Separate equity of branches	188	291	479
Total deferred tax provision included in other comprehensive income	**188**	**291**	**479**

Change in the balance of deferred tax for the period from 1 January to 31 March 2016 (unaudited)

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.03.2016
Deferred income tax assets:			
Property, plant and equipment	124	(4)	120
Loans granted and other receivables	3	1	4
Financial liabilities held for trading	1 840	(126)	1 714
Provisions for liabilities	16	(3)	13
Prepayments and deferred costs	1 665	(5)	1 660
Other liabilities	20	(20)	–
Tax losses of previous periods to be settled in future periods	12 112	(391)	11 721
Total deferred income tax assets	**15 780**	**(548)**	**15 232**

(IN PLN'000)	AS AT 01.01.2016	PROFIT OR (LOSS)	AS AT 31.03.2016
Deferred income tax provision:			
Financial assets held for trading	11 866	(175)	11 691
Other liabilities	–	39	39
Loans granted and other receivables	34	(34)	–
Property, plant and equipment	1 092	(142)	950
Total deferred income tax provision	**12 992**	**(312)**	**12 680**
Deferred tax disclosed in profit or (loss)	**–**	**(236)**	**–**

(IN PLN'000)	AS AT 01.01.2016	INCLUDED IN EQUITY	AS AT 31.03.2016
Deferred tax provision included in other comprehensive income:			
Separate equity of branches	188	24	212
Total deferred tax provision included in other comprehensive income	**188**	**24**	**212**

Geographical division of deferred tax assets

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Deferred income tax assets			
Central and Eastern Europe	64	114	87
- including Poland	–	–	–
Western Europe	10 714	11 338	11 773
- including Spain	–	–	–
Latin America and Turkey	157	171	–
Total deferred income tax assets	**10 935**	**11 623**	**11 860**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 March 2017 (unaudited):

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

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 2016 (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	5 261	18 305	–	13 044
Czech Republic	42	–	42	–
Slovakia	72	1	71	–
Germany	3 119	–	3 119	–
France	5 854	–	5 854	–
Great Britain	2 366	–	2 366	–
Turkey	171	–	171	–
Total	**16 885**	**18 306**	**11 623**	**13 044**

Data concerning the presentation of deferred tax by country of origin and reconciliation of presentation in the statement of financial position as at 31 March 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	3 364	12 884	–	9 520
Czech Republic	28	7	21	–
Slovakia	67	1	66	–
Germany	3 069	–	3 069	–
France	5 758	–	5 758	–
Great Britain	2 946	–	2 946	–
Total	**15 232**	**12 892**	**11 860**	**9 520**

26. Related party transactions

26.1 Parent Company

As at 31 March 2017 the key shareholder of the Parent Company is XXZW Investment Group S.A. with its registered office in Luxembourg which holds 66,83% of shares and votes in the General Meeting as per Company's best knowledge. XXZW Investment Group S.A. prepares consolidated financial statements.

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

26.2 Figures concerning related party transactions

As at 31 March 2017 and 31 December 2016, the Group had no settlements with related parties. As at 31 March 2016 the Group had a liability to the parent company in the amount of PLN 19 444 thousand due to dividend payment. As at 31 March 2016 there were no receivables from related parties. In the periods covered by the interim condensed consolidated financial statements there we no revenues or expenses resulting from transactions with related entities

26.3 Benefits to Management Board and Supervisory Board

(IN PLN'000)	THREE-MONTH PERIOD ENDED	
	31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Benefits to the Management Board members	(1 559)	(374)
Benefits to the Supervisory Board members	(27)	(41)
Total benefits to the Management Board and Supervisory Board	**(1 586)**	**(415)**

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 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 563 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 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 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.

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

On the 4 January 2017 roku one employee of X-Trade Brokers Dom Maklerski S.A. acquired 84 805 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL.

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

	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Unrealized rights to shares as at the beginning of the period	84 805	341 640	341 640
Granted rights to shares	–	–	–
Lost rights to shares	–	–	–
Realized rights to shares	(84 805)	(256 835)	–
Expired rights to shares	–	–	–
Unrealized rights to shares as at the end of the period	**–**	**84 805**	**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.

26.5 Loans granted to the Management and Supervisory Board

As at 31 March 2017, 31 December 2016 and 31 March 2016 there are no loans granted to the Management and Supervisory Board members.

27. Supplementary information and explanations to the cash flow statement

27.1 Change in the balance of other liabilities

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Change in other liabilities	(598)	35 409
Liabilities due to dividend payment	–	(19 444)
Payment of finance lease liabilities	44	30
Change in balance of other liabilities	**(554)**	**15 995**

27.2 Other adjustments

The "other adjustments" item includes the following adjustments:

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Change in the balance of differences from the conversion of branches and subsidiaries	(5 323)	(590)
Foreign exchange differences on translation of financial instruments held for sale	17	1
Foreign exchange differences on translation of movements in property, plant and equipment, and intangible assets	94	21
Change in other adjustments	**(5 212)**	**(568)**

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

28. Post balance sheet events

On 24 April 2017 General Shareholders' Meeting of the Parent Company made a decision on dividend payment from the 2016 net profit. The amount of dividend per share earmarked for payment will be equal to PLN 0,32 and in total will amount to PLN 37 563 thousand. The remaining amount of 2016 net profit will be transferred to reserve capital. The dividend date was set on 5 May 2017. The dividend will be paid on 23 May 2017.

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

29.1 Nominal values of derivatives

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
CFDs			
Index CFDs	2 192 069	1 832 652	958 414
Currency CFDs	1 482 623	1 753 101	892 530
Commodity CFDs	343 808	422 577	191 935
Stock CFDs	116 065	63 846	47 937
Bond CFDs	21 123	32 921	20 585
Total CFDs	**4 155 688**	**4 105 097**	**2 111 401**

The nominal value of instruments presented in the chart above includes transactions with customers and brokers. As at 31 March 2017, transactions with brokers represent 6% of the total nominal value of instruments (as at 31 December 2016: 25% of the total nominal value of instruments, as at 31 March 2016: 3% of the total nominal value of instruments).

29.2 Customers' financial instruments

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

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Listed stocks and rights to stocks registered in customers' securities accounts	215	201	230
Other securities registered in customers' securities accounts	332	341	341
Total customers' financial instruments	**547**	**542**	**571**

30. Items regarding the compensation scheme

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
1. Contributions made to the compensation scheme			
a) opening balance	2 687	2 204	2 204
- increases	*141*	*483*	*119*
b) closing balance	2 828	2 687	2 323
2. XTB's share in the profits from the compensation scheme	**188**	**180**	**159**

31. Capital management

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

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

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

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

As part of ICAAP, the 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 CRR Resolution, "The procedure for calculating risk adequacy ratios in X–Trade Brokers Dom Maklerski S.A." and are not regulated by IFRS.

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

Prudential consolidation according to the CRR applies to subsidiaries in excess of the threshold referred to in Article 19 of the CRR. As regards the Group, the Parent Company includes its subsidiary X-Trade Brokers Menkul Değerler A.Ş. in prudential consolidation 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 consolidated financial statements the Group was obliged to maintain the capital conservation buffer and countercyclical buffer.

Key values in capital management:

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
The Company's own funds	**247 550**	**253 971**	**264 407**
Tier I Capital	247 550	253 971	264 407
Common Equity Tier I capital	247 550	253 971	264 407
Supplementary capital Tier I	–	–	–
Tier II capital	–	–	–
Total risk exposure	**2 457 792**	**1 534 911**	**1 819 567**
Capital conservation buffer	30 722	19 186	22 745
Countercyclical capital buffer	679	457	467
Combined buffer requirement	**31 401**	**19 643**	**23 212**

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

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

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

(IN PLN'000)	AS AT 31.03.2017 (UNAUDITED)	AVERAGE MONTHLY VALUE IN THE PERIOD	AS AT 31.12.2016 (AUDITED)	AS AT 31.03.2017 (UNAUDITED)
1. Capital/Own funds	247 550	251 321	253 971	266 514
1.1. Base capital/Common Equity Tier I without deductions	289 429	279 658	289 429	289 947
1.2. Additional items of common equity/Supplementary capital Tier I	–	–	–	–
1.3. Items decreasing share capitals	(41 879)	(28 337)	(35 458)	(23 433)
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	**247 550**	**251 321**	**253 971**	**266 514**
1. Market risk	127 014	113 706	48 228	80 324
2. Settlement and delivery risk, contractor's credit risk and the CVA requirement	8 578	7 540	5 552	3 575
3. Credit risk	22 787	21 617	30 768	25 398
4. Operating risk	38 245	37 816	38 245	36 268
5. Exceeding the limit of exposure concentration and the limit of high exposures	–	–	–	N/A
6. Capital requirement due to fixed costs	N/A	N/A	N/A	N/A
IIa. Overall capital requirement	**196 624**	**180 679**	**122 793**	**145 565**
IIb. Total risk exposure	**2 457 792**	**2 258 493**	**1 534 911**	**1 819 567**
Capital conservation buffer	30 722	28 231	19 186	22 745
Countercyclical capital buffer	679	897	457	467
Combined buffer requirement	**31 401**	**29 128**	**19 643**	**23 212**

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

32. Risk management

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

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

The Parent Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the 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 Company's own investments, defines the overall capital requirement and estimates internal capital. The Risk Control Department reports directly to the Member of the Management Board responsible for the operation of the Group's internal control system.

The Parent Company's Supervisory Board approves risk management system, 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)	31.03.2017 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	114 667	–	**114 667**
Financial assets available for sale	–	173	–	**173**
Total assets	**–**	**114 840**	**–**	**114 840**
Financial liabilities	–	28 520	–	**28 520**
Financial liabilities held for trading	**–**	**28 520**	**–**	**28 520**

(IN PLN'000)	31.12.2016 (AUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	94 903	–	**94 903**
Financial assets available for sale	–	190	–	**190**
Total assets	**–**	**95 093**	**–**	**95 093**
Financial liabilities	–	22 645	–	**22 645**
Financial liabilities held for trading	**–**	**22 645**	**–**	**22 645**

(IN PLN'000)	31.03.2016 (UNAUDITED)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial assets held for trading	–	63 772	–	**63 772**
Financial assets available for sale	–	212	–	**212**
Total assets	**–**	**63 984**	**–**	**63 984**
Financial liabilities	–	9 636	–	**9 636**
Financial liabilities held for trading	**–**	**9 636**	**–**	**9 636**

In the periods covered by the 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

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

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

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

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

As part of the internal procedures, the Group applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given 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 which price is denominated in foreign currencies. Also, the Group has assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

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

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

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

Assets and liabilities denominated in foreign currencies as at 31 December 2016 (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	55 036	129 471	5 935	26 264	5 972	3 838	41 530	268 046	290 739
Customers' cash and cash equivalents	24 459	181 706	2 555	36 311	4 400	5 072	5 600	260 103	375 642
Financial assets held for trading	6 401	39 237	424	8 125	2 452	2 243	1 980	60 862	94 903
Financial assets available for sale	–	–	–	–	–	–	190	190	190
Income tax receivables	–	14	–	1 001	–	–	–	1 015	1 016
Loans granted and other receivables	804	2 039	417	165	2	70	1 046	4 543	5 244
Prepayments and deferred costs	–	146	482	140	–	7	212	987	3 590
Intangible assets	–	32	–	39	–	–	44	115	10 060
Property, plant and equipment	–	506	131	364	–	24	498	1 523	3 746
Deferred income tax assets	–	9 044	2 365	42	–	–	171	11 625	11 623
Total assets	**86 700**	**362 195**	**12 309**	**72 451**	**12 826**	**11 254**	**51 271**	**609 006**	**796 753**
Liabilities									
Amounts due to customers	22 744	185 106	2 886	36 092	5 028	4 941	5 682	262 479	377 268
Financial liabilities held for trading	1 761	10 490	49	1 025	288	1 008	377	14 998	22 645
Income tax liabilities	–	296	–	–	–	–	34	330	4 262
Other liabilities	422	7 195	2 719	1 429	–	344	2 751	14 860	22 693
Provisions for liabilities	–	155	–	–	–	462	65	682	948
Deferred income tax provision	–	–	–	–	–	–	–	–	13 044
Total liabilities	**24 927**	**203 242**	**5 654**	**38 546**	**5 316**	**6 755**	**8 909**	**293 349**	**440 860**

Assets and liabilities denominated in foreign currencies as at 31 March 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	65 636	112 010	3 907	39 203	9 186	3 822	47 450	281 214	290 116
Customers' cash and cash equivalents	23 816	166 030	1 624	27 565	3 692	4 163	3 848	230 738	315 566
Financial assets held for trading	3 176	28 054	328	4 614	1 303	1 419	1 685	40 479	63 772
Financial assets available for sale	–	–	–	–	–	–	212	212	212
Income tax receivables	–	551	–	2 031	–	–	244	2 826	5 724
Loans granted and other receivables	315	2 068	1 212	129	2	147	397	4 270	5 064
Prepayments and deferred costs	–	294	300	142	–	4	298	1 038	8 547
Intangible assets	–	47	–	47	–	3	37	134	12 581
Property, plant and equipment	–	632	211	444	–	24	402	1 713	3 866
Deferred income tax assets	–	8 893	2 946	21	–	–	–	11 860	11 860
Total assets	**92 943**	**318 579**	**10 528**	**74 196**	**14 183**	**9 582**	**54 573**	**574 584**	**717 308**
Liabilities									
Amounts due to customers	24 547	167 298	1 760	27 801	3 862	4 203	3 820	233 291	319 222
Financial liabilities held for trading	516	4 910	119	442	117	326	29	6 459	9 636
Income tax liabilities	–	160	–	–	–	–	–	160	2 179
Other liabilities	328	6 115	2 428	1 956	–	324	2 608	13 759	62 117
Provisions for liabilities	–	–	–	–	–	758	49	807	875
Deferred income tax provision	–	–	–	–	–	–	–	–	9 520
Total liabilities	**25 391**	**178 483**	**4 307**	**30 199**	**3 979**	**5 611**	**6 506**	**254 476**	**403 549**

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

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2017 (UNAUDITED)		31.03.2016 (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	6 352	(6 352)	5 751	(5 751)
Equity, of which:	3 213	(3 213)	3 938	(3 938)
Foreign exchange differences on translation	3 213	(3 213)	3 938	(3 938)

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

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)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Financial assets			
Cash and cash equivalents	692 048	666 381	605 682
Total financial assets	**692 048**	**666 381**	**605 682**
Financial liabilities			
Amounts due to customers	114 971	95 994	85 743
Other liabilities	282	258	345
Total financial liabilities	**115 253**	**96 252**	**86 088**

Impact of a change in interest rates by 50 base points (BP) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in the period from 1 January to 31 March 2017 and from 1 January to 31 March 2016, using the average 1M interest rate in a given market.

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2017 (UNAUDITED)		31.03.2016 (UNAUDITED)	
	INCREASE BY 50 PB	DECREASE BY 50 PB	INCREASE BY 50 PB	DECREASE BY 50 PB
Profit (loss) before tax	3 735	(3 735)	3 017	(3 017)

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

In the period covered by these interim 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)	31.03.2017 (AUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Financial assets held for trading			
Commodity CFDs			
Precious metals	3 307	5 227	2 541
Base metals	236	198	333
Other	6 836	7 676	8 449
Total commodity CFDs	**10 379**	**13 101**	**11 323**
Equity instruments			
Stocks	3 510	2 353	1 737
Indicies	79 597	58 078	37 906
Total equity instruments	**83 107**	**60 431**	**39 643**
Debt instruments	**141**	**380**	**473**
Total financial assets held for trading	**93 627**	**73 912**	**51 439**
Financial liabilities held for trading			
Commodity CFDs			
Precious metals	469	979	461
Base metals	40	56	5
Other	2 882	2 473	801
Total commodity CFDs	**3 391**	**3 508**	**1 267**
Equity instruments			
Stocks	2 622	1 345	718
Indicies	18 201	13 950	5 325
Total equity instruments	**20 823**	**15 295**	**6 043**
Debt instruments	**37**	**42**	**21**
Total financial liabilities held for trading	**24 251**	**18 845**	**7 331**

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)	THREE-MONTH PERIOD ENDED			
	31.03.2017 (UNAUDITED)		31.03.2016 (UNAUDITED)	
	INCREASE BY 5%	DECREASE BY 5%	INCREASE BY 5%	DECREASE BY 5%
Income (expenses) of the period				
Commodity CFDs				
Precious metals	(80)	80	(96)	96
Base metals	(146)	146	(148)	148
Other	(3 535)	3 535	(1 795)	1 795
Total commodity CFDs	**(3 761)**	**3 761**	**(2 039)**	**2 039**
Equity instruments				
Stocks	(15)	15	(46)	46
Indicies	44 674	(44 674)	2 471	(2 471)
Total equity instruments	**44 659**	**(44 659)**	**2 425**	**(2 425)**
Debt instruments	**735**	**(735)**	**762**	**(762)**
Total income (expenses) for the period	**41 633**	**(41 633)**	**1 148**	**(1 148)**

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.

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 31 March 2017 (unaudited)

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

Contractual payment periods of financial assets and liabilities as at 31 December 2016 (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	666 381	666 381	666 381	–	–	–	–
Financial assets held for trading							
CFDs	94 903	94 903	94 903	–	–	–	–
Total financial assets held for trading	94 903	94 903	94 903	–	–	–	–
Financial instruments available for sale	190	190	–	–	–	–	190
Loans granted and other receivables	5 244	5 244	3 422	50	1 608	164	–
Total financial assets	**766 718**	**766 718**	**764 706**	**50**	**1 608**	**164**	**190**
Financial liabilities							
Amounts due to customers	377 268	377 268	377 268	–	–	–	–
Financial liabilities held for trading							
CFDs	22 645	22 645	22 645	–	–	–	–
Total financial liabilities held for trading	22 645	22 645	22 645	–	–	–	–
Other liabilities	22 693	22 693	15 415	7 129	149	–	–
Total financial liabilities	**422 606**	**422 606**	**415 328**	**7 129**	**149**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			349 378	(7 079)	1 459	164	190
Contractual cumulative liquidity gap			349 378	342 299	343 758	343 922	344 112

Contractual payment periods of financial assets and liabilities as at 31 March 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	605 682	605 682	605 682	–	–	–	–
Financial assets held for trading							
CFDs	63 772	63 772	63 772	–	–	–	–
Total financial assets held for trading	63 772	63 772	63 772	–	–	–	–
Financial instruments available for sale	212	212	–	–	–	–	212
Loans granted and other receivables	5 064	5 064	3 405	14	1 404	158	83
Total financial assets	**674 730**	**674 730**	**672 859**	**14**	**1 404**	**158**	**295**
Financial liabilities							
Amounts due to customers	319 222	319 222	319 222	–	–	–	–
Financial liabilities held for trading							
CFDs	9 636	9 636	9 636	–	–	–	–
Total financial liabilities held for trading	9 636	9 636	9 636	–	–	–	–
Other liabilities	62 116	62 116	57 740	4 160	216	–	–
Total financial liabilities	**390 974**	**390 974**	**386 598**	**4 160**	**216**	**–**	**–**
Contractual liquidity gap in maturities (payment dates)			286 261	(4 146)	1 188	158	295
Contractual cumulative liquidity gap			286 261	282 115	283 303	283 461	283 756

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)	31.03.2017 (UNAUDITED)		31.12.2016 (AUDITED)		31.03.2016 (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	692 048	692 048	666 381	666 381	605 682	605 682
Financial assets held for trading *	114 667	12 221	94 903	9 649	63 772	3 378
Financial assets available for sale	173	173	190	190	212	212
Loans granted and other receivables	9 302	9 302	5 244	5 244	5 064	5 064
Total financial assets	**816 190**	**713 744**	**766 718**	**681 464**	**674 730**	**614 336**

** As at 31 March 2017, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 114 667 thousand (as at 31 December 2016: PLN 94 903 thousand, as at 31 March 2016: PLN 63 722 thousand). This exposure was collateralised with customers' cash, which, as at 31 March 2017, covered the amount of PLN 152 223 thousand (as at 31 December 2016: PLN 84 866 thousand, as at 31 March 2016: PLN 59 929 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 31 March 2017, the Group had deposit accounts in 40 banks and institutions (as at 31 December 2016: in 38 banks and institutions, as at 31 March 2016: in 38 banks and institutions). The ten largest exposures are presented in the table below (numbering of banks and institutions determined individually for each period):

31.03.2017 (UNAUDITED)		31.12.2016 (AUDITED)		31.03.2016 (UNAUDITED)	
ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)	ENTITY	(IN PLN'000)
Bank 1	122 279	Bank 1	120 491	Bank 1	111 058
Bank 2	98 127	Bank 2	98 762	Bank 2	72 609
Bank 3	92 084	Bank 3	91 342	Bank 3	71 249
Bank 4	77 904	Bank 4	76 076	Bank 4	69 062
Bank 5	41 046	Bank 5	32 713	Bank 5	31 639
Bank 6	32 360	Bank 6	29 421	Bank 6	29 122
Bank 7	30 992	Bank 7	29 222	Bank 7	22 900
Bank 8	30 885	Bank 8	28 474	Bank 8	21 075
Bank 9	24 906	Bank 9	20 745	Bank 9	19 043
Bank 10	24 887	Bank 10	14 631	Bank 10	18 464
Other	116 578	Other	124 504	Other	139 461
Total	**692 048**	**Total**	**666 381**	**Total**	**605 682**

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

CREDIT QUALITY STEPS	CARRYING AMOUNT (IN PLN'000) 31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
Cash and cash equivalents			
Step 1	577 457	265 985	244 619
Step 2	1 390	319 568	286 372
Step 3	81 664	44 591	48 473
Step 4	31 537	36 237	26 218
Step 5	–	–	–
Step 6	–	–	–
Total	**692 048**	**666 381**	**605 682**

Financial assets held for trading

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

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

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

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

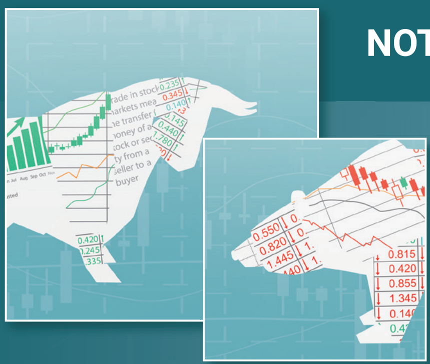
31.03.2017 (UNAUDITED)		31.12.2016 (AUDITED)		31.03.2016 (UNAUDITED)	
ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)	ENTITY	NET EXPOSURE (IN PLN'000)
Entity 1	1 896	Entity 1	892	Entity 1	410
Entity 2	992	Entity 2	840	Entity 2	362
Entity 3	509	Entity 3	838	Entity 3	334
Entity 4	465	Entity 4	669	Entity 4	254
Entity 5	384	Entity 5	429	Entity 5	147
Entity 6	378	Entity 6	390	Entity 6	134
Entity 7	292	Entity 7	385	Entity 7	95
Entity 8	291	Entity 8	299	Entity 8	92
Entity 9	290	Entity 9	159	Entity 9	89
Entity 10	248	Entity 10	155	Entity 10	87
Total	**5 745**	**Total**	**5 056**	**Total**	**2 004**

Financial assets held to maturity

As at 31 March 2017, 31 December 2016 and 31 March 2016 there were no financial assets held to maturity.

Other receivables

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



NOTES TO QUARTERLY REPORT

NOTES TO THE QUARTERLY REPORT

1. Information about the Group's operations

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

The Group is an international provider of trading and investment products, services and solutions, 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 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, Belize 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.

Group strategy is to actively strenghten its position as an international supplier of technologically advanced products, services and solutions in terms of financial instruments turnover in EU Countries, Turkey and Latin America by increasing brand recognition, attract new customers to it's trading platforms and building up longterm investment profile and loyalty of customers. The Group's strategic plan is to enhance its growth through expansion into new markets, to continue penetrating existing markets and to expand the product and service offer of the Group, as well as the development of the institutional segment.

On 10 February 2017 Turkish regulatory authority, i.e. Capital Markets Board of Turkey (CMB), implemented regulatory changes on principles regarding investment services and ancillary services. As at the date of this report, the Company is not able to accurately estimate the impact which the regulatory change will have on clients activities on the Turkish market and their transactions. It can not be excluded that such significant restrictions imposed by the CMB may contribute to a significant decrease in the number of customers, and consequently to a significant reduction of activity of the XTB Group in Turkey. As at the date of this report the analysis of the impact of the implemented changes has not been finalized. Consequently, no decisions regarding further XTB Group operations on the Turkish market were made.

In the I quarter of 2017 the Group focused on development of its operations in Latin America. A new subsidiary was founded in Chile and a company in Belize was acquired.

The Group was constantly expanding its product offer. In the I quarter 2017 XTB expanded its equity CFD and syntetic stocks offer with new products based on shares listed in Skandinavian countries (Denmark, Finland, Norwey and Sweden).

The Board believes that the Group has built a solid foundation to provide its good position to generate profitable growth in the future.

2. Summary and analysis of the Group's results

In the 3 month period ended 31 March 2017 the Group's total operating income, EBITDA and net profit amounted to PLN 58,7 million, PLN 23,5 million and PLN 10,6 million. In the corresponding period of 2016 the Group's total operating income, EBITDA and net profit amounted to PLN 82,8 million, 43,7 million and 31,9 million.

2.1 The factors affecting the Group's financial and operating results

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 3 month period ended 31.03.2017 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.

2.2 Discussion of the Group's results for the I quarter of 2017

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

(IN PLN'000)	THREE-MONTH PERIOD ENDED			
	31.03.2017	31.03.2016	CHANGE (IN PLN'000)	CHANGE (%)
Result of operations on financial instruments	57 650	81 465	(23 815)	(29,2)
Income from fees and commissions	1 052	1 294	(242)	(18,7)
Other income	16	6	10	166,7
Total operating income	**58 718**	**82 765**	**(24 047)**	**(29,1)**
Salaries and employee benefits	(18 425)	(22 275)	3 850	(17,3)
Marketing	(7 175)	(7 990)	815	(10,2)
Other external services	(4 351)	(3 960)	(391)	9,9
Costs of maintenance and lease of buildings	(1 912)	(2 388)	476	(19,9)
Amortisation and depreciation	(1 330)	(1 389)	59	(4,2)
Taxes and fees	(1 019)	(313)	(706)	225,6
Commission expense	(1 499)	(1 109)	(390)	35,2
Other expenses	(854)	(1 040)	186	(17,9)
Total operating expenses	**(36 565)**	**(40 464)**	**3 899**	**(9,6)**
Operating profit	**22 153**	**42 301**	**(20 148)**	**(47,6)**
Finance income	4 501	2 006	2 495	124,4
Finance costs	(12 923)	(4 542)	(8 381)	184,5
Profit before tax	**13 731**	**39 765**	**(26 034)**	**(65,5)**
Income tax	(3 091)	(7 906)	4 815	(60,9)
Net profit	**10 640**	**31 859**	**(21 219)**	**(66,6)**

XTB reported a consolidated net profit of PLN 10,6 million in the I quarter of 2017, compared to PLN 31,9 million in a previous year. Operating profit was PLN 22,2 million in comparison to PLN 42,3 million as compared to the same period of the previous year.

The net result for the I quarter of 2017 was mainly shaped by the following factors:

- the decrease in revenues resulting from lower profitability per lot - the high volatility of revenue in the short term, such as the quarter, is typical for the XTB business model;
- improved cost-effectiveness, showing a decrease in operating costs, with simultaneous increase in the number of accounts and the number of active accounts;
- occurrence of negative exchange rate differences (finance costs) in the amount of PLN 12,6 million (I quarter of 2016: PLN 4,3 million) as a result of zloty strengthening against other currencies.

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).

Accordingly, the Group's ability to generate long-term revenue growth depends largely on its ability to expand its customer base (acquisition of new, retention and reactivation of existing ones) through effective marketing, the development of new innovative products and services, the introduction of new distribution channels and expand into new markets.

In the 3 month period ended 31 March 2017, 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.

	THREE-MONTH PERIOD ENDED			
	31.03.2017		31.03.2016	
	PLN'000	(%)	PLN'000	(%)
Result of operations on financial instruments	57 650	98,2	81 465	98,4
Income from fees and charges	1 052	1,8	1 294	1,6
Other income	16	0,0	6	0,0
Total operating income	**58 718**	**100,0**	**82 765**	**100,0**

Operating revenues reached PLN 58,7 million in the I quarter of 2017 in comparison to PLN 82,8 million as compared to the previous year. From the structural side they have been shaped, on the one hand, by the greater trading activity of customers, which is reflected in the increase in the volume of turnover calculated in lots, and on the other hand, the decrease in profitability per lot.

	THREE-MONTH PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total operating income (in PLN '000)	58 718	93 959	42 802	31 050	82 765
Transaction volume in CFD instruments in lots[1]	540 082	488 660	468 686	525 108	533 201
Profitability per lot (in PLN)[2]	109	192	91	59	155

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

One factor influencing the increase of turnover in lots, in addition to the external factors that the Group has no influence on, is the continued expansion of the customer base by the XTB Board, particularly through further penetration of existing markets. Similarly as in previous periods, the number of new accounts and the average number of active accounts increased from quarter to quarter.

	PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
New accounts[1]	13 280	9 624	8 060	7 178	6 438
Average numer of active accounts[2]	20 408	17 243	16 531	16 305	16 087

[1]) *The number of accounts opened by the Group's clients in the individual periods.*
[2]) *The average quarterly number of accounts respectively for 3 months of 2017 and 12, 9, 6 and 3 months of 2016.*

The decrease in profitability per lot results from the characteristics of the XTB Group's business model, which is characterized by high revenue volatility in a short term. It causes that profitability per lot in particular quarters may be subject to significant fluctuations. It's visible based on the results for 2016. The longer the analysis horizon (eg. the financial year), the more stable the results are.

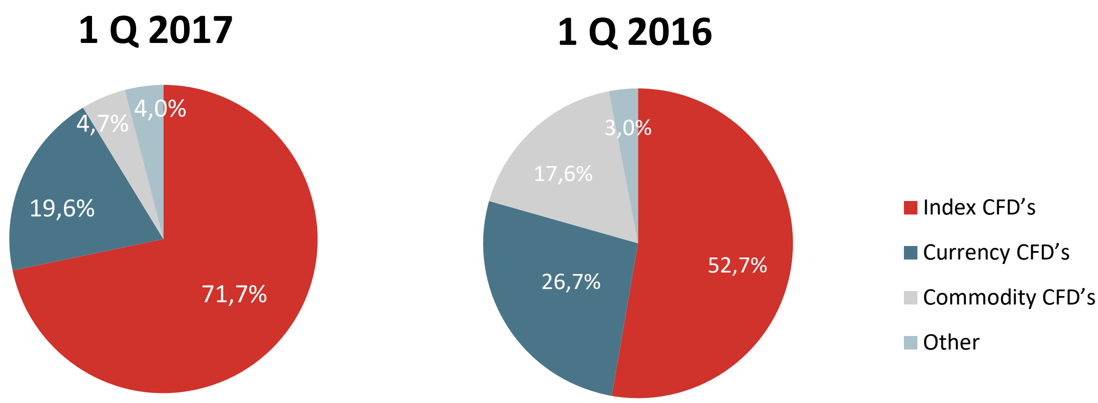
	TWELVE-MONTH PERIOD ENDED			
	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Profitability per lot (in PLN)[1]	124	116	103	111

1) *Total operating income divided by the transaction volume in CFDs in lots.*

In the first quarter of 2017, the profitability per lot of PLN 109 can be considered close to historical annual profitabilities.

Taking into account the structure of income by classes of instruments, in the I quarter of 2017 CFD instruments based on stock indices were particularly attractive. The most important of these are CFD instruments based on German and American stock indices (DE30, US500, US30, US100).

(IN PLN'000)	THREE-MONTH PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Index CFDs	43 249	26 977	27 111	19 820	43 848
Currency CFDs	11 782	39 500	3 742	5 932	22 211
Commodity CFDs	2 831	27 022	11 609	4 756	14 682
Equity CFDs	471	510	389	259	296
Bond CFDs	(123)	(235)	113	371	867
Total CFDs	58 210	93 774	42 964	31 138	81 904
Option derivatives	2 082	1 980	1 114	961	1 277
Gross result of operations on financial instruments	**60 292**	**95 754**	**44 078**	**32 099**	**83 181**
Bonuses and discounts paid to customers	(797)	(768)	(663)	(1 213)	(887)
Commission paid to cooperating brokers	(1 845)	(2 358)	(1 921)	(1 257)	(829)
Net result of operations on financial instruments	**57 650**	**92 628**	**41 494**	**29 629**	**81 465**



In the first quarter of this year the markets continued the upward trends that began at the end of 2016, but not as strong as in the IV quarter of 2016. The range of CFD movement on DE30 (German index DAX-based instrument) reached around 8% in the I quarter of 2017, in comparison to approx. 15% in the IV quarter of 2016. So the scale of movement was significantly lower, which translated into a revenue decrease in the I quarter of 2017.

A significant part of the Group's revenue were also transactions on instruments based on Turkish lira. This was due to continued weakening of the currency to record levels, particularly in January of 2017. Also turnover on pairs with TRY turned out to be important, and increased by 136% and 218% in comparison to the previous and I quarter of 2016, respectively. Such a sharp turnover increase took place even before the introduction of new regulations in Turkey on 10 February 2017.

The top ten most profitable instruments complement the EURUSD, GBPUSD, AUDUSD and VOLX (instrument based on volatility index). USD currency pairs showed a slight correction against the strong strengthening at the end of 2016. These movements were not as strong as in the I and IV quarter of 2016, when the price movement on the EURUSD instrument was around 7%. In the I quarter of 2017, this range was less than 5%, which translated into a decrease in revenues of EURUSD by approximately 80% compared to the two previously discussed quarters.

Expenses

Operating expenses in the I quarter of 2017 amounted to PLN 36,6 million, which represents a decrease by PLN 3,9 million, i.e. almost 10% in comparison to the corresponding period of the previous year.

(IN PLN'000)	THREE-MONTH PERIOD ENDED				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Salaries and employee benefits	18 425	17 156	16 174	16 259	22 275
Marketing	7 175	8 997	8 041	24 310	7 990
Other external services	4 351	5 509	4 295	6 856	3 960
Costs of maintenance and lease of buildings	1 912	2 257	1 960	2 093	2 388
Amortization and depreciation	1 330	1 319	1 327	1 388	1 389
Taxes and fees	1 019	689	1 018	577	313
Commission expenses	1 499	939	932	1 202	1 109
Other expenses	854	2 023	631	2 045	1 040
Total operating expenses	**36 565**	**38 889**	**34 378**	**54 730**	**40 464**

Operating expenses decrease resulted mainly from lower salaries and employee benefits costs by PLN 3,9 million y/y due to: 1) a decrease in the cost of variable remuneration components (bonuses) by PLN 2,7 million; 2) decrease in average employment in the Group from 406 to 387 persons y/y, which translated into total savings in the amount of PLN 1,2 million.

The Management Board expects that total operating expenses will be lower in 2017 than in 2016. On a quarterly basis, they may be comparable to those of I or IV quarter of 2016. This decline should mainly result of lower marketing costs. The final level of operating expenses will depend on the variable remuneration components paid to employees and the level of marketing expenditure. The amount of variable remuneration components will be influenced by the results of the Group. The level of marketing expenditures will depend on their impact on the performance and profitability of the Group and on the responsiveness of customers to the actions taken.

Negative exchange differences

The XTB Group operates in the international markets which requires having cash in a variety of foreign currencies. This results in occurring in the reporting periods exchange rate differences, positive and negative. Due to significant zloty appreciation in the I quarter of 2017, the Group recorded negative exchange differences (finance costs) in the amount of PLN 12,6 million (I quarter of 2016: PLN 4,3 million).

2.3 The Group's selected financial ratios

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

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
EBITDA (in PLN'000)[1]	23 483	43 690
EBITDA margin (%)[2]	40,0	52,8
Net profit margin (%)[3]	18,1	38,5
Return on equity – ROE (%)[4]	11,9	37,1
Return on assets – ROA (%)[5]	5,2	17,6
Aggregate capital adequacy ratio (%)[6]	10,1	14,5

[1]) *EBITDA calculated as operating profit, including amortization and depreciation.*
[2]) *Calculated as the quotient of operating profit, including amortization 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 3-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 3-months periods were annualized).*
[6]) *Calculated as the quotient of equity and total risk exposure.*

2.4 Selected operating data

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

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
Retail operations segment	**486 129**	**469 757**
Central and Eastern Europe	261 128	264 809
Western Europe	156 670	148 944
Latin America and Turkey	68 331	56 004
Institutional operations segment	**53 953**	**63 444**
Total	**540 082**	**533 201**

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

(W TYS. ZŁ)	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
Gain on transactions in financial instruments:	**57 650**	**81 465**
Central and Eastern Europe	22 125	37 484
Western Europe	30 627	36 794
Latin America and Turkey	4 898	7 187
Fee and commission income:	**1 052**	**1 294**
Central and Eastern Europe	752	770
Western Europe	299	498
Latin America and Turkey	1	26
Other income:	**16**	**6**
Central and Eastern Europe	16	6
Western Europe	-	-
Latin America and Turkey	-	-
Total operating income[1]:	**58 718**	**82 765**
Central and Eastern Europe, including:	22 893	38 260
- Poland[2]	10 610	22 534
Western Europe, including:	30 926	37 292
- Spain[2]	13 081	21 385
Latin America and Turkey	4 899	7 213

[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.*

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.

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
New accounts[1]	13 280	6 438
Average number of active accounts[2]	20 408	16 087
Accounts in total	169 031	132 170
Net deposits (in PLN'000)[3]	107 786	108 066
Average operating income per active account (in PLN'000)[4]	2,9	5,1
Transaction volume in CFD instruments in lots[5]	540 082	533 201
Profitability per lot (in PLN)[6]	109	155

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

Retail operations segment

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

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
New accounts[1]	13 273	6 435
Average number of active accounts[2]	20 378	16 052
Accounts in total	168 949	132 058
Number of transactions[3]	7 113 524	6 114 854
Transaction volume in CFD instruments in lots[4]	486 129	469 757
Net deposits (in PLN'000)[5]	95 937	83 292
Average operating income per active account (in PLN'000)[6]	2,2	4,5
Average cost of obtaining an account (in PLN'000)[7]	0,5	1,2
Profitability per lot (in PLN)[8]	91	152

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

	THREE-MONTH PERIOD ENDED			
		31.03.2017		31.03.2016
Central and Eastern Europe	11 936	59%	9 791	61%
Western Europe	6 289	31%	5 118	32%
Latin America and Turkey	2 153	10%	1 143	7%
Total	**20 378**	**100%**	**16 052**	**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.

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
Average number of active accounts	30	35
Accounts in total	82	112

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

	THREE-MONTH PERIOD ENDED	
	31.03.2017	31.03.2016
Trading in CFD derivatives (in lots)	53 953	63 444

3. Company's authorities

3.1 Management Board

As at 1 January 2017 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	from the 29 June 2016 appointed for the 3-years term of office ending 29 June 2019; dismissed on the 10 January 2017
Paweł Frańczak	Board Member	31.08.2012	from the 29 June 2016 appointed for the 3-years term of office ending 29 June 2019
Paweł Szejko	Board Member	28.01.2015	from the 29 June 2016 appointed for the 3-years term of office ending 29 June 2019

On 10 January 2017 during its meeting the Supervisory Board of X-Trade Brokers Dom Maklerski S.A. made changes to the composition of the Management Board. Mr Jakub Malý was dismissed from the position of the President of the Management Board. The Management Board was extended to 5 people. Mr Omar Arnaout was appointed new Member of the Management Board responsible for sales in the rank of Vice-President of the Management Board and Mr Filip Kaczmarzyk was appointed new Member of the Management Board responsible for trading. Due to the vacate on the position of the President of the Management Board, the Supervisory Board decided to delegate its Chairman, Mr Jakub Zabłocki, to temporarily perform the duties of the President of the Management Board in the period from 10 January to 10 April 2017 (which is for the period of 3 months).

On 23 March 2017 the Supervisory Board of the Company adopted a resolution on the dismissal of the Chairperson of the Supervisory Board of Mr. Jakub Zabłocki to act as the President of the Management Board. Concurrently, on the same day the Supervisory Board of XTB adopted a resolution that the Management Board will consist of four people i.e. the President of the Management Board and three members of the Board. At the same time, the Supervisory Board appointed Mr. Omar Arnaout as President of the Management Board as from 23 March 2017.

As a result of the above described changes, as at 31 March 2017 the Management Board was composed of the following persons:

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

**Omar Arnaout was appointed on 10.01.2017 for the position of the Management Board member responsible for sales in the rank of Vice-President of the Management Board. On 23.03.2017 he was appointed to the position of the President of the Management Board.*

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

3.2 Supervisory Board

As at 1 January 2017 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	09.11.2015	09.11.2018
Łukasz Baszczyński	Board Member	09.11.2015	09.11.2018
Jarosław Jasik	Board Member	09.11.2015	09.11.2018
Michał Kędzia	Board Member	09.11.2015	09.11.2018
Bartosz Zabłocki	Board Member	09.11.2015	09.11.2018

On 10 January 2017 Mr Jakub Leonkiewicz resigned from participation in the Supervisory Board of the Company and acting as the Chairman with immediate effect. Therefore, using the right under § 15 section 4 of the XTB Articles of Association, on 10 January 2017 Mr Jakub Zabłocki appointed, with effect on the same day, himself to the Supervisory Board of the Company acting as its Chairman.

As a result of the above described changes, as at 31 March 2017 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 Zabłocki	Chairman of the Management Board	10.01.2017	09.11.2018
Łukasz Baszczyński	Board Member	09.11.2015	09.11.2018
Jarosław Jasik	Board Member	09.11.2015	09.11.2018
Michał Kędzia	Board Member	09.11.2015	09.11.2018
Bartosz Zabłocki	Board Member	09.11.2015	09.11.2018

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

4. Information on the shares and the shareholding

4.1 Equity

As at 31 March 2017 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.

4.2 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 impacted the Company's result and were recognized in the previous 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 year 2015.

Average cost per Offer Share was PLN 0,31.

4.3 Shareholding structure

In 2016 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.

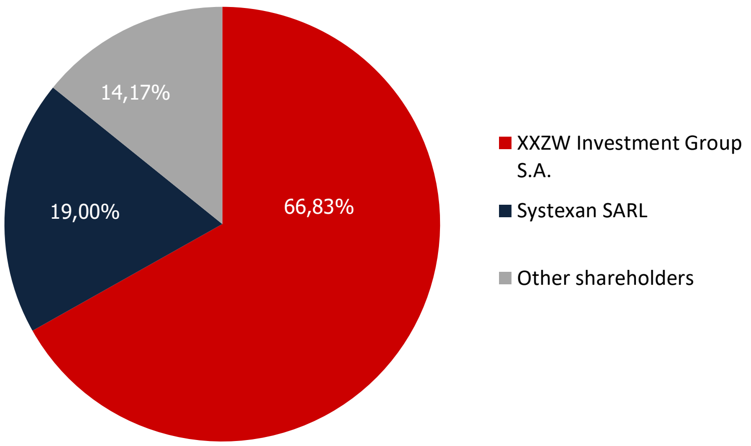
To the best of the Company's Management Board knowledge, as at 14 November 2016, i.e. as at the submission date of the previous quarterly report (report for the III quarter 2017), the shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting were as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A.[1]	78 446 216	3 922	66,83%
Systexan SARL[2]	22 302 960	1 115	19,00%
Other shareholders	16 634 459	832	14,17%
Total	**117 383 635**	**5 869**	**100,00%**

[1]*) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.*

[2]*) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.*

The shareholding structure as at 14 November 2016 is presented on the graph below:



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.

On 23 December 2016 two employees of X-Trade Brokers Dom Maklerski S.A. acquired 256 835 Parent Company's shares by performance of the incentive scheme. Shares were transferred by the existing shareholders XXZW Investment Group S.A. and Systexan SARL. Details on the transaction have been provided in the current report No. 19/2016 of 23 December 2016.

On 5 January 2017, The Company received notification from XXZW Investment Group, which informed on the sale of 79 552 shares in connection with the performance of the incentive scheme by the participants of the scheme.

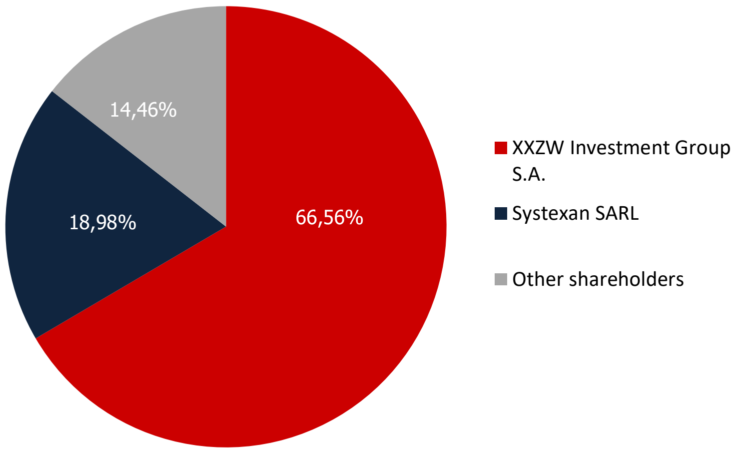
Taking the above into account, to the best of the Company's Management Board knowledge, as at 31 March 2017 and as at the submission date of the foregoing report, the shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting were as follows:

	NUMBER OF SHARES/ VOTES	NOMINAL SHARE VALUE (IN PLN'000)	SHARE IN CAPITAL/ IN TOTAL VOTES
XXZW Investment Group S.A. [1]	78 126 913	3 906	66,56%
Systexan SARL[2]	22 280 207	1 114	18,98%
Other shareholders	16 976 515	849	14,46%
Total	**117 383 635**	**5 869**	**100,00%**

[1]*) XXZW Investment Group S.A. with its registered office in Luxembourg is directly controlled by Jakub Zabłocki, who holds shares representing 81,97% of the share capital authorising the exercise of 81,97% of the votes at the general meeting of the shareholders of XXZW.*

[2]*) SYSTEXAN S.à r.l. with its registered office in Luxembourg is directly controlled by the Polish Enterprise Fund VI L.P., with its registered office in the Cayman Islands.*

The shareholding structure as at 31 March 2017 and as at the submission date of this report is presented on the graph below:



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

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

NAME AND SURNAME	FUNCTION	NUMBER OF SHARES AS AT 14.11.2016	NUMBER OF SHARES HELD AS AT THE DATE OF THIS RAPORT
Jakub Malý*	Chairman of the Management Board	-	-
Paweł Frańczak	Board Member	-	37 328
Jakub Zabłocki**	Chairman of the Management Board, Chairman of the Supervisory Board	-	64 040 631

** Supervisory Board dismissed on 10 January 2017 Jakub Malý from the Management Board , effective on the same day.*
*** Chairman of the Supervisory Board of X-Trade Brokers Dom Maklerski S.A. (from 10 January 2017) delegated to temporarily perform the duties of Chairman of the Management Board - for the period from 10 January 2017 until 10 April 2017. On 23 March 2017 the Supervisory Board adopted a resolution on the dismissal of the Chairperson of the Supervisory Board of Mr. Jakub Zabłocki to act as the President of the Management Board. The table above shows the number of shares held indirectly by Jakub Zablocki as at the date of this report. Jakub Zabłocki holds shares representing 81.97% of the share capital and entitling to exercise 81.97% of votes at the general meeting of shareholders XXZW.*

As at the submission date of the previous quarterly report, i.e. 14 November 2016, under the Incentive Plan, three persons authorized to participate in the Incentive Plan held 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 held no options authorising him to acquire or subscribe for shares in the Company.

In 2016 as part of the Incentive Scheme two managing persons acquired shares through the execution of the rights granted.

On 23 December 2016 the Company received from Mr. Jakub Maly notice which announced the acquisition of 219 507 shares of the Company, with a nominal value of PLN 0,05 each. According to the notification the acquisition of the above shares were in connection with the exercise of powers of the options granted under the Incentive Scheme.

On 23 December 2016 the Company received from Mr. Paweł Frańczak notice which announced the acquisition of 37 328 shares of the Company, with a nominal value of PLN 0,05 each. According to the notification the acquisition of the above the shares were in connection with the exercise of powers of the options granted under the Incentive Scheme.

At the same time on 23 December 2016, the Company received a notification from XXZW Investment Group being an entity closely related to Jakub Zabłocki who performs management functions, which informed about the sale of a total of 239 751 shares of the Company. According to the notification the sale of the above shares was in connection with the performance by the participants of the Incentive Scheme entitlements from options granted under the scheme.

About the above-mentioned events, the Company informed in the current report No. 19/2016 on 23 December 2016.

In addition, on 5 January 2017 the Company received a notification from XXZW Investment Group, which informed on the sale of 79 552 shares in connection with the performance by the participants of the Incentive Scheme entitlements from options granted under the Program.

Other Management and Supervisory Board Members did not hold the Company's shares at the end of the reporting period and as at the date of this report.

Management and Supervisory Board Members did not hold options authorizing them to acquire or subscribe for shares in the Company at the end of the reporting period and as at the date of this report.

5. Other informations

5.1 Description of the Group's organization

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

The business of the Parent Company is conducting brokerage activities in the stock market and the OTC market (derivatives on currencies, commodities, indices, stocks and bonds). The Parent Company is subject to supervision by the Financial Supervision Commission and operates regulated under a permit of 8 November 2005, No. DDM-M-4021-57-1 / 2005.

As at the 1 January 2017 the Group comprised Parent Company and 5 subsidiaries.

In the reporting period there were following changes in the Group's structure:

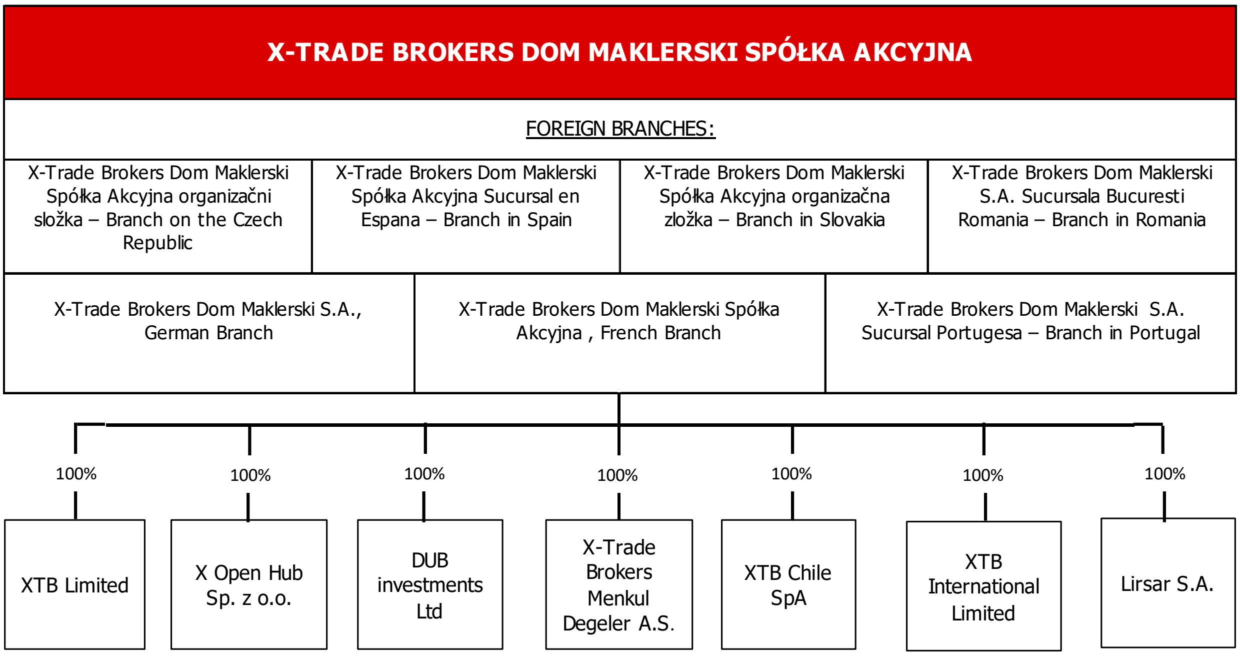
On 17 February 2017 the Company established a subsidiary XTB Chile SpA. The Company owns 100% shares in subsidiary. XTB Chile SpA will conduct services consisting in acquiring new customers from the territory of Chile.

On 23 February 2017 the Company purchased 100% of shares in CFDs Prime with its seat in Belize. On 20 March 2017 the company changed its name from CFDs Prime Limited to XTB International Limited. CFDs Prime provides brokerage services based on obtained permission issued by International Financial Service Commission (financial regulatory body in Belize). Changes described above resulted in particular from the realization by XTB of the Group's strategic objectives in the area of expansion into new markets. Additional information concerning the acquisition of the company were disclosed in note 1.2 to the Interim condensed consolidated financial statements.

As a result of the above described changes in the Group's structure, as at the 31 March 2017 and as at the submission date of this report, the Group comprised Parent Company and 7 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.

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.

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

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.

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

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

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

DUB Investments 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.

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

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.

<u>Lirsar S.A., Uruguay</u>

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

XTB Chile SpA, Chile

On 17 February 2017 the Company established a subsidiary XTB Chile SpA. The Company owns 100% shares in subsidiary. XTB Chile SpA will conduct services consisting in acquiring new customers from the territory of Chile.

XTB International Limited, Belize

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

In the reporting period, i.e. from 1 January 2017 to 31 March 2017 and as at the submission date of this report there were no changes in the X-Trade Brokers Dom Maklerski S.A. Group's structure other than described above.

5.2 Information on transactions with related parties

In 3 month period ended 31 March 2017 and 31 March 2016 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)	31.03.2017	31.03.2017	31.03.2016	31.12.2016	31.03.2016
	REVENUE	RECEIVABLES	REVENUE	RECEIVABLES	RECEIVABLES
Subsidiaries:					
XTB Limited	4 443	6 204	4 289	6 111	3 095
Dub Investments	39	13	39	24	13
X Open Hub Sp. z o.o.	496	595	166	516	389
X-Trade Brokers Menkul Degerler A.S	4 361	4 564	6 313	1 774	4 111
Lirsar S.A.	–	–	5	730	646
XTB International	–	186	–	–	–

(IN PLN'000)	31.03.2017	31.03.2017	31.03.2016	31.12.2016	31.03.2016
	COSTS	LIABILITIES	COSTS	LIABILITIES	LIABILITIES
Shareholders	–	–	–	–	19 444
Subsidiaries:					
XTB Limited	(3 644)	6 606	(7 205)	3 115	3 570
Dub Investments	(323)	103	(264)	-	260
X Open Hub Sp. z o.o.	(81)	52	(32)	79	22
X-Trade Brokers Menkul Degerler A.S	(2 559)	2 801	(3 078)	3 648	4 834
Lirsar S.A.	–	–	–	–	–
XTB International	(915)	2 690	–	–	–

5.3 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 31 March 2017 and in the reporting period, i.e. from 1 January 2017 to 31 March 2017, 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.

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

The Management Board of X-Trade Brokers Dom Maklerski S.A. did not publish any forecasts of the results for 2017.

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

As at 31 March 2017 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 the submission date of this report, the total value of the claims brought against the Company and/or the Group Companies amounted to approximately PLN 6,1 million, of which suits brought by the employees pending before court four proceedings where the total value of claims was PLN 5,38 million and eight suits brought by clients with the total value of claims of PLN 0,70 million. Below the most significant, in the Company's view, were presented.

As at the submission date of this report, the Company is party to proceedings initiated by a former employee of the Company's branch in France. The matter was brought to court on 21 December 2012. Under the Court judgement of 4 November 2014 the sum adjudicated in favour of the former employee is the equivalent of PLN 100 000. On 14 December 2014, the plaintiff submitted an appeal. Although the judgement issued in the first instance was favourable to the Company, there is still a risk that the Company will lose the dispute. In view of the complex nature of the dispute and the claim, as at the submission date of this report it is difficult to reliably assess the risks involved in the case. The original value of the claim was set at PLN 2,2 million. However, based on the representation of the law firm that is conducting the case, it should be theoretically assumed that the value of the claim may increase until it is finally settled by approximately EUR 20 000 per month. In view of the above, as at the submission date of this report, the claim was accounted for at the total value of the claims demanded against the Company of approximately PLN 5,02 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 an appellation against this decision. The Warsaw Court of Appeal upheld the appeal and changed the challenged judgment by securing XTB's claim against XFR and has banned XFR from using (i) word marks and word-figurative marks "XTB", "X-Trade", "XTrade" , "X" and (ii) the word mark xtrade.eu, as an indications of its company or services The Company has also launched inter alia 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, has completed 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 internal control system, compliance system and internal audit system, and (iv) the technical and organizational conditions of conducting brokerage activities. Control proceedings have been completed on 16 September 2016. On 14 October 2016 the Company received the control protocol indicating infringements and/or deficiencies in implementation of binding laws and regulations by the Company, in response to which the Company submitted substantiated objections in accordance with the provisions in force. The PFSA did not accept the Company's objections and has issued recommendations, which require from the Company to implement appropriate measures to put an end to irregularities which had been identified.

The Company has adjusted its activity to the PFSA's recommendations with due diligence. Nevertheless, no assurance may be given that the Company's way of activity adjustment to the particular PFSA's recommendation will not be considered as unlawful or non-compliant with PFSA's attitude to the issue. In the case of the PSFA consider that the Company adopted the recommendations inappropriately, or due to identified breach or irregularities in the implementation of binding laws and regulations by the Company, the PFSA will, inter alia: (i) restrict or withdraw the Company's permit to conduct brokerage activities, (ii) impose a cash penalty of up to 10% of the revenue shown in the Company's last audited financial statements.

On March 20, 2017, the PFSA, within the scope of its supervisory powers with respect to the Company, has completed the process of reviewing the Company's compliance with obligations under the provisions of the Anti-Money Laundering and the Financing of Terrorism Act of November 16, 2000, inter alia obligations relating to (i) maintaining a transactions register, (ii) transactions monitoring, (iii) maintaining appropriate procedural solutions, (iv) clients identification. The control has been completed on April 20, 2017.

As at the submission date of this report the Company is waiting for the control protocol. The Company cannot exclude that PFSA will identify infringements in Company's brokerage activity which may constitute basis to, inter alia, issuance of recommendations, initiation of administration proceeding against Company as to impose penalty or other administrative sanctions within supervisory powers of PFSA or other authorities

As at the submission date of this report 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.

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.

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

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

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

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

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

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

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

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

The Company has exercised due diligence in order to comply with its obligations under the Act. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with the Act which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Group significant financial outlays and implementation of the significant organizational changes.

Guidelines for the brokerage services on the OTC derivatives market

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

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

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

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

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

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

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (**PRIIP**s) was suppose to enter in force on 31 December 2016. On 9 November 2016 European Commission proposed delaying Regulation's entry into force to 1 January 2018. PRIIP Regulation imposes an obligation on specified financial institutions of preparing document which contains key information of given financial product and defines the manner of its presentation to individual investors**. KID** document needs to be prepared for each packaged retail and insurance-based investment product. These products also include derivatives, such as options and CFDs. PRIIP Regulation precisely defines the elements and the sequence in which they shall be included in KID, that is: (i) product name, (ii) data identifying product manufacturers, (iii) information concerning supervision authority of manufacturer, (iv) appropriate warning if product is difficult to understand, (v) main characteristics of product, (vi) description of risk and return, (vii) costs related with investment, (viii) determine the duration of the possession of the product, (ix) information on methods of claim submission, (x) and other relevant information. In cases of infringement of the obligations arising from PRIIP Regulation the supervisory authority may impose following administrative sanctions and measures: (i) prohibition of the product's being placed on the market, (ii) order to suspend placing the product's on the market, (iii) placing the person responsible for the infringement on the list of the public notices, indicating the nature of the breach, (iv) the prohibition of dissemination KID not satisfying the requirements available and publication of the new version, (v) in case of legal persons administrative sanctions up to EUR 5 000 000, or in member states, whose currency is not the euro the equivalent in national currency at 30th December 2014, or up to 3% the total annual turnover of this legal person in accordance with the most recent available financial statement or up to twice the amount of the profits gained or losses avoided because of the breach, in case where fair value can be determined, (vi) in case of natural persons administrative sanctions up to EUR 700 000, or in member states, whose currency is not the euro the equivalent in national currency at 30th December 2014, or up to twice the amount of the profits gained, or losses avoided because of the breach, in case where fair value can be determined . The Regulation becomes directly applicable in all member states.

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

Preventing use of the financial system for money laundering or terrorist financing - the so-called IV AML Directive

The European Union is working on the adaptation of national legal systems to the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (the Directive). The main changes resulting from the new legislation are among others: (i) highlight of the importance of a comprehensive approach to the analysis of the risk of money laundering and terrorist financing, at transnational, national and institutional levels, (ii) clarification of the methods of the real beneficiaries identification, (iii) extension of the definition of politically exposed persons (PEP) by adding domestic persons to that group, (iv) extension of the scope of the new regulations on entities receiving cash payments above EUR 10 000, instead present EUR 15 000. Deadline for implementation of the Directive expires on 25 June 2017.

At the date of this report, there are works in order to adapt different national legal orders to the new regulations. The Company cannot exclude the possibility that the changes resulting from the Directive will have a significant adverse impact on the operations, financial position and results of the Group, as well as the price of Shares.

Amendment of Trading in Financial Instruments Act

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

The Company has exercised due diligence in order to comply with the Act. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the Act which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes

France

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

The Company has exercised due diligence in order to comply with the amended regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the Act which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes

Turkey

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

Group Company - X-Trade Brokers Menkul Değerler has taken the best effort in order to implement the new regulations. However, it cannot be excluded that a given rule or requirement will be interpreted by the Group in a manner inconsistent with regulations and the approach of the regulators which may expose the Group to the risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Group significant further financial outlays and implementation of the further significant organizational changes. As at the date of this report, the Company is not able to accurately estimate the impact which the regulatory change will have on clients activities on the Turkish market and their transactions. It can not be excluded that such significant restrictions imposed by the CMB may contribute to a significant decrease in the number of customers, and consequently to a significant reduction of activity of the XTB Group in Turkey. As at the date of this report the analysis of the impact of the implemented changes has not been finalized. Consequently, no decisions regarding further XTB Group operations on the Turkish market were made.

Germany

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

At the date of this report Company analyses above regulation and is not able to accurately estimate the full impact of the above-mentioned regulations on the activity of the Group. It cannot be excluded, that the process of adaptation to the changes may result in the necessity to incur a significant financial outlays by the Group, implementation of significant organizational changes, or even limit possibilities of services promotion in Germany which may have negative impact on the operations, financial position and results of the Group as well as the price of shares.

Great Britain

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

According to the FCA information, the final version of the document will be published in Spring 2017. At the date of this report, the Company cannot exclude the possibility that the provided restrictions will have a material adverse impact on the operations, financial position and results of the Group on the United Kingdom market, as well as the price of Shares.

Spain

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

The Company has exercised due diligence in order to comply with the above regulations. However, it cannot be excluded that measures undertaken by Company in order to implement above requirements will be interpreted by the Company in a manner inconsistent with the regulations which may be connected with risk of administrative sanctions and other administrative measures specified in binding laws and may require incurring by the Company significant financial outlays and implementation of the significant organizational changes

Financial transaction tax

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

Notwithstanding the above, the work on the pan-European legislation imposing a financial transaction tax a portion of the proceeds of which would be contributed directly to the EU budget is in progress. The original proposal regarding the introduction of such tax provided that the minimum tax rates will be 0.1% on any trading in shares and bonds and 0.01% on any trading in derivative instruments. On 8 December 2015, a working draft of a summary of the meeting of the Economic and Financial Affairs Council, which was held on the same day, was published. It presented the principal assumptions for the future tax on financial trades regarding: (i) shares; and (ii) derivatives. According to that document, the tax should apply to all transactions involving shares, although a more precise definition of its territorial scope was left to the legislative initiative of the European Commission. The document states that the tax will also apply to transactions in derivative instruments executed within the scope of market making activities. As at the submission date of this report there is no official information about the possible date of the imposition of such a tax.

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

The Management Board believes that the following trends have impact and will maintain and continue to impact the Group's operations until the end of 2017 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 the Group's business model. To illustrate this, historical quarterly financial and operating results of the Group were presented below:

(IN PLN'000)	THREE-MONTH PERIOD ENDED							
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015
Total operating income (in PLN'000)	58 718	93 959	42 802	31 050	82 765	57 354	95 695	33 983
Transaction volume in CFD instruments in lots[1]	540 082	488 660	468 686	525 108	533 201	559 854	625 946	664 597
Profitability per lot (in PLN)[2]	109	192	91	59	155	102	153	51

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

- Starting from 2013, the Group also provides services to institutional clients, including brokers, start-up businesses and other financial institutions within the institutional business line (X Open Hub). As of the date of the foregoing report the Group is in the process of development of this segment's operations, which still is in the early stage of development. Products and services offered by the Group within X Open Hub operations differ from those offered within retail operations. Therefore they are associated with different risks and challenges. As a consequence, the Group's income from this segment may be subject to large fluctuations in subsequent periods. The table below presents the percentage share of the institutional segment in the total operating income.

	2016	2015	2014	2013
% share of operating income from institutional operations in total operating income	7,8%	4,7%	14,1%	4,6%

The Management Board believes that the potential low volatility on the financial and commodity markets in 2017, regulatory changes as well as other factors may unfavorably impact the situation of XTB institutional partners and therefore lead in the upcoming periods to drop in volume traded in lots as well as XTB income from these clients. On the other hand the Management Board of XTB can't exclude the higher rotation of clients in the institutional segment in the upcoming quarters.

- The Management Board expects that total operating expenses in 2017 will be lower than in 2016. In the quarterly view, they may reach similar levels than in the I quarter of 2017 or in the I or IV quarter of 2016. The decrease should mainly result from lower marketing costs. The final level of total operating expenses will depend on the variable items of remuneration paid to employees and on marketing costs level. The variable items of remuneration is in turn dependent on the Groups results. The marketing costs level will depend on the evaluation of the costs efficiency from the Group's results and profitability perspective and the degree of clients responsiveness on the undertaken actions and 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.

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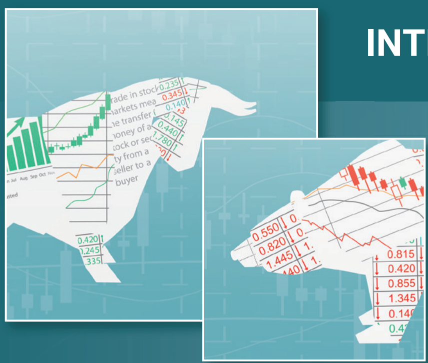

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	31.03.2016 (UNAUDITED)
Result of operations on financial instruments	53 898	71 399
Income from fees and charges	1 037	1 143
Other income	16	6
Total operating income	**54 951**	**72 548**
Salaries and employee benefits	(15 257)	(17 234)
Marketing	(6 616)	(6 123)
Other external services	(3 666)	(3 186)
Costs of maintenance and lease of buildings	(1 351)	(1 444)
Amortization and depreciation	(1 064)	(1 128)
Taxes and fees	(863)	(114)
Fee expenses	(1 319)	(956)
Other costs	(376)	(689)
Total operating expenses	**(30 512)**	**(30 874)**
Profit on operating activities	**24 439**	**41 674**
Finance income	3 439	282
Finance costs	(12 793)	(4 065)
Profit before tax	**15 085**	**37 891**
Income tax	(2 993)	(7 505)
Net profit	**12 092**	**30 386**
Other comprehensive income	**(1 436)**	**344**
Items which will be reclassified to profit or loss after meeting specific conditions	(1 436)	344
– foreign exchange differences on translation of foreign operations	*196*	*244*
– foreign exchange differences on valuation of separated equity	*(2 015)*	*124*
– deferred income tax	*383*	*(24)*
Total comprehensive income	**10 656**	**30 730**
Earnings per share:		
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	0,10	0,26
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	0,10	0,26
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	0,10	0,26
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	0,10	0,26

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(IN PLN'000)	31.03.2017 (UNAUDITED)	31.12.2016 (AUDITED)	31.03.2016 (UNAUDITED)
ASSETS			
Own cash and cash equivalents	230 438	233 942	239 088
Customers' cash and cash equivalents	379 613	352 830	297 365
Financial assets held for trading	107 560	90 224	61 529
Investments in subsidiaries	66 932	66 095	66 095
Income tax receivables	3 128	1 016	5 480
Loans granted and other receivables	13 707	12 036	10 684
Prepayments and deferred costs	3 600	2 891	7 948
Intangible assets	3 935	4 136	6 064
Property, plant and equipment	2 887	3 115	3 246
Deferred income tax assets	8 567	9 086	8 914
Total assets	**820 367**	**775 371**	**706 413**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to customers	380 927	350 821	303 367
Financial liabilities held for trading	25 990	21 647	9 021
Income tax liabilities	2 270	4 227	2 178
Other liabilities	20 384	20 438	60 707
Provisions for liabilities	843	883	826
Deferred income tax provision	15 022	13 080	9 517
Total liabilities	**445 436**	**411 096**	**385 616**
Equity			
Share capital	5 869	5 869	5 869
Supplementary capital	71 608	71 608	71 608
Other reserves	212 416	212 416	212 416
Foreign exchange differences on translation	437	1 873	1 008
Retained earnings	84 601	72 509	29 896
Total equity	**374 931**	**364 275**	**320 797**
Total equity and liabilities	**820 367**	**775 371**	**706 413**

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

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

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

Statement of changes in equity for the period from 1 January 2016 to 31 December 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2016	**5 869**	**71 608**	**188 954**	**664**	**114 531**	**381 626**
Total comprehensive income for the financial year						
Net profit	–	–	–	–	72 999	**72 999**
Other comprehensive income	–	–	–	1 209	–	**1 209**
Total comprehensive income for the financial year	**–**	**–**	**–**	**1 209**	**72 999**	**74 208**
Transactions with the Parent Company's owners recognised directly in equity						
Appropriation of profit/offset of loss	–	–	23 462	–	(115 021)	**(91 559)**
- dividend payment	–	–	–	–	(91 559)	**(91 559)**
- transfer to other reserves	–	–	23 462	–	(23 462)	**–**
As at 31 December 2016 (audited)	**5 869**	**71 608**	**212 416**	**1 873**	**72 509**	**364 275**

Interim condensed statement of changes in equity for the period from 1 January 2016 to 31 March 2016

(IN PLN'000)	SHARE CAPITAL	SUPPLEMENTARY CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2016	**5 869**	**71 608**	**188 954**	**664**	**114 531**	**381 626**
Total comprehensive income for the financial year						
Net profit	–	–	–	–	30 386	**30 386**
Other comprehensive income	–	–	–	344	–	**344**
Total comprehensive income for the financial year	**–**	**–**	**–**	**344**	**30 386**	**30 730**
Transactions with the Parent Company's owners recognised directly in equity						
Appropriation of profit/offset of loss	–	–	23 462	–	(115 021)	**(91 559)**
- dividend payment	–	–	–	–	(91 559)	**(91 559)**
- transfer to other reserves	–	–	23 462	–	(23 462)	–
As at 31 March 2016 (unaudited)	**5 869**	**71 608**	**212 416**	**1 008**	**29 896**	**320 797**

INTERIM CONDENSED CASH FLOW STATEMENT

(IN PLN'000)	THREE-MONTH PERIOD ENDED 31.03.2017 (UNAUDITED)	THREE-MONTH PERIOD ENDED 31.03.2016 (UNAUDITED)
Cash flows from operating activities		
Profit before tax	15 085	37 891
Adjustments:		
(Gain) loss on sale or disposal of items of property, plant and equipment	6	–
Amortization and depreciation	1 064	1 128
Foreign exchange (gains) losses from translation of own cash	3 694	803
(Gain) loss from investing activities	(2 369)	–
Other adjustments	(1 393)	340
Changes		
Change in provisions	(40)	(5)
Change in balance of financial assets and liabilities held for trading	(12 993)	258
Change in balance of restricted cash	(26 783)	(14 572)
Change in balance of loans granted and other receivables	(32)	3 226
Change in balance of prepayments and accruals	(709)	(5 767)
Change in balance of amounts due to customers	30 106	14 082
Change in balance of other liabilities	(8)	15 280
Cash from operating activities	**5 628**	**52 664**
Income tax paid	(4 601)	(13 240)
Interest	2	(2)
Net cash from operating activities	**1 029**	**39 422**
Cash flow from investing activities		
Expenses relating to payments for property, plant and equipment	(228)	(231)
Expenses relating to payments for intangible assets	(456)	(119)
Repayments of loans granted	732	–
Net cash from investing activities	**48**	**(350)**
Cash flow from financing activities		
Payments of liabilities under finance lease agreements	(44)	(30)
Interest paid under lease	(2)	(3)
Expenses relating to payments for acquisitions of shares in subsidiaries	(837)	(2 648)
Dividend paid to owners	–	(72 116)
Net cash from financing activities	**(883)**	**(74 797)**
Increase (decrease) in net cash and cash equivalents	**194**	**(35 725)**
Cash and cash equivalents – opening balance	**233 942**	**275 592**
Effect of FX rates fluctuations on balance of cash in foreign currencies	**(3 698)**	**(779)**
Cash and cash equivalents – closing balance	**230 438**	**239 088**

Warsaw, May 12th 2017

Omar Arnaout President of the Management Board	Paweł Frańczak Member of the Management Board
Paweł Szejko Member of the Management Board	Filip Kaczmarzyk Member of the Management Board
Ewa Stefaniak The person responsible for bookkeeping	

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